

## PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 2, 2026

### NEW ISSUE

**S&P Global Rating (underlying): BBB- (stable outlook)**  
**S&P Global Ratings (BAM Insured): AA (stable outlook)**  
See "RATINGS" and "BOND INSURANCE."

*In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (defined herein) after the date of initial delivery of the Bonds described below (the "Bonds") with certain covenants contained in the Order (defined below) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. (see "TAX MATTERS" herein).*

**\$9,495,000\***

### CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1

(a political subdivision of the State of Texas located in the City of Heath, Texas)

### SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026 (IMPROVEMENT AREA #1 PROJECT)

**Dated Date: Date of Delivery**

**Due: September 1, as shown on the inside cover**

**Interest to Accrue/Accrete from Date of Delivery**

The Club Municipal Management District No. 1 Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project) (the "Bonds") are being issued by the Club Municipal Management District No. 1 (the "District") in part as Current Interest Bonds ("CIBs") and in part as Capital Appreciation Bonds ("CABs"). The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry only form and purchasers of beneficial interests in the Bonds will not receive physical bond certificates. For so long as the book-entry only system is maintained, the principal of, premium, if any, Accrued Value (as defined herein) and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, Dallas, Texas, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. The CIBs will be initially delivered in fully registered form, without coupons, in authorized denominations of \$1,000 or any integral of \$1,000 in excess thereof. The CIBs will bear interest at the rates set forth on page i hereof, payable semi-annually on each March 1 and September 1, commencing September 1, 2026, until maturity or earlier redemption. The CABs will be issued in as fully registered obligations in "Maturity Amount" of \$1,000 or any integral of \$1,000 in excess thereof, and will be payable at stated maturity or upon prior redemption. The "Maturity Amount" for the CABs means the original principal amount, plus the initial premium, if any, paid therefor, and the interest accrued and compounded thereon and payable at maturity. Interest accruing on the CIBs and interest accrued and compounded on thereon and payable at maturity. Interest accruing on the CABs will be calculated on the basis of a 360-day year of twelve 30-day months.

The scheduled payment of principal of, interest on, and Maturity Amount on the Bonds when due will be guaranteed under a municipal bond insurance policy expected to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company. See "BOND INSURANCE" and "APPENDIX E – Specimen Municipal Bond Insurance Policy" herein.



The Bonds are being issued by the District pursuant to Chapter 3902, Texas Special District Laws Code (the "District Legislation") and the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), an order expected to be adopted by the Board of Directors of the District (the "Board of Directors") on February 5, 2026, and an Indenture of Trust, dated as of February 1, 2026 (the "Indenture"), entered into by and between the District 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) refunding the Refunded Bonds (as defined herein), (ii) paying or refinancing portion of the costs of the Improvement Area #1 Improvements (as defined herein), (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and Additional Interest Reserve, and (iv) paying certain costs of issuance of the Bonds. The District encompasses a mixed-use development, and is commonly known as the "Heath Golf & Yacht Club." See "THE IMPROVEMENT AREA #1 IMPROVEMENTS" and "APPENDIX A — Form of Indenture."

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

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

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE DISTRICT DOES NOT HAVE POWER TO TAX. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY OF HEATH, TEXAS (THE "CITY") AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE 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, ACCRUED VALUE, MATURITY VALUE OR REDEMPTION PREMIUM, IF ANY, THEREON. THE DISTRICT SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE TRUST ESTATE. SEE "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 Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the District and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Winstead PC, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about February 26, 2026 (the "Date of Delivery").

**FMSbonds, Inc.**

\* Preliminary; subject to change.

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

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

\$9,495,000\*

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
(a political subdivision of the State of Texas located in the City of Heath, Texas)  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026  
(IMPROVEMENT AREA #1 PROJECT)

Year (September 1)	Original Principal Amount	Initial Yield to Maturity	Maturity Amount	Initial Offering Price per \$5,000 in Maturity Amount	CUSIP Suffix <sup>(a)</sup>
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\$\_\_\_\_\_ Current Interest Bonds (“CIBs”)<sup>(c)(d)(e)</sup>

\$\_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_\_\_, Priced to Yield \_\_\_\_\_%; CUSIP Suffix \_\_\_\_\_<sup>(a)</sup>

\* Preliminary; subject to change.

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The CABs are not subject to redemption prior to maturity at the option of the District, but are subject to extraordinary optional redemption as described herein at the redemption price equal to the “Accreted Value” as of the date of redemption (such “Accreted Value” as defined herein under the caption “DESCRIPTION OF THE BONDS — General Description” and to be calculated as of any redemption date in accordance with such definition). See “DESCRIPTION OF THE BONDS — Redemption Provisions.”
- (c) The CIBs are subject to extraordinary optional redemption at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption as described herein under “DESCRIPTION OF THE BONDS — Redemption Provisions.”
- (d) The Term CIBs are also subject to mandatory sinking fund redemption as described herein under “DESCRIPTION OF THE BONDS — Redemption Provisions.”
- (e) The CIBs are subject to redemption, in whole or in part, prior to stated maturity, at the option of the District, on any day on or after September 1, 20\_\_\_\_ at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption as set forth herein under “DESCRIPTION OF THE BONDS — Redemption Provisions.”

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

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

**DISTRICT ADMINISTRATOR**  
MuniCap, Inc.

**MUNICIPAL ADVISOR**  
Hilltop Securities Inc.

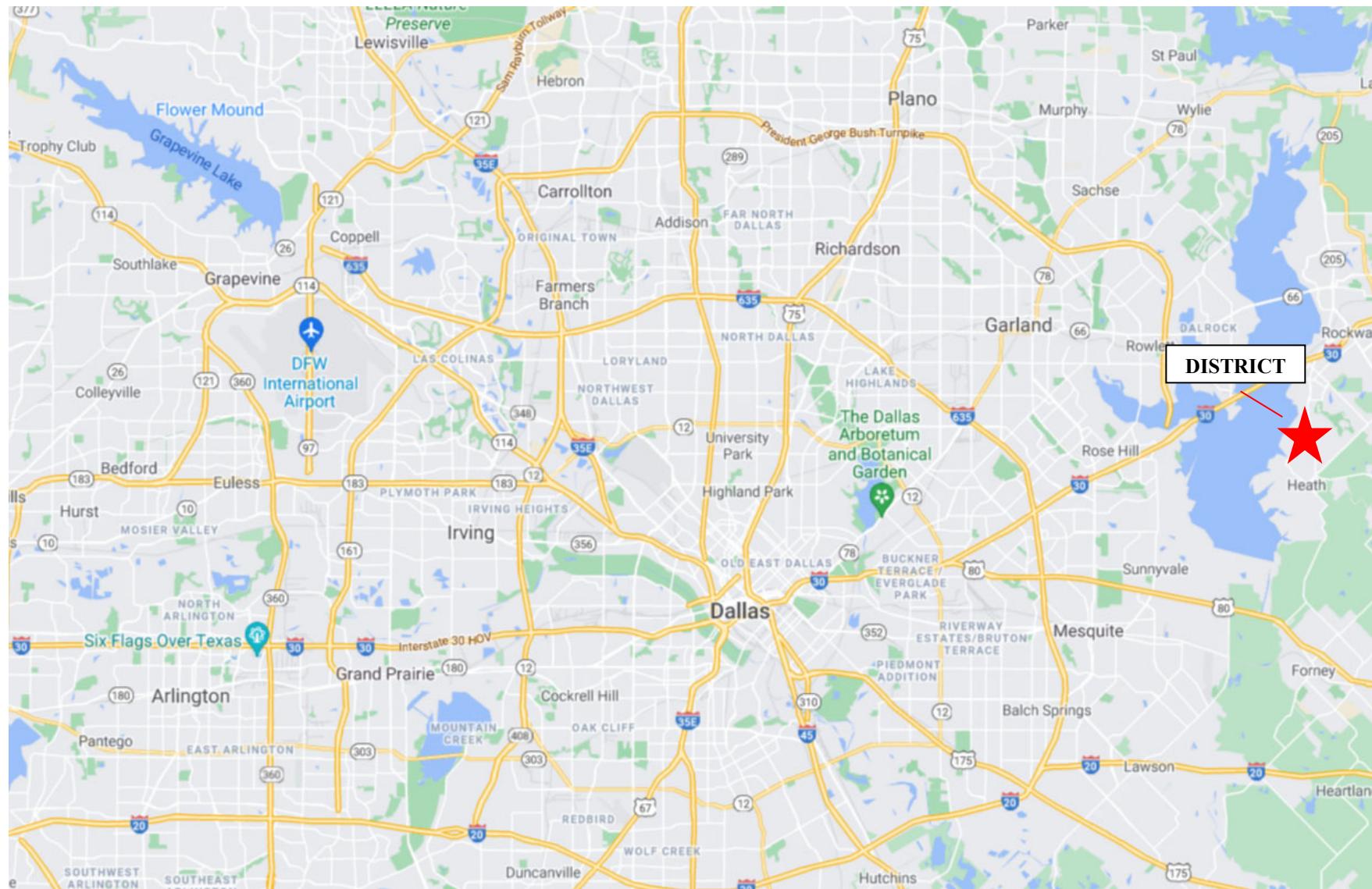
**BOND COUNSEL**  
Winstead PC

**UNDERWRITER'S COUNSEL**  
Greenberg Traurig, LLP

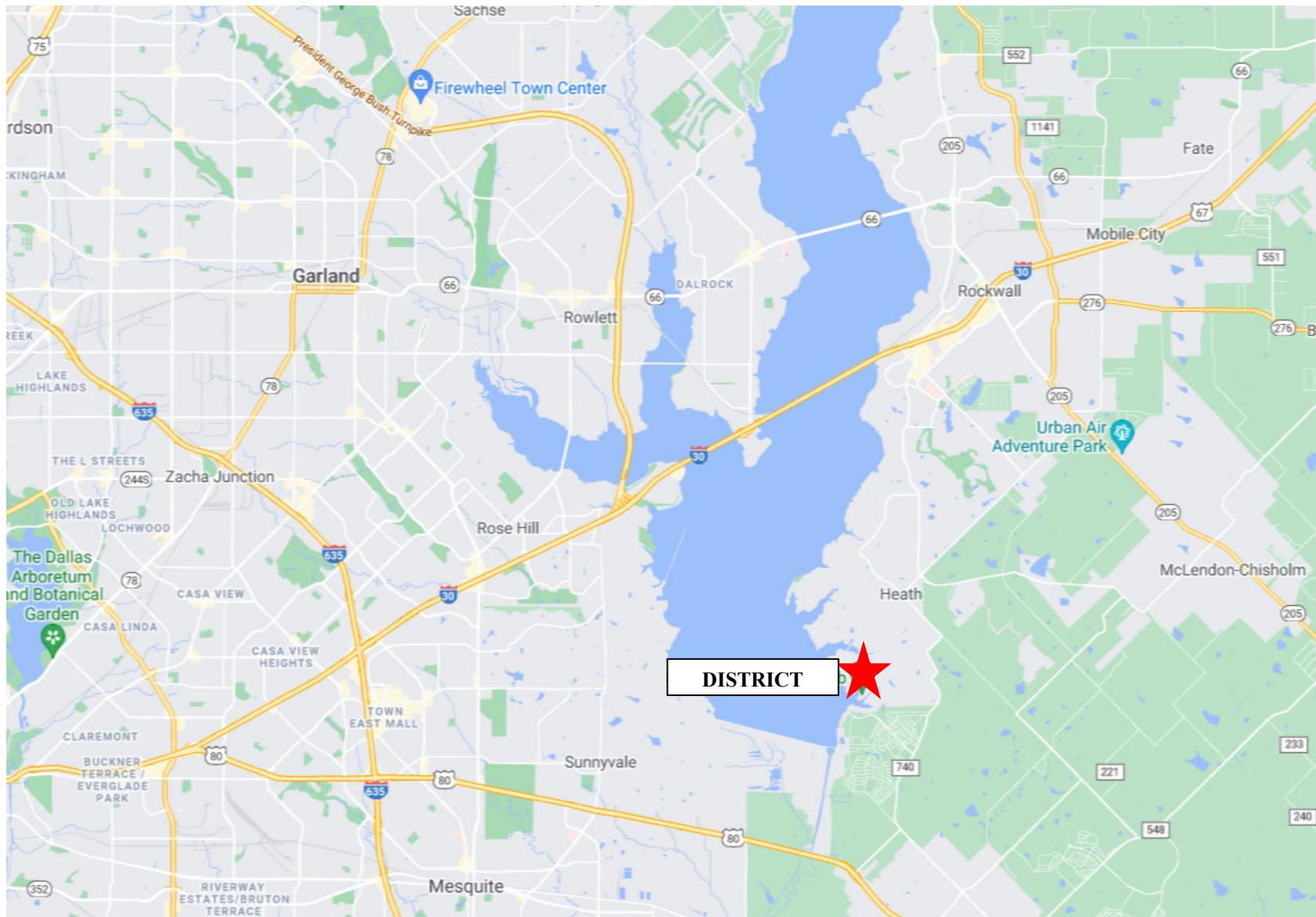
For additional information regarding the District, please contact:

Club Municipal Management District No. 1 500 Winstead Building 2728 N. Harwood Street Dallas, Texas 75201 Attn: Ross S. Martin (214) 743-5353 rmartin@winstead.com	Hilltop Securities Inc. 717 N. Harwood Street Suite 3400 Dallas, Texas 75201 Attn: Jim Sabonis (214) 953-4000 jim.sabonis@hilltopsecurites.com	Hilltop Securities Inc. 717 N. Harwood Street Suite 3400 Dallas, Texas 75201 Attn: Andre Ayala (214) 953-4000 andre.ayala@hilltopsecurites.com
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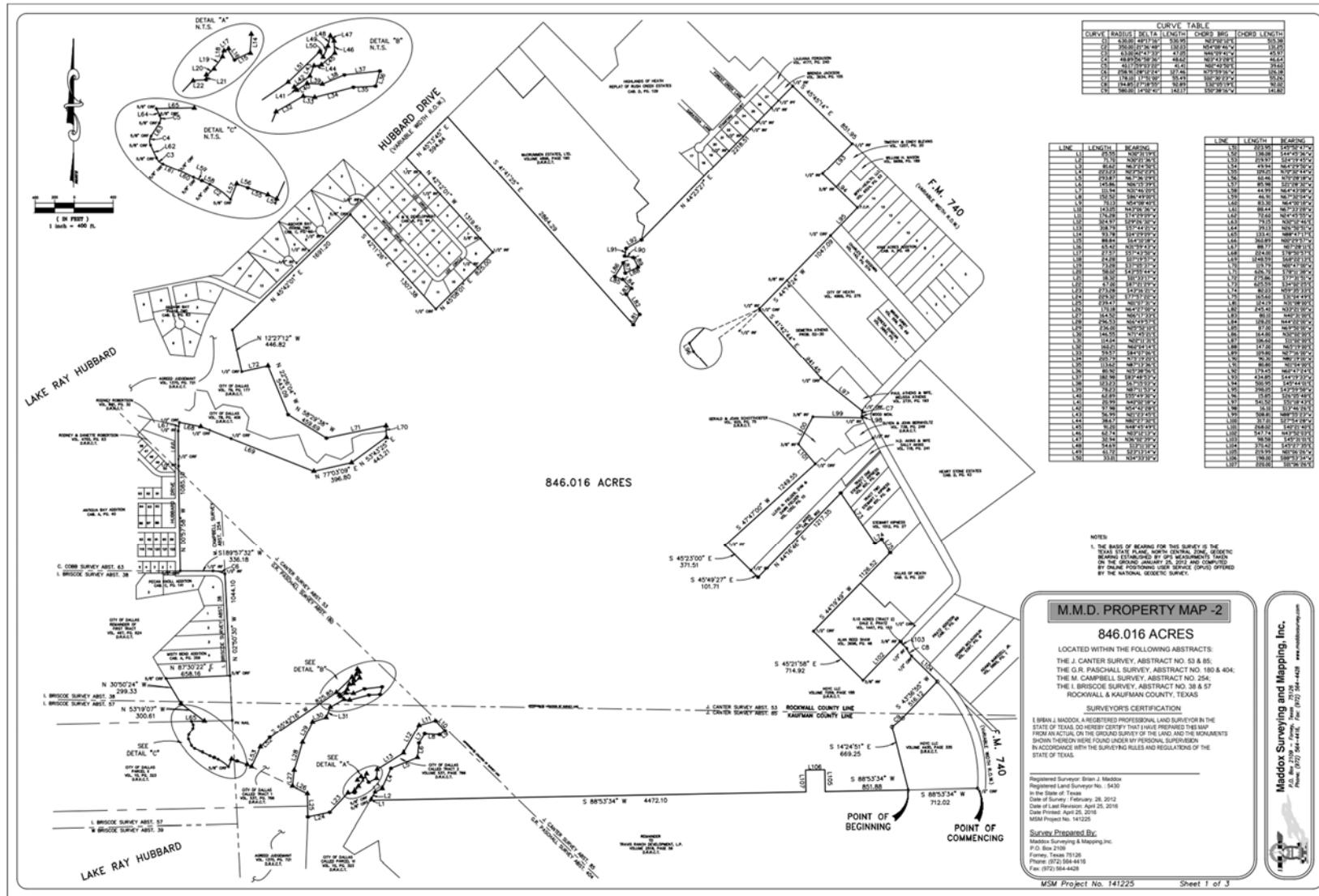
## **REGIONAL LOCATION MAP OF THE DISTRICT**



## AREA LOCATION MAP OF THE DISTRICT



## MAP SHOWING BOUNDARIES OF THE DISTRICT



*FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION (“RULE 15C2-12”), THIS DOCUMENT CONSTITUTES AN OFFICIAL STATEMENT OF THE DISTRICT WITH RESPECT TO THE BONDS THAT HAS BEEN DEEMED “FINAL” BY THE DISTRICT AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.*

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, 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 OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

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

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

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 OFFICIAL STATEMENT.

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

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT OR THE RELATED TRANSACTIONS AND DOCUMENTS

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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## PRELIMINARY OFFICIAL STATEMENT

**\$9,495,000\***

### **CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1 (a political subdivision of the State of Texas located in the City of Heath, Texas) SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026 (IMPROVEMENT AREA #1 PROJECT)**

#### INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover, schedules and appendices hereto, is to provide certain information in connection with the issuance and sale by the Club Municipal Management District No. 1 (the “District”), of its \$9,495,000\* aggregate principal amount of Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project) (the “Bonds”).

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

The Bonds are being issued by the District pursuant to Chapter 3902, Texas Special District Laws Code (the “District Legislation”) and the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), an order authorizing the issuance of the Bonds expected to be adopted by the Board of Directors of the District (the “Board of Directors”) on February 5, 2026 (the “Bond Order”), and an Indenture of Trust, dated as of February 1, 2026 (the “Indenture”), entered into by and between the District and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be secured by special assessments levied against assessable property located within Improvement Area #1 of the District (as described below) pursuant to an order (the “Assessment Order”) adopted by the Board of Directors on September 1, 2015 (the “Assessments”). The District encompasses an existing master-planned community development known as “Heath Golf and Yacht Club” (the “Development”). See “THE DEVELOPMENT.”

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 Official Statement that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX A — Form of Indenture.”

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

#### PLAN OF FINANCE

##### **The District**

The District was created by the acts of the 82nd Texas Legislature in 2011 with the primary purpose to facilitate the construction and continued maintenance of quality mixed-use residential and commercial development to benefit the residents of the City of Heath, Texas (the “City”). The District is located within the corporate boundaries of the City and in the Counties

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\* Preliminary; subject to change.

of Rockwall and Kaufman, Texas. The District is located on the eastern shores of Lake Ray Hubbard and approximately 25 miles east of Dallas and approximately five miles south of Interstate 30. Access to the District is provided from FM 740/Ridge Road.

The District is authorized under the District Legislation to undertake the financing of certain public improvements benefitting the District, including the Improvement Area #1 Improvements (as defined herein).

## **The Bonds**

Proceeds of the Bonds will be used primarily to provide funds for (i) refunding the outstanding Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project) (the “Refunded Bonds”); (ii) paying or refinancing portion of the costs of the Improvement Area #1 Improvements, (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and Additional Interest Reserve Account (as such terms are defined herein), and (iv) paying certain costs of issuance of the Bonds. See “Schedule I - Schedule of Refunded Bonds,” “APPENDIX A — Form of Indenture” and “SOURCES AND USES OF FUNDS.”

The District previously issued the Refunded Bonds to finance a portion of the costs of the Improvement Area #1 Improvements. The Refunded Bonds were secured by a pledge of and a lien upon certain pledged revenues, consisting primarily of the Assessments. To finance the costs of the Improvement Area #1 Improvements not financed with the proceeds of the Refunded Bonds, the District entered into a reimbursement agreement (the “Reimbursement Agreement”) with HGYC, LLC, a Texas limited liability company (the “Developer”), the developer of Improvement Area #1, and Heath Golf and Yacht Club, Inc., a Texas corporation (“Heath Golf and Yacht”). The District’s reimbursement obligations under the Reimbursement Agreement are payable from the Assessments available after payment of debt service on the Refunded Bonds. The Bonds are being issued, *inter alia*, to refund the Refunded Bonds and refinance the District’s reimbursement obligations under the Reimbursement Agreement. Upon the issuance of the Bonds, the District’s reimbursement obligations under the Reimbursement Agreement will terminate.

Payment of the Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of Assessments levied against the assessable parcels or lots within Improvement Area #1, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.” **The District does not have power to tax. The Bonds shall never constitute an indebtedness or general obligation of the City, the District, the State or any other political subdivision of the State, within the meaning of any Constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the District payable solely from the Trust Estate as provided in the Indenture. Neither the faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds.**

## **The Refunded Bonds**

A description and identification of the Refunded Bonds appears in Schedule I attached hereto. The Refunded Bonds and the interest due thereon are to be paid on their redemption date from funds to be deposited pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and Wilmington Trust, National Association (the “Escrow Agent”).

The Indenture provides that from the proceeds of the sale of the Bonds to the initial purchaser thereof (the “Underwriter”), the District will deposit with the Escrow Agent an amount, together with other lawfully available funds of the District (the “Deposited Cash”) which will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in an escrow account (the “Escrow Fund”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Bonds.

By the deposit of the Deposited Cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, the order authorizing the issuance of the Refunded Bonds, and the Trust Indenture related to the Refunded Bonds (the “Refunded Bonds Indenture”). As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Deposited Cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance, the Refunded Bonds Indenture or for any other purpose, and the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time.

## 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 Official Statement and will be issued (i) in part as Current Interest Bonds (“CIBs”) and (ii) in part as Capital Appreciation Bonds (“CABs”). Wilmington Trust, National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The principal of the CIBs at maturity or on a prior redemption date, the Maturity Amount (as defined below) of the CABs at maturity, and the Accreted Value (as defined below) for CABs redeemed prior to maturity will be payable only upon presentation of such Bonds at the Designated Payment/Transfer Office of the Trustee upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

*CIBs.* The CIBs are to mature on the dates and in the principal amounts shown on page i hereof. The CIBs will each be issued as fully registered obligations in principal denominations of \$1,000 or any integral of \$1,000 in excess thereof (an “Authorized Denomination” of a CIB) within a maturity. Interest on the CIBs will accrue from the date they are initially delivered, at the interest rates shown on page i hereof, and such interest shall be payable to the registered owners thereof commencing on September 1, 2026 and semiannually thereafter on each succeeding March 1 and September 1 (the “Interest Payment Date”) until stated maturity or prior redemption.

Interest on the CIBs will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date (the “Record Date”) for determining the party to whom the interest on a CIB is payable on any Interest Payment Date for the CIBs is the 15th day of the month next preceding such Interest Payment Date.

*CABs.* The CABs will mature on the dates and in the Maturity Amounts set forth on page i hereof. The CABs will be issued as fully registered obligations in Maturity Amounts of \$1,000 or any integral of \$1,000 in excess thereof (an “Authorized Denomination” of a CAB) within a maturity. The Maturity Amount for the CABs means the original principal amount thereof plus the initial premium, if any, paid therefor, plus interest accrued and compounded thereon, and payable at Stated Maturity. The Maturity Amount of the CABs will be payable only at maturity and the Accreted Value of the CABs will be payable on a date of early redemption. A table of Accreted Values of the CABs based on (i) the initial offering prices and (ii) the approximate yields set forth on page i of this Official Statement is presented in Schedule II attached hereto, and such table of Accreted Values is provided for informational purposes only and may not reflect the prices for the CABs in the secondary market.

The term “Accreted Value” as used in this Official Statement and in the Indenture means, as of the date of calculation, the initial principal amount of a CAB plus the interest accrued thereon to such date of calculation, from the date of initial delivery at the approximate interest rate thereof compounded semiannually, as determined in accordance with the Accreted Value table, attached hereto as Schedule II, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

### Yield on Capital Appreciation Bonds

The approximate yields of the CABs as set forth on page i of this Official Statement are based upon the initial offering prices therefor set forth on page i of this Official Statement. Such offering prices include the original principal amounts of such CABs plus premium, if any, equal to the amount by which such offering prices exceed the original principal amounts of such CABs. The yield on the CABs to a particular purchaser may differ depending upon the price paid by the purchaser.

## Redemption Provisions

**Optional Redemption.** The CABs shall not be subject to option redemption. The District reserves the right and option to redeem the CIBs before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20\_\_ at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption (the "Redemption Price").

*Extraordinary Optional Redemption.* The District reserves the right and option to redeem (i) CIBs before their respective scheduled maturity dates, in whole or in part, on the first day of any month, at 100% of the principal amount of such CIBs, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption and (ii) CABs before their respective scheduled maturity dates, in whole or in part, on any date, at a price equal to the Accreted Value of the CABs, or portions thereof, to be redeemed from amounts on deposit in the Redemption Fund as a result of Prepayments transferred to the Redemption Fund or other transfers to the Redemption Fund pursuant to the Indenture. No redemption shall be made which results in a Bond remaining outstanding in a principal amount less than an Authorized Denomination. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.”

*Extraordinary Mandatory Redemption.* The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on the next scheduled Interest Payment Date (i) for the CIBs at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption and (ii) for the CABs, at a redemption price equal to the Accreted Value of the Bonds called for redemption, to the date fixed for redemption, to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund.

**Mandatory Sinking Fund Redemption.** The CIBs maturing on September 1, 20\_\_ and September 1, 20\_\_ (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

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

† Stated maturity.

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

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

The principal amount of Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments for each maturity of Term Bonds by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed

pursuant to the optional redemption, extraordinary optional redemption or extraordinary mandatory redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

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

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

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

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

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

*Additional Provisions with Respect to Redemption.* If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in minimum principal amounts and Maturity 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 or Maturity Amount of the Bonds by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time.

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

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

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

## **BOOK-ENTRY ONLY SYSTEM**

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

*The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service*

*payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

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

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

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

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

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

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

**NONE OF THE DISTRICT, THE TRUSTEE, THE PAYING AGENT, THE MUNICIPAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL 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 OFFICIAL STATEMENT. 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 A — Form of Indenture."

### **General**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE DISTRICT DOES NOT HAVE THE POWER TO TAX. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO

OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE DISTRICT SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE DISTRICT OTHER THAN THE PLEDGED REVENUES.

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

### **Pledged Revenues**

Pursuant to the Indenture, Pledged Revenues are the sum of (i) the Assessment Revenue, less the Administrative Expenses and (ii) moneys held in any of the Pledged Funds. "Assessment Revenue" means monies collected by or on behalf of the District from any one or more of the following: (i) an Assessment levied against an Assessed Parcel, or Annual Installment payment thereof, including any interest on such Assessment or Annual Installment thereof during any period of delinquency, (ii) funds received by the District for the payment of a Prepayment, and (iii) Foreclosure Proceeds. The Assessment Revenues include revenues from the Assessments. "Annual Installment" means, with respect to each Assessed Parcel, each annual payment of (i) the Assessment as shown on the Assessment Roll attached to the Service and Assessment Plan as Appendix F and related to the Bonds and the Improvement Area #1 Improvements; (ii) Administrative Expenses and (iii) the Additional Interest if collected pursuant to the provisions of the Indenture and the Service and Assessment Plan or any Annual Service Plan Update. The District will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments. See "— Pledged Revenue Fund," "— Additional Interest Reserve Account of the Reserve Fund," "APPENDIX A — Form of Indenture" and "APPENDIX B — Form of Service and Assessment Plan."

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Assessment Lien") against the property assessed, superior to all other liens or claims, except liens and claims by the State, counties, school districts, or municipalities for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Order until the Assessments are paid (or otherwise discharged), and is enforceable by the Board of Directors in the same manner that an ad valorem property tax levied against real property may be enforced by the Board of Directors. See "ASSESSMENT PROCEDURES" herein. If homestead rights are properly claimed by a property owner prior to the attachment of the Assessment Lien, the Assessment Lien may not be foreclosed upon; however, any unpaid Assessment or Annual Installment will be an unsecured personal liability of such property owner. As of the date of adoption of the Assessment Order, no such homestead rights had been claimed on property within Improvement Area #1 of the District.

### **Collection and Deposit of Assessments**

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

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

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

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

### **Unconditional Levy of Assessments**

The District has imposed Assessments on the property within Improvement Area #1 of the District to pay the principal of, Maturity Amount and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments were effective on the date of, and strictly in accordance with the terms of, the Assessment Order. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Order, interest on the Assessments will be calculated at the rate of interest on the Bonds plus 0.50% if Additional Interest is being collected pursuant to the terms of the Indenture, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be due on October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. See "ASSESSMENT COLLECTION DATA AND TAXABLE VALUE IN IMPROVEMENT AREA #1 OF THE DISTRICT."

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

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

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

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

## **Perfected Security Interest**

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Trust Estate and such pledge is valid, effective, and perfected. The District will covenant in the Indenture that should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Trust Estate is subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered Owners of the Bonds a security interest in such pledge, the District will take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur. See “APPENDIX A — Form of Indenture.”

## **Pledged Revenue Fund**

The District has created under the Indenture a Pledged Revenue Fund to be held by the Trustee. Upon receipt thereof, while the Bonds are Outstanding and beginning with the first year in which Assessments are being collected, the District shall transfer to the Trustee the Pledged Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or direct the Trustee to transfer Assessment Revenue with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the Bonds next coming due and (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 the event the Additional Interest is required to be collected for the purposes set forth in the Indenture, then immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made under the Indenture, the Additional Interest will be transferred in the manner set forth in the Indenture.

From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund, and transfer to the Bond Fund, an amount, taking into account any amounts then on deposit in such Bond Fund, such that the amount on deposit in the Bond Fund equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date. No later than the tenth day prior to the Maturity Date on the Bonds, the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer into the Bond Fund an amount that, together with sums on deposit in the Bond Fund, shall be equal to 100% of the amount required to fully pay the principal of, Maturity Amount, premium, if any and interest on the Bonds payable at such Maturity Date. No later than the tenth day prior to any Redemption Date the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer into the Bond Fund (i) relating to any CIBs being redeemed on such Redemption Date, an amount equal to the principal of and accrued interest on such CIBs to the Redemption Date and (ii) relating to any CABs being redeemed pursuant to extraordinary mandatory redemption on such Redemption Date, an amount equal to the Accreted Value on such CABs to the Redemption Date.

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

Notwithstanding the deposits described in the first paragraph of this section, the Trustee shall transfer Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

Notwithstanding the deposits described in the first paragraph of this section, the Trustee shall deposit Foreclosure Proceeds (as such are identified in a District Certificate) to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal or Accreted Value and interest on the Bonds and to fund any deficiency that may exist in the Reserve Account of the Reserve Fund or the Additional Interest Reserve Account, the Trustee, at the written direction of the District, may apply any Pledged Revenues remaining for any lawful purpose for which Assessments may be used under the PID Act. The Trustee may rely on such District Certificate and shall have no obligation to determine the lawful purposes permitted under the Act.

## **Bond Fund**

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

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

## **Project Fund**

Money on deposit in the Project Fund shall be used for the purposes specified in the Indenture. Disbursements from Costs of Issuance Account of the Project Fund and the Improvement Area #1 Improvement Account of the Project Fund shall be made by the Trustee pursuant to the instructions on the closing memorandum to be issued as of the date of delivery of the Bonds.

Upon the filing of a District Order stating that all Improvement Area #1 Improvements have been completed and that all Costs allocable to the Assessed Parcels have been paid, or that any such Costs are not required to be paid from the Improvement Area #1 Improvements Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Project Fund to the Bond Fund or the Redemption Fund, as directed by a District Order filed with the Trustee, and the Project Fund shall be closed.

Upon a determination by the District Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the District in a District Order filed with the Trustee, and the Costs of Issuance Account shall be closed. In making any determination pursuant to the Indenture, the District Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

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

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be an amount equal to 40% of the Maximum Annual Debt Service on the Bonds as of their date of issuance, excluding Bond Year 2026; provided, however, that such amount shall be reduced by the amount of any transfers made in connection with an optional redemption. Also, as a result of an optional redemption of the CIBs or extraordinary optional redemption of the Bonds, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata amount and Accrued Value of Bonds redeemed by such optional redemption divided by the total principal amount and Accrued Value of the Outstanding Bonds prior to such redemption. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_.

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

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

Trustee shall transfer an amount equal to the shortfall from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

Whenever, on any Interest Payment Date, or on any other date at the written request of a District Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the District Representative of the amount of the excess via access to its online portfolio system. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds on the next Interest Payment Date, unless within thirty (30) days of such notice to the District Representative, the Trustee receives a District Order instructing the Trustee to apply such excess: (i) to pay amounts due relating to arbitrage rebate (if any) hereof or (ii) to the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date of the Indenture if the excess is proceeds of the Bonds, or within three years of the date of the Supplemental Indenture under which the applicable Additional Bonds are issued if the excess is proceeds of such Additional Bonds.

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

#### **Additional Interest Reserve Account of the Reserve Fund**

Pursuant to the Indenture, the District will an Additional Interest Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Initial Additional Interest Reserve Requirement. "Initial Additional Interest Reserve Requirement" means an amount equal to 10% of the Maximum Annual Debt Service of the Outstanding Bonds excluding Bond Year 2026, which will be funded with proceeds of the Bonds. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Minimum Additional Interest Reserve Requirement, the Trustee shall notify the District, in writing, of the amount of such shortfall, and the District shall begin collecting the Additional Interest and shall file a District Order with the Trustee instructing the Trustee to begin depositing the Additional Interest from the Pledged Revenue Fund into the Additional Interest Reserve Account until the Minimum Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. The "Minimum Additional Interest Reserve Requirement" means an amount equal to 7.5% of the Maximum Annual Debt Service of the Outstanding Bonds, excluding Bond Year 2026.

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 District of such transfer in writing. Notwithstanding anything herein to the contrary, so long as the amount on deposit in the Additional Interest Reserve Account equals or exceeds the Minimum Additional Interest Reserve Requirement, the Additional Interest shall not be collected. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan unless and until it receives a District Order directing that a different amount be used. See "APPENDIX A – Form of Indenture" and "APPENDIX B – Form of Service and Assessment Plan."

Whenever, on any Interest Payment Date, or on any other date, at the written request of the District Representative, the amount in the Additional Interest Reserve Account exceeds the Initial Additional Interest Reserve Requirement, the Trustee shall provide written notice to the District of the amount of the excess via access to its online portfolio system. The amount of such excess on deposit in the Additional Interest Reserve Account shall be transferred by the Trustee to the Redemption Fund to redeem Bonds as provided in the Indenture; provided, however, that at any time the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement, the Trustee shall resume depositing such 0.50%, the additional interest rate component of the Annual Installments, into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has accumulated in the Additional Interest Reserve Account. The Trustee shall determine the value of cash and investments on deposit in the Additional Interest Reserve Account as of September 30 of each year. So long as no Event of Default under the Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Additional Interest Reserve Account exceeds the Additional Interest Reserve Requirement for the Bonds, the Trustee shall transfer such excess at the written direction of the District.

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

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

### **Redemption Fund**

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

### **Administrative Fund**

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

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

### **Defeasance**

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

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

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

## **Events of Default**

Each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," under the Indenture:

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

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

## **Remedies in Event of Default**

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

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

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

Whenever moneys are to be applied pursuant to an Event of Default, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places,

and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the District and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the District shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

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

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy under the Indenture, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in the Indenture, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right under the Indenture except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture.

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

In case the Trustee or any Owners of Bonds shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners of Bonds, then and in every such case the District, the Trustee and the Owners of Bonds shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

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

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, be applied by the Trustee, on behalf of the District, to the payment of interest and principal, Maturity Amount, or Redemption Price then due on Bonds, as follows:

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

**SECOND:** To the payment to the registered owners entitled thereto of the unpaid principal of, Accreted Value or Maturity Amount 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, Accreted Value or Maturity Amount due and to the registered 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 the provisions of the Indenture.

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

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

#### **Investment or Deposit of Funds**

Money in any fund or account established pursuant to the Indenture will be invested by the Trustee as directed by the District pursuant to a District Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any fund will be available at the proper time or times.

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

#### **Other Obligations or Other Liens**

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

The District will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and, will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority thereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds; provided, however, that nothing in the Indenture shall require the District to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would endanger the security for the Bonds.

The District reserves the right to issue Refunding Bonds to refund the Bonds to the extent authorized by the District Legislation or state law.

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## **SOURCES AND USES OF FUNDS**

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and transfers from funds established in the Refunded Bonds Indenture:

Sources of Funds:	
Principal Amount	\$
Transfers from funds established pursuant to the Refunded Bonds Indenture	\$
Total Sources:	\$
Use of Funds:	
Deposit to Escrow Fund	\$
Deposit to Improvement Area #1 Improvement Account of the Project Fund	\$
Deposit to Reserve Account of the Reserve Fund	\$
Deposit to Additional Interest Reserve Account of the Reserve Fund	\$
Costs of Issuance Account of the Project Fund	\$
Deposit to Administrative Fund	\$
Underwriter's Discount <sup>(1)</sup>	\$
Total Uses:	\$

<sup>(1)</sup> Includes Underwriter's Counsel's fee of \$\_\_\_\_\_.

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## **DEBT SERVICE REQUIREMENTS**

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

<b><u>Fiscal Year Ending (September 30)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
	\$	\$	\$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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## OVERLAPPING TAXES AND DEBT

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

In addition to the Assessments, each lot owner in Improvement Area #1 of the District will pay a maintenance and operation fee and/or a property owner's association fee to a homeowner's association (the "HOA"), which has been formed. As described in the following tables, the City, Rockwall County or Kaufman County (as applicable) and the Rockwall Independent School District may each levy ad valorem taxes or special assessments upon land in Improvement Area #1 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The District has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem tax rates currently levied on property located in Improvement Area #1 of the District.

### OVERLAPPING TAX RATES

<u>Taxing Entity</u>	(Rockwall County Lots) Tax Year 2025 <u>Ad Valorem Tax Rate<sup>(1)</sup></u>	(Kaufman County Lots) Tax Year 2025 Ad Valorem Tax Rate <sup>(1)</sup>
The City	\$0.275650	\$0.275650
Rockwall Independent School District	\$1.066900	\$1.066900
Rockwall County <sup>(2)</sup>	\$0.251000	----
Kaufman County <sup>(3)</sup>	----	\$0.334478
Total Tax Rate	<u>\$1.593550</u>	<u>\$1.677028</u>
<b>Estimated Average Annual Installment in Improvement Area #1 of the District as tax rate equivalent per Equivalent Unit<sup>(4)</sup></b>	<b><u>\$0.574272</u></b>	<b><u>\$0.574272</u></b>
<b>Estimated Total Tax Rate and Average Annual Installment in Improvement Area #1 per Equivalent Unit</b>	<b><u>\$2.167822</u></b>	<b><u>\$2.251300</u></b>

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

<sup>(2)</sup> Approximately 311 lots in Improvement Area #1 are fully or partially located within Rockwall County.

<sup>(3)</sup> Includes Kaufman County Road and Bridge tax rate. Approximately 28 lots in Improvement Area #1 are fully or partially located within Kaufman County.

<sup>(4)</sup> Derived from information presented in the Service and Assessment Plan. See APPENDIX B. The Estimated Average Annual Assessment in Improvement Area #1 of the District as tax rate equivalent per Lake Front lot is calculated based on assessed value information provided by Rockwall Central Appraisal District ("RCAD") and Kaufman Central Appraisal District ("KCAD") online records for homes that have an appraised value of at least 85 percent of the initial Projected Home Value of the assessed lots upon completion, as reported in the Service and Assessment Plan. Such tax rate equivalent would be sufficient to repay the Bonds. The Tax Rate Equivalent for each additional lot type in Improvement Area #1 is as follows: 50' Lots – \$0.417233; 60' Lots – \$0.463506; 70' Lots – \$0.407817; 80' Lots – \$0.421819; Water Feature Lots – \$0.351246; Channel Front Lots – \$0.445152.

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

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

<b>OVERLAPPING DEBT</b>			
<u>Taxing or Assessing Entity</u>	Gross Outstanding Debt <u>as of 1/1/26</u>	Estimated Percentage <u>Applicable<sup>(1)</sup></u>	Direct and Estimated Overlapping Debt <sup>(1)</sup>
The District (Assessments - The Bonds)	\$9,495,000	100.000%	\$9,495,000
The City (Ad Valorem Taxes)	57,937,000	5.658%	3,278,365
Rockwall County <sup>(2)</sup>	123,500,000	0.722%	891,674
Kaufman County <sup>(3)</sup>	208,605,000	0.147%	306,087
Rockwall Independent School District	<u>919,218,985</u>	1.427%	<u>13,113,736</u>
	<u>\$1,318,755,985</u>		<u>\$27,084,861</u>

<sup>(1)</sup> Based on the certified Tax Year 2025 taxable assessed value in Improvement Area #1 of the District as reported by Rockwall Central Appraisal District and the Kaufman Central Appraisal District.

<sup>(2)</sup> Debt only applicable to lots partially or fully in Rockwall County. 308 lots (or portions thereof) in Improvement Area #1 are within Rockwall County. Applicable percentage is calculated based on a certified Tax Year 2025 taxable assessed value of \$182,656,109 for the property in Rockwall County.

<sup>(3)</sup> Debt only applicable to lots partially or fully in Kaufman County. Approximately 28 lots (or portions thereof) in Improvement Area #1 are within Kaufman County. Applicable percentage is calculated based on a certified Tax Year 2025 taxable assessed value of \$37,301,399 for the property in Kaufman County.

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

## ASSESSMENT PROCEDURES

### General

As authorized by the District Legislation and required by the PID Act, when the District determines to defray a portion of the costs of the Improvement Area #1 Improvements through Assessments, it must adopt an order generally describing the Improvement Area #1 Improvements and the land within Improvement Area #1 of the District to be subject to Assessments to pay the costs therefor.

The District approved an assessment roll for the Assessments (the “Assessment Roll”) which Assessment Roll shows the land within Improvement Area #1 of the District that was assessed, the amount of the benefit to and the respective Assessments against each lot or parcel of land and the number of Annual Installments in which the Assessments are divided.

The Assessment Roll was filed with the District Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #1 Improvements and funding the same with Assessments. The District levied the Assessments and adopted the Assessment Order on September 1, 2015 and, after the adoption of the Assessment Order, the Assessments became legal, valid and binding liens upon the property against which the Assessments were made.

Under the PID Act, the costs of Improvement Area #1 Improvements may be assessed by the District against the assessable property in Improvement Area #1 of the District so long as the special benefit conferred upon the assessed property by the Improvement Area #1 Improvements equals or exceeds the Assessments. The costs of the Improvement Area #1 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 Improvement Area #1 of the District is presented in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX B — Form of Service and Assessment Plan.”

## **Assessment Methodology**

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property as a result of the Improvement Area #1 Improvements, provides the basis and justification for the determination that such special benefit equals or exceeds the Assessments being levied, and establishes the methodology by which the District allocates the special benefit of the Improvement Area #1 Improvements allocable to Improvement Area #1 of the District to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #1 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessments. As set forth in the Service and Assessment Plan, the benefits received from the Improvement Area #1 Improvements are spread among the Assessed Parcels based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel within Improvement Area #1 to the total Equivalent Units within Improvement Area #1. As the existing parcels were subsequently divided, the Assessments were apportioned pro rata based on the Equivalent Units of the newly created parcels. "Equivalent Units" means, as to any parcel, the number of dwelling units by lot type expected to be built on the parcel multiplied by the factors shown below.

<b>Lot Type</b>	<b>Equivalent Unit Factor</b>
Lake Front Lots	1.00
Channel Front Lots	0.50
Water Feature Lots	0.43
80 ft Lots	0.32
70 ft Lots	0.29
60 ft Lots	0.24
50 ft Lots	0.21

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

## **Collection and Enforcement of Assessment Amounts**

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

The District will covenant in the Indenture to collect, or cause to be collected, Assessments as provided in the Assessment Order. No less frequently than annually, District staff or a designee of the District shall prepare, and the Board of Directors shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

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

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

and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City or other taxing unit with territory within the boundaries of the District.

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

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

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

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

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

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

## Assessment Amounts

**Assessment Amounts.** The maximum amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Parcel consisting of (i) the principal and interest allocable to the Bonds for each Parcel, (ii) 0.50% additional interest for the Additional Interest Reserve Account, and (iii) the component of the Annual Installment allocable to Administrative Expenses. The Annual Installments for Improvement Area #1 may not exceed the amounts shown on the Assessment Roll. The Assessments were levied against the parcels comprising the Assessed Parcels as indicated on the Assessment Roll. See "APPENDIX B — Form of Service and Assessment Plan."

The Annual Installments shown on the Assessment Roll will be adjusted to equal the actual costs of repaying the Bonds, including 0.50% additional interest for the additional interest reserve, and budgeted Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The Service and Assessment Plan will be updated to reflect the issuance of the Bonds and the Annual Installments shown on the Assessment Roll will be adjusted to equal the actual costs of repaying the Bonds, taking into consideration any other available funds for these costs.

The original Assessments, the current outstanding Assessments, and the expected outstanding Assessments for the respective Lot Types are as follows:

**Assessment per Lot – Improvement Area #1**

Lot Type	Original Assessment per Lot <sup>1</sup>	Current Outstanding Assessment per Lot <sup>2</sup>	Expected Outstanding Assessment per Lot <sup>3</sup>
Lot Type 1 (Lake Front Lots)	\$117,768.98	\$103,821.79	\$101,692.19
Lot Type 2 (Channel Front Lots)	\$58,884.49	\$51,910.90	\$50,846.10
Lot Type 3 (Water Feature Lots)	\$50,640.66	\$44,643.37	\$43,727.64
Lot Type 7 (80 Ft Lots)	\$37,686.07	\$33,222.97	\$32,541.50
Lot Type 8 (70 Ft Lots)	\$34,153.01	\$30,108.32	\$29,490.74
Lot Type 9 (60 Ft Lots)	\$28,264.56	\$24,917.23	\$24,406.13
Lot Type 10 (50 Ft Lots)	\$24,731.49	\$21,802.58	\$21,355.36

1 – As provided in the updated Service and Assessment Plan approved by the MMD Board on April 27, 2016.

2 – As of December 31, 2025. Includes Improvement Area #1 prepayments received as of December 31, 2025.

3 – As estimated following the issuance of the Bonds.

***Method of Apportionment of Assessments.*** For purposes of the Service and Assessment Plan, the Board of Directors determined that the Assessments shall be initially allocated to the Assessed Parcels in Improvement Area #1 based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel within Improvement Area #1 to the total Equivalent Units within Improvement Area #1. As the existing parcels were subsequently divided, the Assessments were further apportioned pro rata based on the Equivalent Units of the newly created parcels. See “APPENDIX B — Form of Service and Assessment Plan” and “ASSESSMENT PROCEDURES — Assessment Methodology.” The Service and Assessment Plan established certain lot types for Improvement Area #1 of the District, each with an Equivalent Unit Factor as described below.

**Equivalent Units- Improvement Area #1**

Lot Type	No. of units	Equivalent Unit Factor	Total Equivalent Units
Lot Type 1 (Lake Front Lots)	15	1.00	15.00
Lot Type 2 (Channel Front Lots)	7	0.50	3.50
Lot Type 3 (Water Feature Lots)	32	0.43	13.76
Lot Type 7 (80 Ft Lots)	69	0.32	22.08
Lot Type 8 (70 Ft Lots)	85	0.29	24.65
Lot Type 9 (60 Ft Lots)	37	0.24	8.88
Lot Type 10 (50 Ft Lots)	87	0.21	18.27
<b>Total Equivalent Units</b>	<b>332</b>		<b>106.14</b>

At the time of the original levy of the Assessments, the assessment for a 1.00 Equivalent Unit was calculated to be \$117,768.98, and such assessment was assigned to parcels of each Lot Type based on the Equivalent Unit Factor shown above. See “ASSESSMENT PROCEDURES – Assessment Amounts” for each Lot Type and the expected outstanding Assessment for each Lot Type at issuance of the Bonds. The Bonds are secured by a first lien on and pledge of the Trust Estate, which includes the Pledged Revenues consisting primarily of the Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX B — 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.

### **Priority of Lien**

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

### **Foreclosure Proceedings**

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

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

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

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

## **ASSESSMENT COLLECTION DATA AND TAXABLE VALUE IN IMPROVEMENT AREA #1 OF THE DISTRICT**

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

The following table shows the collection and delinquency history of the Improvement Area #1 Assessments.

## COLLECTION AND DELINQUENCY HISTORY OF IMPROVEMENT AREA #1 ASSESSMENTS

Collected in Fiscal Year Ending 9/30	Tax Year <u>Billed</u> <sup>1</sup>	Assessment <u>Billed</u>	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Assessments <u>Collected</u> <sup>(2)</sup>
2017	2016	\$875,320	\$44,286	5.06%	\$0	0.00%	\$831,034 <sup>(3)</sup>
2018	2017	\$1,113,116	\$2,207	0.20%	\$0	0.00%	\$1,113,116 <sup>(4)</sup>
2019	2018	\$1,039,166	\$2,485	0.24%	\$0	0.00%	\$1,039,166 <sup>(5)</sup>
2020	2019	\$1,065,361	\$102,702	9.64%	\$0	0.00%	\$1,065,361 <sup>(6)</sup>
2021	2020	\$1,152,835	\$116,563	10.11%	\$26,963	2.34%	\$1,152,835 <sup>(7)</sup>
2022	2021	\$996,732	\$46,404	4.66%	\$0	0.00%	\$996,732 <sup>(8)</sup>
2023	2022	\$1,011,258	\$44,580	4.41%	\$0	0.00%	\$1,011,258 <sup>(9)</sup>
2024	2023	\$979,424	\$70,261	7.17%	\$4,328	0.44%	\$979,424 <sup>(10)</sup>
2025	2024	\$929,985	\$33,735	3.63%	\$7,650	0.82%	\$929,411 <sup>(11)</sup>
2026	2025	\$885,138	N/A	N/A	N/A	N/A	\$615,551 <sup>(12)</sup>

<sup>(1)</sup> Tax Years 2016-2018 and 2021-current were and/or are billed by the Rockwall Central Appraisal District. Tax Years 2019-2020 were billed by Utility Tax Services, a third-party collector.

<sup>(2)</sup> Does not include interest and penalties.

<sup>(3)</sup> The Developer agreed to forego repayment of \$44,286 in Improvement Area #1 reimbursements due to non-payment of Annual Installments billed in 2016-2017.

<sup>(4)</sup> Collected in full as of March 9, 2020.

<sup>(5)</sup> Collected in full as of September 10, 2020.

<sup>(6)</sup> Collected in full as of April 26, 2022.

<sup>(7)</sup> Collected as of August 8, 2022.

<sup>(8)</sup> Collected as of January 20, 2023.

<sup>(9)</sup> Collected as of August 16, 2023.

<sup>(10)</sup> Collected as of March 19, 2025.

<sup>(11)</sup> \$574 remains delinquent as of December 31, 2025.

<sup>(12)</sup> Collected as of January 13, 2026. Unpaid amounts as of January 13, 2026 (\$269,588) will not become delinquent prior to February 1, 2026.

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

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

### **Delinquency History in Improvement Area #1 of the District**

As of January 1, 2026, Annual Installment delinquencies within Improvement Area #1 of the District were as follows: (i) delinquent for greater than six months: \$574; (ii) delinquent for greater than one year: \$0; (iii) delinquent for greater than two years: \$0.

### **Foreclosure History in Improvement Area #1 of the District**

As of January 1, 2026, there has never been a foreclosure sale of any of the Assessed Property within Improvement Area #1 of the District.

### **Prepayment History in Improvement Area #1 of the District**

As of January 1, 2026, there have been 29 full prepayments of Improvement Area #1 Assessments and no partial prepayments of Improvement Area #1 Assessments in Improvement Area #1 of the District totaling \$1,450,100.

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

Assessments from parcels located within Rockwall County for tax year 2018 and earlier were billed and collected by Rockwall Central Appraisal District. Assessments from parcels located within Kaufman County for tax year 2018 and earlier were billed and collected by the District Administrator.

Assessments for tax years 2019 and 2020 were collected by Utility Tax Service, LLC ("Utility Tax"). Utility Tax specializes in property tax assessment and collection, representing over one hundred special districts throughout the State of

Texas. Utility Tax maintains all records according to the District's retention schedule, performs field reviews and inspections to determine inclusion or exclusion of property on the assessment roll for Improvement Area #1, processes corrections and supplemental rolls as necessary, prepares and mails all assessment invoices, deposits payments received, answers inquiries from property owners, issues assessment certificates, submits monthly and annual reports to the District, and provides data related to ownership, collection, values and rates. Because Utility Tax and the District Administrator are third party collectors, the Assessments were not included on the annual property tax bills provided to property owners in the District prior to tax year 2021.

In 2021, the District approached Rockwall Central Appraisal District to facilitate the inclusion of the Assessments on the annual property tax bills provided to owners of property in the District beginning in tax year 2021 and, for tax years 2021 and later, Rockwall Central Appraisal District agreed to collect the Assessments and entered into a contract with the District regarding the same.

#### **Taxable Assessed Valuation History in Improvement Area #1 of the District**

Set forth below is the taxable Assessed Valuation History for Improvement Area #1 of the District.

<b>Year<sup>(1)</sup></b>	<b>Taxable Assessed Valuation</b>
2016	\$15,375,709
2017	\$21,974,984
2018	\$52,681,439
2019	\$71,903,534
2020	\$98,650,713
2021	\$116,052,546
2022	\$170,123,385
2023	\$209,014,841
2024	\$220,757,115
2025 <sup>(2)</sup>	\$222,524,027

<sup>(1)</sup> According to RCAD and KCAD values as reported in the Annual Continuing Disclosure Report of the Improvement Area #1 Bonds for the fiscal year ending September 30, 2024.

<sup>(2)</sup> According to RCAD and KCAD values as of September 26, 2025.

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## Top Assessment Payers in Improvement Area #1 of the District

Set forth in the table below are the top ten assessment payers in Improvement Area #1 of the District.

**Table 1 - Summary by Owner**

Outstanding Assessed Lot Count <sup>1</sup>	Owner <sup>2</sup>	Total Appraised Value <sup>3</sup>	Total Outstanding Assessment <sup>1</sup>	% of Total Outstanding Assessments <sup>4</sup>
2	HGYC LLC	\$2,038,191	\$203,384.38	2.14%
1	2006 NOE BLVD LLC	\$1,250,000	\$101,692.19	1.07%
1	GRANBERRY JARED A & JAIMEE R	\$1,801,100	\$101,692.19	1.07%
1	GRANBERRY RANDALL M & CHARLA	\$2,656,358	\$101,692.19	1.07%
1	MORGAN SCOTT & MARIANNE	\$1,611,547	\$101,692.19	1.07%
1	PALISADES TRUST	\$1,250,000	\$101,692.19	1.07%
1	SPRADLEY 2023 TRUST	\$2,299,539	\$101,692.19	1.07%
1	WHITTLE & JOHNSON	\$1,421,833	\$101,692.19	1.07%
2	PARAGON 7 HOLDINGS LP	\$463,364	\$87,455.29	0.92%
2	BRINKMAN SARAH	\$678,096	\$72,201.46	0.76%
2	RCGA LLC	\$1,126,677	\$50,846.10	0.54%
288	All Other Owners	\$205,927,322	\$8,369,267.43	88.14%
<b>303</b>		<b>\$222,524,027</b>	<b>\$9,495,000.00</b>	<b>100.00%</b>

1 – As of December 31, 2025.

2 – As provided by RCAD and KCAD online records as of January 13, 2026.

3 – As provided by RCAD and KCAD online records as of September 26, 2025.

4 – Total may not sum due to rounding.

## THE CITY

### Background

The District is located in the City. The City is located in southwest Rockwall County, 18 miles east of Dallas and 4 miles south of the City of Rockwall. Access to the City is provided by Interstate Highway 30 and Farm to Market 205. The City covers approximately 10 square miles. The City's 2020 census population was 9,769. The City's current population estimate is 10,623.

### City Government

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

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

Name	Place	Term Expires (May)
Jeremiah McClure	Mayor	2026
Scott Dodson	Mayor Pro Tem, Place 5	2026
Cindy Horne	Place 1	2027
Johnny Myers	Place 2	2027
Ryan Moorman	Place 3	2026
Michelle Thurgood	Place 4	2027
Mitch Ownby	Place 6	2027

The principal administrators of the City include the following:

<u>Name</u>	<u>Position</u>
Steven Alexander	City Manager
Norma Duncan	City Secretary
Jay Ayers	Finance Director

## THE DISTRICT

### Background

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

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

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

### District Government

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

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

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

### Powers and Authority

The District Legislation provides that the District may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service using money available to the District, or contract with a governmental or private entity to provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under the District Legislation or Chapter 375, Local Government Code (the "MMD Act"). The District Legislation further authorizes the District to undertake an improvement project or service and impose a special assessment on

benefited property in accordance with the MMD Act or the PID Act. Pursuant to the District Legislation, at the time of issuance, the total principal amount of bonds or other obligations issued or incurred to finance road projects may not exceed one-fourth (25%) of the assessed value of the real property in the District.

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

The City, the District, the Developer and Heath Golf and Yacht entered into a Master Development Agreement effective August 30, 2013, as ratified and amended by the First Amendment to Master Development Agreement effective April 15, 2015, and by the Second Amendment to Master Development Agreement effective September 25, 2015 (collectively, the "Master Development Agreement"). On May 4, 2015, the Board of Directors by resolution made the finding that it was advisable to proceed with the financing of the Improvement Area #1 Improvements, and that the Improvement Area #1 Improvements were necessary to accomplish a public purpose of the District and comply with the Master Development Agreement and on September 1, 2015 levied the Assessments and approved the Initial Service and Assessment Plan.

Pursuant to the District Legislation and the PID Act, the District may undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within or outside of the District. The PID Act provides that the District may levy and collect Assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost. Pursuant to the authority granted by the PID Act and the District Legislation, the District has determined to undertake the construction, acquisition or purchase of the Improvement Area #1 Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. See "THE IMPROVEMENT AREA #1 IMPROVEMENTS." The District has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" herein and "APPENDIX B — Form of Service and Assessment Plan."

### **General Economic Information Regarding Rockwall County and the Surrounding Area**

The area surrounding and including the Development (the area between IH-30 and IH-20, east of the Dallas-Fort Worth Metroplex) has recently experienced residential growth. Area developments have included subdivisions in municipal utility districts, small ranchettes and large ranches. Growth is expected to increase once the following proposed highways are in place, including the expansion of FM-205 in the City of Rockwall, Texas ("Rockwall") that feeds into SH-276, the future SH-205 Loop around Rockwall that will intersect with SH-276, and the future Rockwall County Loop that will intersect with SH-276. The SH-190 (President George Bush Tollway) was extended from Garland to IH-30. These new roadways promote future growth east of Rockwall as residents in Rockwall County, Kaufman County, and Hunt County now have better access to employment centers in north Dallas and the surrounding areas. The District is surrounded by many large acreage residential and recreational retreats. These properties will typically range in prices from \$150,000 to over \$5,000,000.

### **Major Employers**

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Rockwall Independent School District	Education	2,377
Royse City Independent School District	Education	1,422
Baylor Scott & White – Lake Pointe	Health Care	750
L3 Harris Technologies	Avionics	700
Texas Health Presbyterian Hospital	Hospital	700
Channell Commercial	Telecom	696
Pegasus Foods	Food Production	480
Wal-Mart Superstore	Retail	450
County of Rockwall	County Government	396
City of Rockwall	City Government	353
Lollicup USA	Manufacturing	306
Texas Star Express/Epes Transport	Trucking	275
SPR Packaging	Manufacturing	253

*Source: Rockwall County, Texas Annual Comprehensive Financial Report for Fiscal Year Ended September 30, 2024.*

## Historical Employment in Rockwall County

	Average Annual <sup>(1)</sup>				
	2025 <sup>(2)</sup>	2024	2023	2022	2021
Civilian Labor Force	74,507	72,907	71,269	66,065	61,024
Total Employed	71,735	70,344	68,837	63,945	58,489
Total Unemployed	2,772	2,563	2,432	2,120	2,535
Unemployment Rate	3.7%	3.5%	3.4%	3.2%	4.2%

<sup>(1)</sup> Source: Texas Workforce Commission.

<sup>(2)</sup> Source: Data through November 2025.

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## Surrounding Economic Activity

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

City of Mesquite		City of Rockwall		City of Garland	
Approximately 18 miles from the Development		Approximately 6 miles from the Development		Approximately 14 miles from the Development	
Employer	Employees	Employer	Employees	Employer	Employees
Mesquite Independent School District	5,487	Rockwall Independent School District	1,944	Kraft Foods	796
Town East Mall	2,750	L-3 Harris Technologies	700	US Foods Service	520
United Parcel Service Inc	2,300	Texas Health Presbyterian Hospital	700	Epiroc	460
Canadian Solar	1,500	Pegasus Foods	480	Anderson Windows	425
City of Mesquite	1,440	Wal-Mart Superstore	450	Hatco (Resistol)	390
Pepsi Beverage Co	1,000	Channell Commerical	696	L3 Communication	350
Eastfield College	950	Rockwall County	386	Arrow Fabricated Tubing	340
Wal-Mart Supercenter	850	City of Rockwall	353	Valspar	300
Ashley Furniture	785	Karat by Lollicup USA	260	KARLEE, Inc	290
Dallas Regional Medical Center	667	Pratt Industries	200	General Dynamics	275

City of Forney	
Approximately 8 miles from the Development	
Employer	Employees
Forney ISD	2,745
Amazon	1,200
Smurfit Kappa	270
City of Forney	261
Intex Electric	260
Kroger Marketplace	222
Steve Silver Company	209
Ridgecrest Healthcare & Rehabilitation	170
Lowe's Home Improvement	160
Goodyear Tire & Rubber	160

City of Rowlett	
Approximately 14 miles from the Development	
Employer	Employees
Baylor Scott & White Medical Center	1,039
Garland ISD	992
City of Rowlett	637
Wal-Mart Supercenter	342
DR Horton	298
Beacon Harbor Health and Rehab	202
Super Target	200
The Home Depot	185
Tom Thump	150
Tri-Con Service Inc	150

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## THE IMPROVEMENT AREA #1 IMPROVEMENTS

### General

The Improvement Area #1 Improvements consisted of (a) Improvement Area #1's proportionate share of the costs of the Major Improvements that will benefit the entire District and (b) a portion of the costs of certain public improvements benefitting only Improvement Area #1 of the District. The following table reflects the total costs of the Improvement Area #1 Improvements. See "APPENDIX B — Form of Service and Assessment Plan".

Authorized Improvement	Improvement Area #1 Estimated Costs <sup>1</sup>
Road Improvements	\$4,341,578
Water Improvements	2,277,694
Sanitary Sewer Improvements	1,236,303
Storm Drainage Improvements	1,202,668
<b>Subtotal - Internal Improvements</b>	<b>\$9,058,243</b>
Share of Major Improvements Costs	3,631,424
<b>TOTAL IMPROVEMENT AREA #1 IMPROVEMENTS</b>	<b>\$12,689,667</b>

### Ownership and Maintenance of Improvements

The Improvement Area #1 Improvements have been dedicated to and accepted by the City and constitute a portion of the City's infrastructure improvements. The City provides for the ongoing operation, maintenance and repair of the Improvement Area #1 Improvements constructed and conveyed to the City.

## THE DEVELOPMENT

### Overview

The Development, commonly known as the "Heath Golf & Yacht Club", is an approximately 786-acre, lakefront master-planned resort/residential community located on the eastern shore of Lake Ray Hubbard and within the city limits of the City. The Development is planned to eventually consist of 1,236 homes, a 27-hole private golf course, and private country club, and the Developer may also develop and construct a hotel and retail property. An elementary school has been constructed in the District as part of the Developer's master plan for the Development, and such master plan additionally includes trails, parks, tennis courts, playgrounds, and greenbelts. The Development is served by the Rockwall Independent School District. See "— Community Amenities" and "— Education" below.

The Development is located approximately 5 miles south of I-30. Residents can access the Development by traveling south on FM 740/Ridge Road or south on FM 3097/Horizon to FM 549 and then to FM 740 (a slightly longer route, approximately 6.3 miles). Drive time from the proposed main entrance of the site to I-30 is approximately 10 to 12 minutes. An alternate route to access the Development is to come from Highway 80 heading north on FM 740. Drive time to the main entrance of the site from Highway 80 is 4.5 miles, approximately 6 to 8 minutes. FM 740 has been widened from FM 3097 to FM 1140. FM 740 has been widened from FM 1140 to the intersection of FM 549 and FM 550.

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

<sup>1</sup> Preliminary; subject to change.

Development and the Rockwall community in general benefit from the SH 190 extension to I-30. This roadway allow residents an expeditious commute to employment centers in the Northeast Dallas area.

### **Status of Development in the District**

Development in the District began with the concurrent development of the local infrastructure to serve Improvement Area #1 of the District as well as Improvement Area #1's proportionate share of the Major Improvements, which was funded with the Refunded Bonds. Construction of such projects was completed in Q3 2017. Development in the District continued with the improvements to serve the 477 lots in Improvement Area #2 as well as Improvement Area #2's proportionate share of the Major Improvements, which projects were completed in 2021. The final phase of development in the District, which consisted of construction of local improvements to serve the 427 lots in Improvement Area #3 as well as Improvement Area #3's proportionate share of the Major Improvements, was completed in 2025.

### **Status of Home and Lot Sales in Improvement Area #1**

Improvement Area #1 of the District includes 332 single-family lots ranging in size from 50-80 front feet to larger lots designated as Lake Front, Channel Feature and Water Feature. Homebuilders in Improvement Area #1 of the District included HMH Lifestyle, Dunhill Homes, Castlerock, Altura, Gehan Homes and Cavendish Homes. According to publicly available data from the Rockwall Central Appraisal District and Kaufman Central Appraisal District as of January 7, 2026, 7 lots were owned by the Developer or its affiliates and homebuilders in Improvement Area #1 and 325 lots/homes had closed to end users.

### **Community Amenities**

Community amenities within the Development are expected to include a 27-hole private golf course and private country club, including a swimming pool and tennis courts, and additional trails, parks, tennis courts, playgrounds, and greenbelts. The Developer has completed construction of certain of the amenities including a portion of the golf course (as described below), maintenance building, equipment, and private club (as described below) within the District. The HOA will provide for the ongoing operation, maintenance and repair of such private improvements through the administration of a maintenance and operation fee and/or a property owner's association fee and private club dues and golf greens fees to be paid by each lot owner within the District.

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

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

Photographs of certain amenities in the District are shown below.

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## **Education**

Children in the District attend schools in the Rockwall Independent School District (“RISD”) which encompasses approximately 108.20 square miles. RISD serves all or parts of the cities of Rockwall, Heath, Fate, McLendon-Chisholm, Rowlett and Wylie. Rockwall ISD is the largest employer in the County and has approximately 2,377 employees. RISD enrolled approximately 19,125 students for the 2024-2025 school year in sixteen elementary schools, three middle schools, and three high schools. Students in the District attend Linda Lyon Elementary School, which is located within the District, Maurine Cain Middle School (approximately 5 miles from the District) and Rockwall Heath High School (approximately 3 miles from the District). According to the Texas Education Agency (“TEA”), Maurine Cain Middle School and Rockwall Heath High School received a “District Accountability Rating” of “A” from the TEA, and RISD and Linda Lyon Elementary received a “District Accountability Rating” of “B” from the TEA for the 2024-2025 school year, the latest year for which ratings are available. Greatschools.org rates Linda Lyon Elementary School a 8/10, Maurine Cain Middle School a 7/10, and Rockwall Heath High School a 7/10.

## **Environmental**

A Phase One Environmental Site Assessment (a “Phase One ESA”) of approximately 787.029 acres of the District was completed on May 29, 2013. Based on the information presented in the Phase One ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review, historical source review and testing identified in the Phase One ESA revealed no evidence of recognized environmental conditions involving the site.

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

## **Utility Services**

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

Additional utilities are provided by: (1) Phone/Data - AT&T; (2) Electric - Oncor Electric; (3) Cable - AT&T; and (4) Natural Gas - Atmos Energy.

## **THE DISTRICT ADMINISTRATOR**

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

The District has entered into an agreement with MuniCap, Inc. (the “District Administrator”) as the District Administrator for the District to provide specialized services related to the administration of the District needed to support the administration of the District. The District Administrator is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. The District Administrator currently acts as the administrator for over 260 special assessment and taxing districts in 30 states.

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

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

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

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

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the District or the Municipal 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.

### Assessment Limitations

Annual Installments of Assessments are billed to property owners in Improvement Area #1 in the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes of municipalities in Texas as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year (including 0.50% additional interest for an additional interest reserve), 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 District has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy” herein.

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

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

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

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

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 District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels may result in the inability of the District to make full or punctual payments of debt service on the Bonds.

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

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

During prior Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representatives which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 89th Legislative Session of the State (the “89th Regular Session”) concluded on June 2, 2025, without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. 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. The Governor called two special sessions, the first of which began on July 21, 2025, and ended on August 15, 2025, and the second of which began on August 15, 2025 and ended on September 4, 2025. No legislation relating to special assessments was proposed for the special sessions.

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.

### **Loss of Tax Exemption**

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

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

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

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

### **Depletion of Reserve Fund**

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

The Additional Interest Reserve Account of the Reserve Fund will be funded to the Initial Additional Interest Reserve Requirement from the proceeds of the Bonds. See “SECURITY FOR THE BONDS – Additional Interest Reserve Account of the Reserve Fund.” The Indenture provides that Additional Interest on the Annual Installments will only be collected when the amounts on deposit in the Additional Interest Reserve Account is less than the Minimum Additional Interest Reserve Requirement. After a withdrawal from the Reserve Account of the Reserve Fund, the amounts within such account equals less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the applicable Reserve Fund account sufficient to cure such deficiency. The Trustee shall replenish amounts withdrawn from the Additional Interest Reserve Account only in the event that the District is collecting Additional Interest after the balance of the Additional Interest Reserve Account is less than the Minimum Additional Interest Reserve Requirement. See “SECURITY FOR THE BONDS — Reserve Account of the Reserve Fund” and “— Additional Interest Reserve Account of the Reserve Fund.”

### **Hazardous Substance**

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

land located in the District be affected by a hazardous substance, the marketability and value of parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the District does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The District 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 District is not aware of them.

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

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

## **Bankruptcy**

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

## **Bondholders’ Remedies and Bankruptcy**

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

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

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local

Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers entities such as the District and relates to contracts entered into by local government entities, including the District, for providing goods or services to such local government entities.

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

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

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

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

### **Judicial Foreclosures**

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

### **No Acceleration**

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

## **Risk from Weather Events**

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

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

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

## **TAX MATTERS**

### **Opinion**

Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. See APPENDIX C – Form of Bond Counsel’s Opinion.

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

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

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

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

### **Original Issue Discount**

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

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

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

### **Original Issue Premium**

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

### **Collateral Tax Consequences**

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the

ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

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

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

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

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

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

### **Changes in Law**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

## **LEGAL MATTERS**

### **Legal Proceedings**

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

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

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas,

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

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

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

### **Litigation — The District**

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

### **SUITABILITY FOR INVESTMENT**

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

### **ENFORCEABILITY OF REMEDIES**

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

Bonds and should have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment.

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accredited value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.bambonds.com](http://www.bambonds.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.bambonds.com](http://www.bambonds.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## **BOND INSURANCE RISK FACTORS**

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim against BAM under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the District unless BAM chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of BAM without their consent, so long as BAM performs its obligations under the Policy. In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from Trust Estate pledged in the Indenture. In the event BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term rating on the Bonds is dependent in part on the financial strength of BAM and its claims paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM or of the Bonds insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of BAM are general obligations of BAM and in an event of default by BAM the remedies may be limited by applicable bankruptcy law. None of the District, the Underwriter or the Financial Advisor have made an independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given.

See "BOND INSURANCE – Build America Mutual Assurance Company – *Capitalization of BAM*."

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "BBB- (stable outlook)" to the Bonds without regard to credit enhancement, and an insured rating of "AA (stable outlook)" in reliance upon the issuance of the Policy by BAM. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). Furthermore, a security rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. An explanation of the significance of any rating may be obtained from S&P. The ratings reflect only the view of S&P and the District makes no representation as to the appropriateness of the rating.

## CONTINUING DISCLOSURE

### **The District**

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

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

### **The District's Compliance With Prior Undertakings Pursuant to the Rule**

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

In connection with the Refunded Bonds, while the District's unaudited financial statements were filed as required by the District's continuing disclosure undertaking, the District did not file final, audited financial statements of the District for Fiscal Year 2016 and Fiscal Year 2017 and did not file a notice of failure to file. Additionally, due to an administrative

oversight, in its annual filings for Fiscal Year 2017 relating to the Refunded Bonds, the District's filings did not include certain complete information relating to the number of new homes completed in Improvement Area #1 during such Fiscal Year and the aggregate number of new homes completed within Improvement Area #1.

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

In addition, in connection with the District's continuing disclosure undertaking with respect to the Improvement Area #2 Bonds, the District was required to file unaudited financial statements by 12 months after the end of the District's fiscal year if the District audited financial statements had not been filed by that time. For the Fiscal Year ended September 30, 2024, the District failed to file unaudited financial statements by the required September 30, 2024 deadline. The District filed a notice of failure to file such unaudited financial statements and the unaudited financial statements on October 24, 2024. The District filed its 2024 audit on EMMA on January 13, 2026.

In addition to the items noted above, the District redeemed a portion of the Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project) pursuant to an extraordinary optional redemption on June 1, 2025. A notice of an extraordinary optional redemption was posted to EMMA in a timely fashion; however, subsequent to such extraordinary optional redemption, it was discovered that the text of the notice posted to EMMA inadvertently referred to an optional redemption that occurred in 2024. A corrected notice of the June 1, 2025 redemption was posted to EMMA on January 26, 2026.

## **UNDERWRITING**

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

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

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

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

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

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

## INVESTMENTS

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

Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third-party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third-party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of

365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset and fund type invested at the beginning and end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for

which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest District funds without express written authority from the Board of Directors.

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

## **INFORMATION RELATING TO THE TRUSTEE**

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

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

## **INFORMATION RELATING TO THE MUNICIPAL ADVISOR**

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

## **SOURCES OF INFORMATION**

### **General**

The information contained in this Official Statement has been obtained primarily from the District's records, County Appraisal District records, the District Administrator 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 Official Statement 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 Official Statement or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement 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.

### **Experts**

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

### **Updating of Official Statement**

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

## **FORWARD-LOOKING STATEMENTS**

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

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

## **AUTHORIZATION AND APPROVAL**

The Board of Directors is expected to approve the form and content of this Preliminary Official Statement and authorize this Preliminary Official Statement to be used by the Underwriter in connection with the marketing and sale of the Bonds in the Bond Order.

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**SCHEDULE I**  
**SCHEDULE OF REFUNDED BONDS**

Club Municipal Management District No. 1  
 Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Ref of Series 2016 Bonds)  
 Callable on 9/1/2036 @ par  
 \*\*\*FMSbonds, Inc. Pricing Views as of 1.30.2026\*\*\*  
 S&P 'BBB-' Underlying Bond Rating and 'AA' Build America Mutual Bond Insurance

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Special Assessment Revenue Bonds, Series 2016, S16IA1:					
TERM28	09/01/2026	5.750%	150,000	03/01/2026	101.000
	09/01/2027	5.750%	185,000	03/01/2026	101.000
	09/01/2028	5.750%	190,000	03/01/2026	101.000
TERM35	09/01/2029	6.250%	215,000	03/01/2026	101.000
	09/01/2030	6.250%	220,000	03/01/2026	101.000
	09/01/2031	6.250%	240,000	03/01/2026	101.000
	09/01/2032	6.250%	255,000	03/01/2026	101.000
	09/01/2033	6.250%	270,000	03/01/2026	101.000
	09/01/2034	6.250%	285,000	03/01/2026	101.000
	09/01/2035	6.250%	310,000	03/01/2026	101.000
TERM46	09/01/2036	6.500%	325,000	03/01/2026	101.000
	09/01/2037	6.500%	345,000	03/01/2026	101.000
	09/01/2038	6.500%	360,000	03/01/2026	101.000
	09/01/2039	6.500%	385,000	03/01/2026	101.000
	09/01/2040	6.500%	410,000	03/01/2026	101.000
	09/01/2041	6.500%	435,000	03/01/2026	101.000
	09/01/2042	6.500%	460,000	03/01/2026	101.000
	09/01/2043	6.500%	490,000	03/01/2026	101.000
	09/01/2044	6.500%	520,000	03/01/2026	101.000
	09/01/2045	6.500%	555,000	03/01/2026	101.000
	09/01/2046	6.500%	590,000	03/01/2026	101.000
7,195,000					

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**SCHEDULE II**  
**SCHEDULE OF ACCRETED VALUES OF CAPITAL APPRECIATION BONDS**

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**APPENDIX A**

**FORM OF INDENTURE**

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INDENTURE OF TRUST

by and between

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

AND

WILMINGTON TRUST, NATIONAL ASSOCIATION (the “TRUSTEE”)

Dated as of February 1, 2026

Securing

\$[PAR AMOUNT]

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS,  
SERIES 2026 (IMPROVEMENT AREA #1 PROJECT)

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### Exhibits

- EXHIBIT "A" – CONDITIONAL NOTICE OF REDEMPTION
- EXHIBIT "B-1" – FORM OF CURRENT INTEREST BOND
- EXHIBIT "B-2" – FORM OF CAPITAL APPRECIATION BOND
- EXHIBIT "C" – ACCRETED VALUE TABLE
- EXHIBIT "D" – MUNICIPAL BOND INSURANCE PROVISIONS

## INDENTURE OF TRUST

THIS INDENTURE, dated as of February 1, 2026, is by and between CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1 (the "District"), located in the corporate limits of the City of Heath, Texas (the "City"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, duly organized, existing and authorized to accept and execute trusts of the character set forth herein, with an administrative office in Dallas, Texas, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

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

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

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

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

WHEREAS, on March 26, 2015, the Board of Directors determined that the Improvement Area #1 Improvements are necessary to accomplish a public purpose of the District and comply with the Master Development Agreement; and

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

WHEREAS, on May 4, 2015, after due notice, the Board of Directors held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the Request as required by Section 372.009 of the PID Act, and the Board of Directors made the findings required by Section 372.009(b) of the PID Act, and by Resolution dated May 4, 2015, passed and approved by a majority of the members of the Board of Directors, authorized, in

accordance with its findings, the advisability of the improvement projects and services to be provided by the District; and

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

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

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

WHEREAS, the District subsequently (i) approved a Service and Assessment Plan; (ii) levied assessments (the “Assessments”) on certain parcels within Improvement Area #1 of the District to finance the improvements that would serve Improvement Area #1 of development within the District, and (iii) after obtaining City approval, issued the Club Municipal Management District No. 1, Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project) as described in Exhibit A attached hereto (the “Refunded Bonds”) payable from such Assessments to finance such Improvement Area #1 Improvements, all in conformity with the requirements of the PID Act and the District Legislation; and

WHEREAS, at the time the District issued the Refunded Bonds, it reserved the right to issue additional bonds secured by the Assessments levied against the Assessed Parcels within Improvement Area #1 of the District for the purpose of financing an additional portion of the Costs of the Improvement Area #1 Improvements, pursuant to and in accordance with the provisions and limitations of the indenture under which the District issued the Refunded Bonds and that certain “Improvement Area #1 Reimbursement Agreement” between the District, Heath Golf and Yacht Club, Inc., and the Developer, dated as of April 27, 2016 (the “Reimbursement Agreement”); and

WHEREAS, the Board of Directors is authorized by the PID Act and the District Legislation to issue its revenue bonds payable from the Assessments for the purpose of (i) refunding the Refunded Bonds, (ii) paying or refinancing a portion of the Costs of the Improvement Area #1 Improvements under the Reimbursement Agreement, (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and the Additional Interest Reserve Account, and (iv) paying certain costs of issuance of the Bonds; and

WHEREAS, the Board of Directors now desires to issue revenue refunding and improvement bonds, for a debt service savings, in accordance with the PID Act and the District Legislation, such bonds to be designated “Club Municipal Management District No. 1, Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project)” (the “Bonds”), such Bonds being payable solely from the Assessments and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in this preamble; and

WHEREAS, the Board of Directors has found and determined that: (i) the issuance of the Bonds and restructuring of the debt service requirements for the Refunded Bonds is beneficial to the homeowners in the District and is in the best interests of the District and (ii) the refunding of the Refunded Bonds and refinancing certain of the Costs of Improvement Area #1 Improvements will result in a present value debt service savings for the District; and

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

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

#### FIRST GRANTING CLAUSE

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

#### SECOND GRANTING CLAUSE

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

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

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

PROVIDED, HOWEVER, that if and to the extent Assessments have been prepaid, the real property associated with such Assessment prepayment shall be released from the Trust Estate and shall no longer constitute a part of the Trust Estate;

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

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

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

## ARTICLE I DEFINITIONS, FINDINGS AND INTERPRETATION

### Section 1.1 Definitions.

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

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

“Accreted Interest” means the Accreted Value of a Capital Appreciation Bond less the initial principal amount thereof.

“Accreted Value” means, as of the date of calculation, the initial principal amount of a Capital Appreciation Bond plus the interest accrued thereon to such date of calculation, from the date of initial delivery at the approximate interest rate thereof compounded semiannually, as determined in accordance with the Accreted Value Table, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

“Accreted Value Table” means the table attached as Exhibit C hereto.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the District Legislation, the PID Act and codes with respect to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (x) administering the construction of the Improvement Area #1 Improvements, and (xi) all of the types of costs described in (i) through (x) owed to the City that were incurred fulfilling obligations under

the District Legislation, City ordinance, contractual agreements with the City or Developer or other applicable law. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of Administrative Expenses.

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

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

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of (i) the Assessment as shown on the Assessment Roll attached to the Service and Assessment Plan as Appendix F and related to the Bonds and the Improvement Area #1 Improvements; (ii) Administrative Expenses and (iii) the Additional Interest if collected pursuant to the provisions of this Indenture and the Service and Assessment Plan or any Annual Service Plan Update.

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

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

“Assessed Parcel(s)” means the parcels of land located within Improvement Area #1 against which an Assessments were levied by the Assessment Order in accordance with the Service and Assessment Plan.

“Assessment Order” means the assessment order passed and approved by the Board of Directors on September 1, 2015, that levied the Assessments on the Assessed Parcels.

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

“Assessment Roll” means the Improvement Area #1 Assessment Roll, attached as Appendix F to the Service and Assessment Plan or any other assessment roll for Improvement Area #1 in an amendment or supplement to the Service and Assessment Plan or in an Annual Service Plan Update, and related to the Bonds and the Improvement Area #1 Improvements, as updated, modified, or amended from time to time in accordance with the terms of the Service and Assessment Plan and the PID Act.

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

“Authorized Denomination” means, with respect to Current Interest Bonds, \$1,000 and any integral of \$1,000 in excess thereof and, with respect to Capital Appreciation Bonds, \$1,000 Maturity Amount and any integral of \$1,000 in excess thereof.

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

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

“Bond” means any of the Bonds.

“Bond Counsel” means Winstead PC, Dallas, Texas or any other attorney or firm of attorneys designated by the District that are nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

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

“Bond Documents” means this Indenture, the Bond Order, the Bonds, and all other documents executed by the District relating to the Bonds.

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

“Bond Order” means an Order passed and approved by the Board of Directors on February 5, 2026, authorizing the issuance of the Bonds pursuant to this Indenture.

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

“Bonds” means the District’s bonds authorized to be issued by Section 3.1 of this Indenture entitled “Club Municipal Management District No. 1 Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project)”.

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

“Capital Appreciation Bonds” means, collectively, the Bonds designated as Capital Appreciation Bonds, if any, with respect to which interest is compounded semiannually and is payable only at Maturity.

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

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

“Costs” means the costs of the Improvement Area #1 Improvements.

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

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

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

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

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

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

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

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

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

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

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

“Escrow Agent” means Wilmington Trust, National Association, as escrow agent under the Escrow Agreement, in a capacity separate and distinct from its role as Trustee under this Indenture, or any successor thereto.

“Escrow Agreement” means the escrow deposit agreement approved by the Bond Order, by and between the District and the Escrow Agent, relating to the Refunded Bonds.

“Escrow Fund” means the fund established by the Escrow Agreement to hold cash and securities for the payment of the Refunded Bonds on the date of redemption of the Refunded Bonds.

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

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

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

“Improvement Area #1” means Improvement Area #1 as depicted and described in Appendix A to the Service and Assessment Plan.

“Improvement Area #1 Assessed Property” means all Parcels within Improvement Area #1 other than Non-Benefitted Property.

“Improvement Area #1 Improvements” means the Authorized Improvements which only benefit Improvement Area #1 Assessed Property described in Section III.C of the Service and Assessment Plan, which includes a portion of Major Improvements benefitting and allocated to Improvement Area #1.

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

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

“Initial Additional Interest Reserve Requirement” means an amount equal to 10% of the Maximum Annual Debt Service of the Outstanding Bonds, excluding Bond Year 2026, which will be funded with proceeds of the Bonds.

“Initial Bonds” means, collectively, the Initial Capital Appreciation Bond and the Initial Current Interest Bond.

“Initial Capital Appreciation Bond” means the Initial Bond as set forth in Exhibit B-2 to this Indenture.

“Initial Current Interest Bond” means the Initial Bond as set forth in Exhibit B-1 to this Indenture.

“Interest Payment Date” means, with respect to the Current Interest Bonds, the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 1 and September 1 of each year, commencing September 1, 2026.

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

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

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

“Maturity” means the date on which the principal of the Current Interest Bonds and the Maturity Amount of the Capital Appreciation Bonds become due and payable according to the terms thereof, whether at Stated Maturity or by proceedings for prior redemption.

“Maturity Amount” means, with respect to the Capital Appreciation Bonds, the original principal amount thereof plus the initial premium, if any, paid therefor, plus interest accreted and compounded thereon, as set forth herein, and payable at Stated Maturity.

“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.

“Minimum Additional Interest Reserve Requirement” means an amount equal to 7.5% of the Maximum Annual Debt Service of the Outstanding Bonds, excluding Bond Year 2026.

“Non-Benefitted Property” means Parcels within the boundaries of the District that accrue no special benefit from the Improvement Area #1 Improvements. Property identified as Non-

Benefitted Property at the time the Assessments (i) are imposed, or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Improvement Area #1 Assessed Property converted to Non-Benefitted Property, if the Assessments may not be reallocated pursuant to Section VI-B of the Service Assessment Plan, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI-C of the Service and Assessment Plan.

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

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

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

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

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

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

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

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

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

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

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

“Purchaser” means the initial purchaser of the Bonds.

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

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

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

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

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

“Refunded Bonds” means the Club Municipal Management District No. 1, Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project).

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

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

“Reimbursement Agreement” means that certain “Improvement Area #1 Reimbursement Agreement” between the District, Heath Golf and Yacht Club, Inc., and the Developer dated as of April 27, 2016, which provides for the reimbursement of Costs to the Developer.

“Reserve Account Requirement” means forty percent (40%) of the Maximum Annual Debt Service on the Bonds, excluding Bond Year 2026, as of the date of issuance; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to subsection (c) of Section 6.7; and provided further that as a result of an optional redemption of the Current Interest Bonds pursuant to Section 4.3, or an extraordinary optional redemption of the Bonds pursuant to Section 4.4, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata amount and Accreted Value of Bonds redeemed by such optional redemption divided by the total principal amount and Accreted Value of the Outstanding Bonds prior to such redemption. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$\_\_\_\_\_.

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

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

“Service and Assessment Plan” means the Amended and Restated Service and Assessment Plan, including the Assessment Roll, approved by the Board of Directors of the District on February 5, 2026, as updated and amended from time to time.

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

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

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

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

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

“Trustee” means Wilmington Trust, National Association, duly organized, existing and authorized to accept and execute trusts of the character set forth herein, with an administrative office in Dallas, Texas, and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

#### Section 1.2 Findings.

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

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

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

#### Section 1.4 Interpretation.

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

words of the singular number shall be construed to include correlative words of the plural number and vice versa.

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

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

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

## ARTICLE II THE BONDS

### Section 2.1 Security for the Bonds.

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

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

### Section 2.2 Limited Obligations.

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

### Section 2.3 Authorization for Indenture.

The terms and provisions of this Indenture and the execution and delivery hereof by the District to the Trustee have been duly authorized by official action of the Board of Directors. The District has ascertained and it is hereby determined and declared that the execution and delivery

of this Indenture is necessary to carry out and effectuate the purposes set forth in the preambles of this Indenture and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes herein described.

Section 2.4 Contract with Owners and Trustee.

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

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

ARTICLE III  
AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.1 Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act and the District Legislation, as amended. The Bonds shall be issued in the aggregate principal amount of \$[PAR AMOUNT] for the purpose of (i) refunding the Refunded Bonds, (ii) paying or refinancing a portion of the Costs of the Improvement Area #1 Improvements, (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and the Additional Interest Reserve Account, and (iv) paying certain costs of issuance of the Bonds.

Section 3.2 Date, Denomination, Maturities, Interest.

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

(b) The Current Interest Bonds shall be issued in the original principal amount of \$\_\_\_\_\_. Interest shall accrue and be paid on each Current Interest Bond from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2026, and computed on the basis of a 360-day year of twelve 30-day months.

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

	Principal	Interest Rate
<u>Year</u>	<u>Amount (\$)</u>	<u>(%)</u>

\*Term Bond

(c) The Capital Appreciation Bonds shall be issued in the original principal amount of \$ \_\_\_\_\_. Interest shall accrete on each Capital Appreciation Bond at the rates set forth below from the Closing Date and shall be compounded semiannually on March 1 and September 1 of each year, commencing September 1, 2026 computed on the basis of a 360-day year of twelve 30-day months. The Capital Appreciation Bonds shall mature on September 1 in the years set forth below, and Accreted Interest on each Capital Appreciation Bond shall be payable at maturity as a portion of the Maturity Amount as set forth below for each such maturity.

Maturity Date (September 1)	Initial Principal Amount	Maturity Amount	Accretion Rate/Interest Rate

(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 Forms of Bond set forth in Exhibit B-1 and B-2 to this Indenture.

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

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

- (a) a certified copy of the Assessment Order;
- (b) a certified copy of the Bond Order;
- (c) a copy of this Indenture executed by the Trustee and the District;
- (d) a copy of the executed Reimbursement Agreement;
- (e) an executed Escrow Agreement; and

(f) a District Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the Purchaser to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the District.

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

(a) Principal of, Accreted Value of, Maturity Amount 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 Current Interest 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 the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing in the Register at the close of business on the last Business Day preceding the date of mailing such notice.

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

(d) The principal of each Current Interest Bond and Maturity Amount of each Capital Appreciation 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, Accreted Value of, Maturity Amount or interest on the Bonds is other than a Business Day, the date for such payment shall be the next succeeding Business Day, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Indenture.

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

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

Section 3.5 Execution and Registration of Bonds.

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

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

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

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

### Section 3.6 Ownership.

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

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

### Section 3.7 Registration, Transfer and Exchange.

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

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

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

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

(e) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of

this Indenture to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

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

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

#### Section 3.8 Cancellation.

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

#### Section 3.9 Temporary Bonds.

(a) Following the delivery and registration of Initial Current Interest Bond and the Initial Capital Appreciation Bond and pending the preparation of definitive Current Interest Bonds and Capital Appreciation Bonds, the proper officers of the District may execute and, upon the District'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 District executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

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

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

### Section 3.10 Replacement Bonds.

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

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

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

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

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

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

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

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

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

### Section 3.11 Book-Entry Only System.

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

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

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

In the event that the District determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the District to DTC, the District shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability

through DTC of certificated Bonds and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 3.13 Payments to Cede & Co.

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

**ARTICLE IV**  
**REDEMPTION OF BONDS BEFORE MATURITY**

Section 4.1 Limitation on Redemption.

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

Section 4.2 Mandatory Sinking Fund Redemption.

(a) The Current Interest Bonds maturing on September 1, 20\_\_ and September 1, 20\_\_ (“Term Bonds”) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI, on the dates and in the respective sinking fund installments as set forth in the following schedule:

\$ \_\_\_\_\_ Term Bond, Maturing on September 1, 20\_\_

Redemption Dates	Sinking Fund Installments
20__	\$
20__	
20__	

\$ \_\_\_\_\_ Term Bond, Maturing on September 1, 20\_\_

Redemption Dates	Sinking Fund Installments
20__	\$
20__	
20__	

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

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

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

#### Section 4.3 Optional Redemption.

The Capital Appreciation Bonds shall not be subject to optional redemption. The District reserves the right and option to redeem Current Interest Bonds before their scheduled maturity dates, in whole or in part, on any date on or after September 1, 20 \_\_, such redemption date or dates to be fixed by the District, at a redemption price equal to par plus accrued interest to the date fixed for redemption (the "Redemption Price").

#### Section 4.4 Extraordinary Redemption.

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

(b) Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on the next scheduled Interest Payment Date (i) for the Current Interest Bonds at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption and (ii) for the Capital Appreciation Bonds, at a

redemption price equal to the Accreted Value of the Bonds called for redemption, to the date fixed for redemption, to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund as provided in Section 6.5(e) hereof.

#### Section 4.5 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.2, Section 4.3, or Section 4.4, Bonds shall be redeemed in minimum principal amounts and Maturity 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 or Maturity Amount of the Bonds by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time.

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

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

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

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

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

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

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

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

(d) The District has the right to rescind any optional redemption or extraordinary optional redemption described in Section 4.3 or 4.4 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any

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

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

#### Section 4.7 Payment Upon Redemption.

(a) The Trustee shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Redemption Fund or otherwise received by the Trustee from the District and shall use such funds solely for the purpose of paying (i) the Redemption Price on the Bonds being optionally redeemed or (ii) the principal amount plus accrued interest thereon of the Bonds being extraordinarily redeemed.

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

#### Section 4.8 Effect of Redemption.

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

### ARTICLE V FORM OF THE BONDS

#### Section 5.1 Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Trustee, and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in Exhibit B-1 (with respect to Current Interest Bonds) and Exhibit B-2 (with respect to Capital Appreciation Bonds) to this

Indenture with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District or by the officers executing such Bonds, as evidenced by their execution thereof.

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

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

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

#### Section 5.2 CUSIP Registration.

The District may secure identification numbers through CUSIP Global Services, managed by S&P Global Market Intelligence, on behalf of the American Bankers Association, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the District, nor the Trustee, nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

#### Section 5.3 Legal Opinion.

The approving legal opinion of Winstead PC, Bond Counsel, may be printed on or attached to each Bond over the certification of the President or Vice President of the District, which may be executed in facsimile.

### ARTICLE VI FUNDS AND ACCOUNTS

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

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

- (i) Pledged Revenue Fund;
- (ii) Bond Fund;
- (iii) Project Fund;

- (iv) Reserve Fund;
- (v) Redemption Fund;
- (vi) Rebate Fund; and
- (vii) Administrative Fund.

(b) Creation of Accounts.

- (i) The following Accounts are hereby created and established under the Bond Fund:
  - (A) Principal and Interest Account.
- (ii) The following Accounts are hereby created and established under the Reserve Fund:
  - (A) Reserve Account; and
  - (B) Additional Interest Reserve Account.
- (iii) The following Accounts are hereby created and established under the Project Fund;
  - (A) Improvement Area #1 Improvement Account; and
  - (B) Costs of Issuance Account.
- (iv) The following Account is hereby created and established under the Pledged Revenue Fund:
  - (A) Bond Pledged Revenue Account.

(c) Each Fund and Account created within such Fund shall be maintained by the Trustee separate and apart from all other funds and accounts of the District. The Trustee may, from time to time, upon written direction from the District pursuant to a District Certificate, create additional Funds or Accounts hereunder as may be necessary. The Pledged Funds shall constitute trust funds which shall be held in trust by the Trustee as part of the Trust Estate solely for the benefit of the Owners of the Bonds.

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

## Section 6.2 Initial Deposits to Funds and Accounts.

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

- (i) to the Reserve Account of the Reserve Fund: \$\_\_\_\_\_;
- (ii) to the Costs of Issuance Account of the Project Fund: \$\_\_\_\_\_;
- (iii) to the Improvement Area #1 Improvement Account of the Project Fund: \$\_\_\_\_\_;
- (iv) to the Additional Interest Reserve Account of the Reserve Fund: \$\_\_\_\_\_;
- (v) to the Escrow Fund \$\_\_\_\_\_ (representing \$\_\_\_\_\_ from Bond Proceeds and \$\_\_\_\_\_ from funds contributed by the District); and
- (vi) to the Administrative Fund: \$\_\_\_\_\_.

## Section 6.3 Pledged Revenue Fund.

(a) Upon receipt thereof, while the Bonds are Outstanding and beginning with the first year in which Assessments are being collected, the District shall transfer to the Trustee the Pledged Revenues for deposit into the Pledged Revenue Fund. From amounts deposited to the Pledged Revenue Fund, the District shall transfer or direct the Trustee to transfer Assessment Revenue with the Trustee as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service, including Sinking Fund Installments, on the Bonds next coming due and (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 the event the Additional Interest is required to be collected for the purposes set forth in Section 6.7 hereof, then immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made under this Section 6.3(a), the Additional Interest will be transferred in the manner set forth in Section 6.7 hereof.

(b) From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund, and transfer to the Bond Fund, an amount, taking into account any amounts then on deposit in such Bond Fund, such that the amount on deposit in the Bond Fund equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date. No later than the tenth day prior to the Maturity Date on the Bonds, the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer into the Bond Fund an amount that, together with sums on deposit in the Bond Fund, shall be equal to 100% of the amount required to fully pay the principal of, Maturity Amount, premium, if any and interest on the Bonds payable at such Maturity Date. No later than the tenth day prior to any Redemption Date the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer into the Bond Fund (i) relating to any CIBs being redeemed on such Redemption Date, an amount equal to the principal of and accrued interest on such CIBs

to the Redemption Date and (ii) relating to any CABs being redeemed pursuant to extraordinary mandatory redemption on such Redemption Date, an amount equal to the Accreted Value on such CABs to the Redemption 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 or Accreted Interest, as applicable, then to the payment of principal (including any Sinking Fund Installments) or Accreted Value, as applicable, on the Bonds.

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

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

(f) After satisfaction of the requirement to provide for the payment of the principal or Accreted Value and interest on the Bonds and to fund any deficiency that may exist in the Reserve Account of the Reserve Fund or the Additional Interest Reserve Account, the Trustee, at the written direction of the District, may apply any Pledged Revenues remaining for any lawful purpose for which Assessments may be used under the PID Act. The Trustee may rely on such District Certificate and shall have no obligation to determine the lawful purposes permitted under the Act.

#### Section 6.4 Bond Fund.

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

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

#### Section 6.5 Project Fund.

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

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to the instructions on the memorandum to be issued (the "Closing Memorandum") as of the Closing Date.

(c) Disbursements from the Improvement Area #1 Improvement Account of the Project Fund to pay Costs shall be made by the Trustee pursuant to the instructions on the Closing Memorandum as of the Closing Date.

(d) Upon the filing of a District Order stating that all Improvement Area #1 Improvements have been completed and that all Costs allocable to the Assessed Parcels have been paid, or that any such Costs are not required to be paid from the Improvement Area #1 Improvement Account of the Project Fund, the Trustee shall transfer the amount, if any, remaining within the Project Fund to the Bond Fund or the Redemption Fund, as directed by a District Order filed with the Trustee, and the Project Fund shall be closed.

(e) Upon a determination by the District Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the District in a District Order filed with the Trustee, and the Costs of Issuance Account shall be closed. In making any determination pursuant to this Section, the District Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

#### Section 6.6 Redemption Fund.

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

#### Section 6.7 Reserve Fund.

(a) The District agrees with the Owners of the Bonds, to accumulate, and when accumulated, maintain in the Reserve Account of the Reserve Fund an amount equal to not less than the Reserve Account Requirement. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture. In addition, the District agrees with the Owners of the Bonds to deposit into the Additional Interest Reserve Account, from proceeds of the Bonds, an amount equal to not less than the Initial Additional Interest Reserve Requirement. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Minimum Additional Interest Reserve Requirement, the Trustee shall notify the District, in writing, of the amount of such shortfall, and the District shall begin collecting the Additional Interest and shall file a District Order with the Trustee instructing the Trustee to begin depositing the Additional Interest from the Pledged Revenue Fund into the Additional Interest Reserve Account until the Minimum Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. 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 District of such transfer in writing. Notwithstanding anything herein to the contrary, so long as the amount on deposit in the Additional Interest Reserve Account equals or exceeds the Minimum Additional Interest Reserve Requirement, the Additional

Interest shall not be collected. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan unless and until it receives a District Order directing that a different amount be used.

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

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

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

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

Requirement for the Bonds, the Trustee shall transfer such excess at the written direction of the District.

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

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

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

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

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

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

(a) The "Rebate Fund" is to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code.

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

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

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

Section 6.9 Administrative Fund.

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

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

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

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

Section 6.10 Escrow Fund.

The Trustee shall cause to be deposited to the Escrow Fund a portion of the proceeds of the Bonds to effect the defeasance of the Refunded Bonds in accordance with the Escrow Agreement.

Section 6.11 Investment of Funds.

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

investments which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default.

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

(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 not incur any liability for losses (including depreciation) arising from any investments made or sold pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments or whether any investments otherwise comply with this Indenture or the District's official investment policy. 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 District, upon the written request of the District, monthly cash transaction statements via access to its online portfolio system 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 online access.

#### Section 6.12 Security of Funds.

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

## ARTICLE VII COVENANTS

### Section 7.1 Confirmation of Assessments.

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

### Section 7.2 Collection and Enforcement of Assessments.

(a) For so long as any Bonds are Outstanding, the District covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments.

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

### Section 7.3 Against Encumbrances.

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

(b) So long as Bonds are Outstanding hereunder, the District shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

### Section 7.4 Records; Accounts; Accounting Reports.

The District hereby covenants and agrees that so long as any of the Bonds are Outstanding or any interest thereon remains outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and holder or holders of any Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the District by the Trustee or duly authorized representative, as applicable; provided, however, the Trustee shall have no duty to so inspect. The District shall provide the Trustee or

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

Section 7.5 Covenants to Maintain Tax-Exempt Status.

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

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

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

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

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

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

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

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

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

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

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

(d) No Private Loan.

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

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

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

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

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

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

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

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

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

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

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the District shall not, at any time prior to the

earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's-length and had the Yield of the Bonds not been relevant to either party.

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

## ARTICLE VIII LIABILITY OF DISTRICT

The District shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Indenture. The District shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

Neither the Owners nor any other Person shall have any claim against the District or any of its officers, officials, agents, or employees for damages suffered as a result of the District's failure to perform in any respect any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the District, in accordance with the Bond Documents, the District Legislation and the PID Act. Any such claim shall be payable only from Pledged Revenues or the Administrative Expenses. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the District or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds by mandamus or other proceeding at law or in equity.

The District may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel with regard to legal questions, and the

opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or Administrator or other person designated by the Board of Directors to so act on behalf of the District, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

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

## ARTICLE IX THE TRUSTEE

### Section 9.1 Trustee as Registrar and Paying Agent.

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

### Section 9.2 Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified, to the extent permitted by law, to its satisfaction, in its sole and absolute discretion, against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own gross negligence or willful misconduct as finally adjudicated by a court of competent jurisdiction; provided however that, absent an Event of Default, the Trustee shall not request or require indemnification as a condition for making any deposits, payments, or transfers when required hereunder or to deliver any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund to pay all fees, costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

### Section 9.3 Responsibilities of the Trustee.

(a) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the District and the Trustee assumes no responsibility for and undertakes no duty to verify the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Bonds or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; (iii) the application of any money paid to the District or others in accordance with this Indenture, except as to the application of any money paid to it in its capacity as Trustee; or (iv) any calculation of arbitrage or rebate under the Code.

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

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

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

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

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

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

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

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

(f) With the exception of an Event of Default described in Section 11.1(iii) hereof, the Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the District. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default.

(g) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the District, or any of its directors, members, officers, agents, affiliates or employees, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all Persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person.

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

(i) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; pandemics; 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.

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

**Section 9.4 Property Held in Trust.**

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

**Section 9.5 Trustee Protected in Relying on Certain Documents.**

The Trustee may request, conclusively rely on and shall incur no liability and shall be fully protected in acting or refraining from acting upon any order, judgment, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, debenture, note, other evidence of indebtedness, e-mail, electronic transmission, resolution, direction, opinion, report or other document or instrument provided to the Trustee in accordance with the terms of this Indenture, to be paid for by the District or the Owners of the Bonds, that it shall reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into and shall not be deemed to have knowledge of any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted to be taken by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a District Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such District Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the District to the Trustee shall be sufficiently executed if executed in the name of the District by the District Representative.

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

**Section 9.6 Compensation.**

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable

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

#### Section 9.7 Permitted Acts.

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any Owner of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the District or any committee formed to protect the rights of holders of Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the holders of a majority of the Bonds.

#### Section 9.8 Resignation of Trustee.

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

#### 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 amount of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the District, or (ii) so long as the District is not in default under this Indenture, the District. Copies of each such instrument shall be delivered by the District to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or

proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the District or the Owners of not less than 10% of the aggregate Outstanding amount of the Bonds.

#### Section 9.10 Successor Trustee.

If the Trustee shall resign, be removed, be dissolved, or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

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

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

If in a proper case no appointment of a successor Trustee shall be made within thirty (30) days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the District shall be responsible for the costs of such appointment process. Any duties and obligations of such predecessor Trustee shall thereafter cease and terminate, but the payment of the fees and expenses owed to the predecessor Trustee shall survive until paid in full.

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

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

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

#### Section 9.11 Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the District an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all money, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the District or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and, upon the receipt of payment of any outstanding charges, shall pay over, assign, and deliver to such successor any money or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the District be required by such successor for more fully and certainly vesting in and confirming to it any such money, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the District.

#### Section 9.12 Merger, Conversion or Consolidation of Trustee.

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

#### Section 9.13 Trustee To File Continuation Statements.

Nothing herein shall obligate the Trustee to file any initial financing statements. Upon the District's timely delivery of a copy of such filed initial financing statement, if any, naming the Trustee as secured party or additional secured party, to the Trustee, if necessary, and after receipt of copies of the originally filed financing statements, if any, the Trustee may file or cause to be filed, such continuation statements as may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC, at the District's expense; provided, unless the Trustee is otherwise notified in writing

by the District, the Trustee may conclusively rely upon the initial filing statements delivered to it in filing any continuation statements hereunder. The Trustee shall have no responsibility or liability (i) in connection with the acts or omissions of the District in respect of the foregoing or (ii) for or with respect to the legality, validity and enforceability of any security interest created in the Trust Estate or the perfection and priority of such security interest.

Section 9.14 Trustee Representations.

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

(b) No Boycott of Israel; No Business With Sanctioned Countries. 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, to the extent this Indenture is a contract for goods or services, will not boycott Israel during the term of this Indenture. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable State or federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

The Trustee represents that neither it nor any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,  
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or  
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Trustee and any of its respective parent companies, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Trustee understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Trustee and exists to make a profit.

### Section 9.15 Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds. Whether or not therein expressly so provided, every provision of this Indenture or any other Bond Documents to which the Trustee is a party and relating to the conduct or affecting the liability or affording protection to the Trustee shall be subject to the provisions of this Article IX.

## ARTICLE X MODIFICATION OR AMENDMENT OF THIS INDENTURE

### Section 10.1 Amendments Permitted.

This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, executed by both the District 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 the Bonds of at least fifty one percent (51%) of the aggregate principal amount of the Bonds then Outstanding and District approval of such modification or amendment. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, Maturity Amount and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by Applicable Laws or this Indenture), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights, immunities, indemnities or obligations of the Trustee without its prior written consent.

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

- (i) to add to the covenants and agreements of the District in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;
- (ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;
- (iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the District and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds;
- (iv) to authorize a series of Refunding Bonds, and, in connection therewith, to specify and determine the matters and things referred to in the Indenture and also any other

matters and things relative to such Refunding Bonds which are not in conflict with the Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Refunding Bonds; and

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

Before the District and the Trustee may enter into any amendment to this Indenture, there must be delivered to the Trustee and the District an opinion of Bond Counsel stating that such amendment (i) is authorized or permitted under this Indenture and the Applicable Laws, (ii) complies with their respective terms, (iii) will, upon execution and delivery thereof, be valid and binding on the District in accordance with its terms, and (iv) will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, to the extent such Bonds are issued on a tax-exempt basis.

#### Section 10.2 Owners' Meetings

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

#### Section 10.3 Procedure for Amendment with Written Consent of Owners.

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

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

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing

of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period; 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 inaction.

#### Section 10.4 Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

#### Section 10.5 Endorsement or Replacement of Bonds Issued After Amendments.

The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the designated office of the Trustee or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

#### Section 10.6 Amendatory Endorsement of Bonds.

The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

#### Section 10.7 Waiver of Default.

Subject to the second and third sentences of Section 10.1 hereof, with the written consent of at least fifty one percent (51%) in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the District with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners. For the avoidance of doubt, any waiver given pursuant to this Section shall be subject to Section 11.5 hereof.

## Section 10.8 Effect of Amendment.

Notwithstanding anything contained herein, no modification or amendment of this Indenture or any Supplemental Indenture shall be effective without the prior written consent of the City.

## ARTICLE XI DEFAULT AND REMEDIES

### Section 11.1 Events of Default.

Each of the following occurrences or events shall be and is hereby declared to be an “Event of Default,” to wit:

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

### Section 11.2 Immediate Remedies for Events of Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Trustee, upon the written direction of Owners of at least 51% of the aggregate principal amount of the Bonds then Outstanding and its receipt of indemnity satisfactory to it, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the District may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for 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 Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due under this Article, the District shall determine, in its absolute discretion, and shall instruct the Trustee by District Order, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the District shall fail to deliver to the Trustee such District Order, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the District by reason of such selection, liquidation or sale.

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

### Section 11.3 Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in Section 9.2 herein, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to

any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article VIII, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the District to pay each Bond issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

(c) In case the Trustee or any Owners of Bonds shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the District, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

#### Section 11.4 Application of Revenues and Other Moneys After Event of Default.

(a) All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, the Trustee, on behalf of the District, notwithstanding Section 11.2 hereof, be applied by the Trustee to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

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

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

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners of the Bonds pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds that are Outstanding in

proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

(c) The restoration of the District to its prior position after any and all Events of Default have been cured, as provided in Section 11.3, shall not extend to or affect any subsequent default or Event of Default under this Indenture or impair any right consequent thereon.

#### Section 11.5 Effect of Waiver.

No delay or omission of the Trustee, or any Owner, to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

#### Section 11.6 Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(i) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(ii) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bond in respect of anything done or suffered to be done by the District or the Trustee in accordance therewith.

### Section 11.7 No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

### Section 11.8 Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first class postage prepaid, only to each Owner at the address appearing upon the Register.

### Section 11.9 Exclusion of Bonds.

Bonds owned or held by or for the account of the District will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the District shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture.

## ARTICLE XII GENERAL COVENANTS AND REPRESENTATIONS

### Section 12.1 Representations as to Pledged Revenues.

(a) The District represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds, to execute and deliver this Indenture and to pledge the Pledged Revenues in the manner and to the extent provided in this Indenture, and that the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The District shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) The District will take all steps reasonably necessary and appropriate, and will direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

(d) To the extent permitted by law and subject to approval by the Rockwall County Tax Assessor/Collector and the Kaufman County Tax Assessor/Collector, notice of the Annual Installments shall be sent by, or on behalf of the District, to the affected property owners on the same statement or such other mechanism that is used by the City or other taxing unit with territory within the boundaries of the District to collect ad valorem taxes, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City or other taxing unit with territory within the boundaries of the District.

## Section 12.2 Accounts; Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the District, during the Trustee's regular business hours, and the Owner or Owners of not less than 10% in principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

## Section 12.3 General.

The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of this Indenture.

# ARTICLE XIII

## SPECIAL COVENANTS

### Section 13.1 Further Assurances; Due Performance.

(a) At any and all times the District will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The District will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

### Section 13.2 Other Obligations or Other Liens; Refunding Bonds.

(a) The District reserves the right to issue obligations under other indentures, assessment orders, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

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

(c) Notwithstanding any contrary provision of this Indenture, the District shall not issue additional bonds, notes or other obligations under this Indenture, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than Refunding Bonds. The District reserves the right to issue Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds or Outstanding

Refunding Bonds and to pay all costs incident to the Refunding Bonds, as authorized by the laws of the State.

### Section 13.3 Books of Record.

The District shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the District, which relate to the Pledged Revenues, the Pledged Funds, and the Bonds.

The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default or Event of Default based on such contents, and has no duty to verify the accuracy of such information.

## ARTICLE XIV PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

### Section 14.1 Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article.

### Section 14.2 Satisfaction of Indenture.

If the District shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on or Maturity Amount of all of the Bonds, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the District to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the District copies of all such documents as it may have evidencing that principal of and interest on or Maturity Amount of all of the Bonds has been paid so that the District may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the District.

### Section 14.3 Bonds Deemed Paid.

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the Maturity Amount or the principal of and the interest on which when due will provide moneys which,

together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the Maturity Amount or the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or Stated Maturity thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the District verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the Maturity Amount or the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or Stated Maturity thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on or Maturity Amount of the Bonds and shall not be part of the Trust Estate. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the District maturing at times and in amounts sufficient to pay when due the Maturity Amount, principal of and interest on the Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

## ARTICLE XV MISCELLANEOUS

### Section 15.1 Benefits of Indenture Limited to Parties.

Except as provided in Section 15.10 hereof, nothing in this Indenture, expressed or implied, is intended to give to any Person other than the District, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Except as provided in Section 15.10 hereof, any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Trustee. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersede all prior agreements and understandings, oral or written.

### Section 15.2 Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

### Section 15.3 Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register. Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

#### Section 15.4 Waiver of Personal Liability.

No member, officer, agent, or employee of the District shall be individually or personally liable for the payment of the principal of, Maturity Amount, Accreted Value or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

#### Section 15.5 Notices to and Demands on District and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any District Certificate or District Order, shall be in writing and shall be telexed, cabled, delivered by hand, mailed by first class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the District:

Club Municipal Management District No. 1  
500 Winstead Building  
2728 N. Harwood Street  
Dallas, Texas 75201  
Attn: Ross S. Martin  
Email: [rmartin@winstead.com](mailto:rmartin@winstead.com)

If to the Trustee  
or the Paying Agent/Registrar:

Wilmington Trust, National Association  
15950 North Dallas Parkway  
Suite 200  
Dallas, Texas 75248  
Attn: Parker Merritt  
Email: [pmerritt@wilmingtontrust.com](mailto:pmerritt@wilmingtontrust.com)

If to the City:

City of Heath  
200 Lawrence Drive  
Heath, Texas 75032  
Attn: City Manager  
Email: [salexander@heathtx.com](mailto:salexander@heathtx.com)

Any such notice, demand, or request may also be transmitted to the appropriate party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Outstanding.

(c) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk or interception and misuse by third parties.

#### Section 15.6 Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The District hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

#### Section 15.7 Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas. With respect to this Indenture and any conflicts arising therefrom, and with the exception of the District's right to claim governmental immunity which is not waived hereby, the parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal district or state district court with jurisdiction in Rockwall County, Texas or Kaufman 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) or Maturity Amount 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 or Maturity Amount (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

**Section 15.9 Counterparts.**

This Indenture may be executed in counterparts, each of which shall be deemed an original.

**Section 15.10 City a Third Party Beneficiary.**

The City is a third party beneficiary of this Indenture and may enforce any right, remedy, or claim hereunder as if a party hereto.

**Section 15.11 Municipal Bond Insurance.**

The provisions relating to the municipal bond insurance policy with respect to the Bonds being issued by Build America Mutual Assurance Company, are set forth in Exhibit D hereto, and such provisions are incorporated herein by reference.

*[Signature page follows]*

IN WITNESS WHEREOF, the District and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CLUB MUNICIPAL MANAGEMENT DISTRICT  
NO. 1

By: \_\_\_\_\_  
Vice President, Club Municipal Management  
District No. 1

Attest:

---

Secretary, Club Municipal Management  
District No. 1

[DISTRICT SEAL]

WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

*Signature Page to Indenture of Trust  
relating to*

CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2026  
(IMPROVEMENT AREA #1 PROJECT)

## EXHIBIT A

### CONDITIONAL NOTICE OF REDEMPTION

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2016  
(IMPROVEMENT AREA #1 PROJECT)**

Dated: May 24, 2016

CONDITIONAL NOTICE IS HEREBY GIVEN that the bonds of the above series maturing on September 1 in each of the years listed below and aggregating in the principal amount of \$7,195,000.00 have been called for redemption on March 1, 2026 the (the "Redemption Date") at the redemption price set forth in the trust indenture relating to the Refunded Bonds:

<u>Year</u>	<u>Principal Amount</u>	<u>CUSIP Number</u>
2028*	\$ 525,000	18948P AA9
***	***	
2035*	\$1,795,000	18948P AB7
***	***	
2046*	\$4,875,000	18948P AC5

\* term bond

THIS CONDITIONAL NOTICE OF REDEMPTION, and the payment of the Redemption Price on the Redemption Date, is subject to the receipt of an amount sufficient to pay in full the Redemption Price on the Redemption Date.

IN THE EVENT funds for the payment of the Redemption Price are not received by the Redemption Date, this notice shall be null and void and of no force and effect. Any bonds therefore delivered for redemption shall be returned to the respective owners thereof, and said bond shall remain outstanding as though this Conditional Notice of Redemption has not been given. Notice of failure to receive funds sufficient to pay the Redemption Price and the recission of this redemption shall be given by the Trustee by first-class mail to the registered holders of the bonds.

PROVIDED such funds are received by the Redemption Date, such bonds shall become due and payable on the Redemption Date, and interest thereon shall cease to accrue from and after said Redemption Date and payment of the Redemption Price of said bonds shall be paid to the registered owners thereof only upon presentation and surrender of such obligations to Wilmington Trust, National Association, at its designated offices at the following address:

**By Hand or Overnight Mail**

Wilmington Trust, National Association  
Attn: Mr. Parker Merritt  
15950 North Dallas Parkway  
Suite 200  
Dallas, Texas 75248

NOTICE: Federal law requires the Trustee to withhold taxes at the applicable rate from the payment if an IRS form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

THIS NOTICE is issued and given pursuant to the terms and conditions prescribed for the redemption of said bonds in the indenture of trust authorizing the issuance of such bonds, and pursuant to a written letter of instructions from Bond Counsel to Club Municipal Management District No. 1.

CLUB MUNICIPAL MANAGEMENT  
DISTRICT NO. 1

## EXHIBIT B-1

### (a) Form of Current Interest Bond

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

REGISTERED  
No.\_\_\_\_\_

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

United States of America,  
State of Texas  
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BOND, SERIES  
2026  
(IMPROVEMENT AREA #1 PROJECT)

<u>INTEREST RATE</u> %	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>

Club Municipal Management District No. 1 (the "District"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year, commencing September 1, 2026, until maturity or prior redemption.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the “Designated Payment/Transfer Office”), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the “Trustee”, which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the “Record Date,” which shall be the fifteenth day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Trustee, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the District having the designation specified in its title (herein referred to as the “Bonds”), dated as of the date of delivery and issued in the aggregate principal amount of \$[PAR AMOUNT] and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of February 1, 2026 (the “Indenture”), by and between the District and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the District, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) refunding the Refunded Bonds, (ii) paying or refinancing a portion of the Costs of the Improvement Area #1 Improvements, (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and the Additional Interest Reserve Account, and (iv) paying certain costs of issuance of the Bonds. The Bonds are limited obligations of the District payable solely from the Trust Estate (as defined in the Indenture). Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of

the duties and obligations of the District, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the District to make money available to pay this Bond may be defeased by the deposit of money and/or certain Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$1,000 and any multiple of \$1,000 in excess thereof.

The Bonds maturing on September 1, 20\_\_ and September 1, 20\_\_ ("Term Bonds") are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI of the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

\$ \_\_\_\_\_ Term Bond, Maturing on September 1, 20\_\_

Redemption Dates	Sinking Fund Installments
20__	\$
20__	
20__	

\$ \_\_\_\_\_ Term Bond, Maturing on September 1, 20\_\_

Redemption Dates	Sinking Fund Installments
20__	\$
20__	
20__	

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

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

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

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

The District reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date, at 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments transferred to the Redemption Fund pursuant to the Indenture.

The Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, on any date, at a redemption price equal to 100% of the aggregate principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as specified in the Indenture.

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

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

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the District and the rights of the holders of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the holders of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the holders of all the Bonds,

to waive compliance by the District with certain past defaults under the Bond Order or the Indenture and their consequences. Any such consent or waiver by the holder of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such holder and upon all future holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

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

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

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

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF HEATH, TEXAS, ROCKWALL COUNTY, TEXAS, KAUFMAN COUNTY, TEXAS, OR THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS.

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

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Bond to be executed under the official seal of the District.

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Vice President, Club Municipal Management  
District No. 1

---

Secretary, Club Municipal Management  
District No. 1

[District Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond;

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO.
	§	
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT there is on file and of record in my office an opinion to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this \_\_\_\_\_

---

Comptroller of Public Accounts  
of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

**CERTIFICATE OF TRUSTEE**

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

**WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee**

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

\_\_\_\_\_  
By:

Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

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

---

---

---

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

Date: \_\_\_\_\_

Signature Guaranteed By:

---

---

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

Authorized Signatory

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

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

(ii) the principal amount of the Initial Current Interest Bond shall be listed at \$[INITIAL CURRENT INTEREST BOND PAR AMOUNT];

(iii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on September 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
--------------	-------------------------------	-----------------------

[\*Term Bond]

(Information to be inserted from Section 3.2(c) hereof);

(iv) in the first line of the fifth paragraph after the words "This Bond is", the word "one" shall be deleted and the words "the initial Bond" shall be inserted; and

(v) the Initial Current Interest Bond shall be numbered T-1.

## EXHIBIT B-2

### (a) Form of Capital Appreciation Bond

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF HEATH, TEXAS, THE DISTRICT, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF MATURITY AMOUNT OR ACCRETED VALUE ON THIS BOND.

REGISTERED  
No.\_\_\_\_\_

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

United States of America,  
State of Texas  
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BOND, SERIES  
2026  
(IMPROVEMENT AREA #1 PROJECT)

PRINCIPAL AMOUNT	STATED MATURITY DATE	YIELD	MATURITY AMOUNT	CUSIP NUMBER

Club Municipal Management District No. 1 (the "District"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the Maturity Amount specified above on September 1 in the year and in the installment in accordance with the schedule above. The respective installments of the Maturity Amount hereof represent the accretion of interest on the original principal amount of each year of Stated Maturity from the date of initial delivery of this Bond to the Purchaser thereof to the respective years of Stated Maturity (including the initial premium, if any, paid by the Initial Purchaser) and such accretion in values occurring at the respective Accretion Rate and compounding on September 1, 2026, and semiannually thereafter on each March 1 and September 1. A table of the "Accreted Values" per \$1,000 "Accreted Value" at maturity is attached to this Bond. The Accreted Value with respect to any

date other than a March 1 or September 1 is the amount set forth in the table with respect to the last preceding March 1 or September 1, as the case may be, plus the portion of the difference between such amount and the amount set forth in the table with respect to the next succeeding September 1 or March 1, as the case may be, that the number of days (based on 30-day months) from such last preceding March 1 or September 1, as the case may be, to the date for which such determination is being calculated bears to the total number of days (based on a 360 day year of twelve 30-day months) from such last preceding March 1 or September 1, as the case may be, to the next succeeding September 1 or March 1, as the case may be.

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 Maturity Amount or Accreted Value 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 designated corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office"), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the "Trustee", which term includes any successor trustee under the Indenture), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor.

If a date for the payment of the Maturity Amount or Accreted Value 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 District having the designation specified in its title (herein referred to as the "Bonds"), dated as of the date of delivery and issued in the aggregate principal amount of \$[PAR AMOUNT] and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of February 1, 2026 (the "Indenture"), by and between the District and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the District, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) refunding the Refunded Bonds, (ii) paying or refinancing a portion of the Costs of the Improvement Area #1 Improvements, (iii) funding a reserve fund for the Bonds, including deposits to the Reserve Account and the Additional Interest Reserve Account, and (iv) paying certain costs of issuance of the Bonds. The Bonds are limited obligations of the District payable solely from the Trust Estate (as defined in the Indenture). Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the District, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the District to make money available to pay this Bond may be defeased by the deposit of money and/or certain Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$1,000 and any integral of \$1,000 in excess thereof.

The Bonds are subject to extraordinary optional redemption before their respective maturity dates, in whole or in part, on any date, at a price equal to the Accrued Value of the Bonds, or portions thereof, to be redeemed from amounts on deposit in the Redemption Fund as specified in the Indenture.

The Bonds are subject to extraordinary mandatory redemption before their respective scheduled maturity dates, in whole or in part, on the next scheduled Interest Payment Date at a redemption price equal to the Accrued Value of the Bonds called for redemption, to the date fixed for redemption to the extent that moneys are transferred to the Redemption Fund as a result of unexpended amounts in the Project Fund as provided in the Indenture.

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

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

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated

Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

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

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

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY OF HEATH, TEXAS, ROCKWALL COUNTY, TEXAS, KAUFMAN COUNTY, TEXAS, OR THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT IS PLEDGED TO THE PAYMENT OF THE BONDS.

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

[SIGNATURES TO FOLLOW]

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Bond to be executed under the official seal of the District.

---

Vice President, Club Municipal Management  
District No. 1

---

Secretary, Club Municipal Management  
District No. 1

[District Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond;

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §  
OF PUBLIC ACCOUNTS § REGISTER NO.  
THE STATE OF TEXAS §

I HEREBY CERTIFY THAT there is on file and of record in my office an opinion to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this

## Comptroller of Public Accounts of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

**CERTIFICATE OF TRUSTEE**

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

**WILMINGTON TRUST, NATIONAL  
ASSOCIATION, as Trustee**

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

\_\_\_\_\_  
By:

Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

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

---

---

---

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

Date: \_\_\_\_\_

Signature Guaranteed By:

---

---

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

Authorized Signatory

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

(i) immediately under the name of the Bond the reference to the "CUSIP NUMBER" shall be deleted;

(ii) the principal amount of the Initial Bond shall be listed at \$[CAPITAL APPRECIATION BOND PAR AMOUNT];

(iii) the Initial Capital Appreciation Bond shall be numbered TCA-1.

**EXHIBIT C**

**ACCRETED VALUE TABLE**

**EXHIBIT D**

**MUNICIPAL BOND INSURANCE PROVISIONS**

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**APPENDIX B**  
**FORM OF SERVICE AND ASSESSMENT PLAN**

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# CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1

## HEATH GOLF AND YACHT CLUB DEVELOPMENT

### SERVICE AND ASSESSMENT PLAN

FEBRUARY 5, 2026

As updated for Improvement Area #2 Assessments on May 7, 2018, and Improvement Are #2 Bonds on November 30, 2021, updated for Improvement Area #3 Assessments on May 16, 2023, updated for Improvement Area #3 Bonds on November 26, 2024, and updated for Improvement Area #1 Refunding and Improvement Bonds on February 5, 2026.

PREPARED BY:

**MUNICAP, INC.**  
— PUBLIC FINANCE —

# CLUB MUNICIPAL MANAGEMENT DISTRICT No. 1

## SERVICE AND ASSESSMENT PLAN

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**APPENDIX H- IMPROVEMENT AREA #3 ASSESSMENT ROLL**

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## ***I. PLAN DESCRIPTION AND DEFINED TERMS***

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### **A. INTRODUCTION**

The 82nd Texas Legislature passed House Bill 3859 approving and authorizing the creation of Club Municipal Management District No. 1 (the “District”) to finance the costs of certain public improvements for the benefit of property in the District, all of which is located within the corporate boundaries of the City of Heath (the “City”).

The property within the District is proposed to be developed in phases, and the District will finance improvements for each phase as each phase is developed. Assessments will be imposed for each phase for the public improvements to be provided for that phase. Major Improvement Assessments will be assessed on property utilizing such improvements.

Upon application of the current property owners, the property within the District was zoned by Ordinance No. 070118 (the “Planned Development District Ordinance”) adopted by the City on January 18, 2007, and subsequently amended by Ordinance 120515A in May 2012 and the property that was zoned on November 26, 2013, by Ordinance No. 131126A, zoned for Heath Golf & Yacht Club Lakes Addition. The Planned Development District Ordinance designates the type of land uses that are permitted within the project and includes development standards for each land use type.

The public improvements are anticipated to be financed through bonds to be issued under Chapter 3902, Texas Special District Local Laws Code (the “Creation Legislation”) and Chapter 372 of the Texas Local Government Code, “Improvement Districts in Municipalities and Counties” (as amended, the “PID Act”), which governs the operation of public improvement districts within the State of Texas. This Service and Assessment Plan (“the “SAP” or the “Plan”) has been prepared pursuant to Sections 372.013, 372.014, 372.015 and 372.016 of the PID Act. According to Section 372.013 of the PID Act, a service plan “must cover a period of at least five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements.” The service plan is described in Section V of this Service and Assessment Plan. Section 372.014 of the PID Act states that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section IV.

Section 372.015 of the PID Act states that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the costs of the Authorized Improvements to the property within the District is included in Section IV of this Service and Assessment Plan.

Section 372.016 of the PID Act states that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Improvement Area #1 Assessment Roll is attached hereto as Appendix F, the Improvement Area #2 Assessment Roll is attached hereto as Appendix G, and the Improvement Area #3 Assessment

Roll is attached hereto as Appendix H of this Plan. The Assessments as shown on the Assessment Roll are based on the method of assessment described in Section IV of this Plan.

## **B. DEFINITIONS**

Capitalized terms used herein shall have the meanings ascribed to them as follows:

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

Actual Costs shall not include general contractor’s fees in an amount that exceeds a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount that exceeds five (5) percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated. Actual Costs also may be paid to the Developer or any other person or entity only in the capacity of construction manager or only in the capacity of general contractor but not both.

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

**“Additional Interest Reserve”** has the meaning set forth in Section IV.J of this Service and Assessment Plan.

**“Administrator”** means the employee or designee of the District who shall have the responsibilities provided for herein, in the Trust Indenture, or in another agreement approved by the Board of Directors.

**“Administrative Expenses”** mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District,

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

**“Annual Installment”** means, with respect to each Assessed Property, each annual payment of: (i) the Assessment including the applicable interest, as shown on the Assessment Roll attached hereto as Appendix F, Appendix G, and Appendix H, as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the applicable Additional Interest Component designed for the Additional Interest Reserve described in Section IV.L of this Service and Assessment Plan, and (iii) the Administrative Expenses.

**“Annual Service Plan Update”** means an annual update to the Service and Assessment Plan of the District, as required by Section 372.013, Texas Local Government Code.

**“Assessed Property”** means the property that benefits from the Authorized Improvements to be provided by the District on which Assessments have been imposed as shown in the Assessment Roll, as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes Parcels within the District other than Non-Benefited Property.

**“Assessment”** means an assessment levied against a Parcel imposed pursuant to an Assessment Order and the provisions herein, as shown on an Assessment Roll, subject to reallocation upon the subdivision of such Parcel created by such subdivision or reduction according to the provisions herein and the PID Act.

**“Assessment Order”** means an Assessment Order adopted by the Board of Directors approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

**“Assessment Revenues”** mean the revenues actually received by the District from Assessments.

**“Assessment Roll”** means, as applicable, the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll or any or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service and Assessment Plan Update.

**“Authorized Improvements”** mean those public improvements described in Section 3902.151 of the Creation Legislation or Section 375.112 of the Local Government Code designed, constructed, and installed in accordance with this Plan, and any future updates and/or amendments.

**“Authorized Improvement Costs”** mean the actual or budgeted costs, as applicable, of all or any portion of the Authorized Improvements, as shown in Appendix B.

**“Board of Directors”** means the duly approved board of directors of the District.

**“Bonds”** mean any bonds secured by the Assessment Revenues issued by the District in one or more series.

**“Certification for Payment”** means the document to be provided by the Developer or construction manager to substantiate the Actual Cost of one or more Authorized Improvements.

**“City”** means the City of Heath, Texas.

**“City Council”** means the governing body of the City.

**“Creation Legislation”** means Chapter 3902 of the Texas Special District Local Laws Code.

**“Delinquent Collection Costs”** mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“Developer”** means, collectively, HGYC, LLC and Heath Golf and Yacht Club, Inc. and any of their successors or assigns developing lands within the District.

**“Development Agreement”** means the Master Development Agreement with an effective date of August 30, 2013, between the City, the District, HGYC, LLC, and Heath Golf and Yacht Club, Inc., as amended by a First Amendment to Master Development Agreement with an effective date of April 15, 2015, and a Second Amendment to Master Development Agreement with an effective date of September 15, 2015, and as may be further amended from time to time in accordance with its terms.

**“District”** has the meaning set forth in Section I.A.

**“Equivalent Units”** mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix D attached hereto.

**“Homeowner Association Property”** means property within the boundaries of the District that is owned by or dedicated to, whether in fee simple or through an exclusive use easement, a homeowners’ association established for the benefit of a group of homeowners or property owners within the District.

**“Improvement Area”** means one or more Parcels within the District that will be developed in the same general time period. The Parcels within an Improvement Area will be assessed in connection with the issuance of Bonds for Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the Parcels within the Improvement Area.

**“Improvement Area #1”** means the initial Improvement Area developed within the District generally shown on “Improvement Area #1 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix F.

**“Improvement Area #1 Assessed Property”** means all Parcels within Improvement Area #1 other than Non-Benefited Property.

**“Improvement Area #1 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix F, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

**“Improvement Area #1 Bonds”** means the Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2016 (Improvement Area #1 Project), that are secured by Assessments levied on Improvement Area #1 Assessed Property.

**“Improvement Area #1 Improvements”** means Authorized Improvements which only benefit Improvement Area #1 Assessed Property and are described in Section III.C.

**“Improvement Area #1 Maximum Assessment Per Equivalent Unit”** means for Improvement Area #1 an Assessment per Equivalent Unit for Improvement Area #1 Improvements not to exceed \$117,768.98.

**“Improvement Area #1 Refunding and Improvement Bonds”** means the Club Municipal Management District No. 1 Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project) dated February 5, 2026, issued by the District to refund the Improvement Area #1 Bonds and outstanding amount of the Improvement Area #1 Reimbursement Agreement relating to the Improvement Area #1 Improvements. Following the issuance of the Improvement Area #1 Refunding and the refunding of the Improvement Area #1 Bonds and obligations under the Improvement Area #1 Reimbursement Agreement, the Improvement Area #1 Assessment Revenues only secure the Improvement Area #1 Refunding and Improvement Bonds.

**“Improvement Area #1 Reimbursement Agreement”** means the reimbursement agreement between the District and the Developer effective April 27, 2016.

**“Improvement Area #1 Roadway Improvements”** has the meaning set forth in Section III.C.

**“Improvement Area #1 Utility Improvements”** has the meaning set forth in Section III.C.

**“Improvement Area #2”** means the second Improvement Area to be developed and generally shown on “Improvement Area #2 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix G.

**“Improvement Area #2 Assessed Property”** means all Parcels within Improvement Area #2 other than Non-Benefited Property.

**“Improvement Area #2 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix G, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

**“Improvement Area #2 Bonds”** means the Club Municipal Management District No. 1 Special Assessment Revenue Bonds, Series 2021 (Improvement Area #2 Project) that are secured by Assessments levied on Improvement Area #2 Assessed Property.

**“Improvement Area #2 Improvements”** means Authorized Improvements which only benefit Improvement Area #2 Assessed Property and are described in Section III.D.

**“Improvement Area #2 Maximum Assessment Per Equivalent Unit”** means for Improvement Area #2 an Assessment per Equivalent Unit for Improvement Area #2 Improvements not to exceed \$117,782.40.

**“Improvement Area #2 Reimbursement Agreement”** means the reimbursement agreement pertaining to Improvement Area #2 between the District and the Developer effective November 30, 2021.

**“Improvement Area #2 Roadway Improvements”** has the meaning set forth in Section III.D.

**“Improvement Area #2 Utility Improvements”** has the meaning set forth in Section III.D.

**“Improvement Area #3”** means the third Improvement Area to be developed and generally shown on “Improvement Area #3 Site Plan Exhibit” in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix H.

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

**“Improvement Area #3 Assessment Roll”** means the document included in this Service and Assessment Plan as Appendix H, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds or in connection with any Annual Service and Assessment Plan Update.

**“Improvement Area #3 Bonds”** means the Club Municipal Management District No.1 Special Assessment Revenue Bonds, Series 2024 (Improvement Area #3 Project) that are secured by Assessments levied on Improvement Area #3 Assessed Property.

**“Improvement Area #3 Improvements”** means Authorized Improvements which only benefit Improvement Area #3 Assessed Property and are described in Section III.E.

**“Improvement Area #3 Maximum Assessment Per Equivalent Unit”** means for Improvement Area #3 an Assessment per Equivalent Unit for Improvement Area #3 Improvements not to exceed \$54,574.64

**“Improvement Area #3 Roadway Improvements”** has the meaning set forth in Section III.E.

**“Improvement Area #3 Utility Improvements”** has the meaning set forth in Section III.E.

**“Lot”** means a tract of land described as a “lot” in a subdivision plat recorded in the Official Public Records of Rockwall and/or Kaufman County, Texas.

**“Lot Type”** means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, golf course etc.), as determined by the Administrator and confirmed by the Board of Directors. In the case of single family residential Lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final average home value for each Lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the Lot, as determined by the Administrator and confirmed by the Board of Directors.

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

**“Non-Benefited Property”** means Parcels within the boundaries of the District that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to Section VI.B remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.C.

**“Offsite Major Improvements”** means the Major Improvements that are designated as “Offsite” Major Improvements in Section III.B.

**“Omnibus Reimbursement Agreement”** means the agreement for construction of improvements and reimbursement of advances dated as of April 15, 2015, by and between the District and the Developer.

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

**“Planned Development District Ordinance”** has the meaning set forth in Section I.A of this Service and Assessment Plan.

**“Prepayment Costs”** mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the District as a result of any prepayment of an Assessment.

**“Public Property”** means property within the boundaries of the District that is owned by or dedicated to the federal government, the State of Texas, Rockwall and/or Kaufman County, the District, the City, a school district, a public utility provider or any other public agency, whether in fee simple or through an exclusive use easement.

**“Reimbursement Agreement”** means each installment sales contract or reimbursement agreement between the City and the Developer permitted by Section 372.023(d)(1) of the PID Act.

**“Service and Assessment Plan”** or **“SAP”** means this Service and Assessment Plan prepared for the District pursuant to the PID Act, as the same may be updated and/or amended from time to time.

**“Trust Indenture”** means any indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

**“Trustee”** means the fiscal agent or trustee as specified in the Indenture, including a substitute fiscal agent or trustee.

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## ***II. PROPERTY INCLUDED IN THE DISTRICT***

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### **A. PROPERTY INCLUDED IN THE DISTRICT**

The area constituting the District is depicted in Appendix A to this Plan. The District is located within the corporate limits of the City of Heath, Texas, within Rockwall or Kaufman County, Texas. The District contains approximately 847 acres.

At completion, the District is expected to consist of approximately 1,236 single family residential units as well as parks, entry monuments, and associated rights-of-way, landscaping, and infrastructure necessary to provide roadways and utilities to the District. The estimated number of lots and the classification of each lot are based upon the Planned Development District Ordinance. Table II-A below shows the proposed development plan for the District.

**Table II-A**  
**Updated Proposed Development Plan**

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	15
Lot Type 2 (Channel Front Lots)	7
Lot Type 3 (Water Feature Lots)	32
Lot Type 4 (120 ft Lots)	49
Lot Type 5 (100 Ft Lots)	129
Lot Type 6 (90 Ft Lots)	83
Lot Type 7 (80 Ft Lots)	176
Lot Type 8 (70 Ft Lots)	261
Lot Type 9 (60 Ft Lots)	37
Lot Type 10 (50 Ft Lots)	142
Lot Type 11 (Detached Luxury Villas)	69
Lot Type 12 (Attached Luxury Villas)	236
<b>Total</b>	<b>1,236</b>

The number of single-family residential units contemplated by Table II-A above is contingent upon the completion of the golf course in the District. Pursuant to Section 1.17 of the Development Agreement, if the golf course is not completed, the maximum number of single-family residential units for the entire development of the District will be 782. According to the Developer, construction of the golf course was completed as of March 2020.

### **B. PROPERTY INCLUDED IN IMPROVEMENT AREA #1**

Improvement Area #1 consists of approximately 131.46 acres (based on the City approved development plans) consisting of 332 single family residential units. A map of the property within Improvement Area #1 is shown in Appendix A. Table II-B on the following page shows the proposed development plan for Improvement Area #1 of the District.

**Table II-B**  
**Updated Development Plan- Improvement Area #1**

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	15
Lot Type 2 (Channel Front Lots)	7
Lot Type 3 (Water Feature Lots)	32
Lot Type 4 (120 ft Lots)	0
Lot Type 5 (100 Ft Lots)	0
Lot Type 6 (90 Ft Lots)	0
Lot Type 7 (80 Ft Lots)	69
Lot Type 8 (70 Ft Lots)	85
Lot Type 9 (60 Ft Lots)	37
Lot Type 10 (50 Ft Lots)	87
Lot Type 11 (Detached Luxury Villas)	0
Lot Type 12 (Attached Luxury Villas)	0
<b>Total</b>	<b>332</b>

**C. PROPERTY INCLUDED IN IMPROVEMENT AREA #2**

Improvement Area #2 consists of approximately 98.742 acres (based on the City approved development plans) consisting of 477 single family residential units. A map of the property within Improvement Area #2 is shown in Appendix A. Table II-C below shows the proposed development plan for Improvement Area #2 of the District.

**Table II-C**  
**Updated Development Plan- Improvement Area #2**

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	0
Lot Type 2 (Channel Front Lots)	0
Lot Type 3 (Water Feature Lots)	0
Lot Type 4 (120 ft Lots)	0
Lot Type 5 (100 Ft Lots)	0
Lot Type 6 (90 Ft Lots)	0
Lot Type 7 (80 Ft Lots)	0
Lot Type 8 (70 Ft Lots)	151
Lot Type 9 (60 Ft Lots)	0
Lot Type 10 (50 Ft Lots)	55
Lot Type 11 (Detached Luxury Villas)	35
Lot Type 12 (Attached Luxury Villas)	236
<b>Total</b>	<b>477</b>

#### **D. PROPERTY INCLUDED IN IMPROVEMENT AREA #3**

Improvement Area #3 consists of approximately 279.02 acres (based on the City approved development plans) projected to consist of 427 single family residential units. A map of the property within Improvement Area #3, is shown in Appendix A. Table II-D below shows the proposed development plan for Improvement Area #3 of the District.

**Table II-D**  
**Proposed Development Plan- Improvement Area #3**

Type	Planned No. of Units
Lot Type 1 (Lake Front Lots)	0
Lot Type 2 (Channel Front Lots)	0
Lot Type 3 (Water Feature Lots)	0
Lot Type 4 (120 ft Lots)	49
Lot Type 5 (100 Ft Lots)	129
Lot Type 6 (90 Ft Lots)	83
Lot Type 7 (80 Ft Lots)	107
Lot Type 8 (70 Ft Lots)	25
Lot Type 9 (60 Ft Lots)	0
Lot Type 10 (50 Ft Lots)	0
Lot Type 11 (Detached Luxury Villas)	34
Lot Type 12 (Attached Luxury Villas)	0
<b>Total</b>	<b>427</b>

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### ***III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS***

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#### **A. AUTHORIZED IMPROVEMENT OVERVIEW**

Section 3902.151 of the Creation Legislation states that “the district may provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service using money available to the district, or contract with a governmental or private entity to provide, design, construct, acquire, improve, relocate, operate, maintain, or finance an improvement project or service authorized under this chapter or Chapter 375, Local Government Code.” Section 3902.158 of the Creation Legislation further authorizes the District to undertake an improvement project or service and impose a special assessment on benefited property in accordance with Chapters 372 or 375, Texas Local Government Code.

Section 375.112 of the Local Government Code describes the Improvement Projects that may be undertaken by the District to include the construction, acquisition, improvement, relocation, operation, maintenance, or provision of:

- (1) landscaping; lighting, banners, and signs; streets and sidewalks; pedestrian skywalks, crosswalks, and tunnels; seawalls; marinas; drainage and navigation improvements; pedestrian malls; solid waste, water, sewer, and power facilities, including electrical, gas, steam, cogeneration, and chilled water facilities; parks, plazas, lakes, rivers, bayous, ponds, and recreation and scenic areas; historic areas; fountains; works of art; off-street parking facilities, bus terminals, heliports, and mass transit systems; theatres, studios, exhibition halls, production facilities and ancillary facilities in support of the foregoing; and the cost of any demolition in connection with providing any of the improvement projects;
- (2) other improvements similar to those described in Subdivision (1);
- (3) the acquisition of real property or any interest in real property in connection with an improvement, project, or services authorized by this chapter, Chapter 54, Water Code, or Chapter 365 or 441, Transportation Code; and
- (4) expenses incurred in the establishment, administration, maintenance, and operation of the district or any of its improvements, projects, or services.

After analyzing the public improvement projects authorized by the Creation Legislation and Chapter 375, Local Government Code, the Board of Directors has determined that the Authorized Improvements described in Section III.B, Section III.C, Section III.D, and Section III.E should be undertaken by the District for the benefit of the property within the District.

#### **B. DESCRIPTIONS AND COSTS OF MAJOR IMPROVEMENTS**

The Major Improvements benefit the entire District. The costs of the Major Improvements are allocated proportionally throughout the entire District, excluding Non-benefited Property, in a manner that anticipates planned development of the District based on the Equivalent Units as

calculated and shown in Appendix D using the planned lot types, anticipated number of lots and estimated average home values.

## **1 – Description of Major Improvements**

The Major Improvements include roadway improvements (the “Major Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Major Utility Improvements”) as described below. The Actual Costs of the Major Improvements are shown in Table III-A.

### **Major Improvements - Road Improvements**

Major Road Improvements (both completed and future) are indicated on the attached exhibit titled “Major Improvements Roadway Exhibit C-1” located in Appendix C. The Major Road Improvements include both onsite and offsite improvements. Governor’s Boulevard (formerly named Eagle Parkway) is considered an onsite road improvement as it is located entirely within District boundaries. Offsite road improvements include The TXDOT Turn Lanes and Hubbard Drive improvements.

- **Governor’s Boulevard (Onsite)** - This project consists of 10,000 linear feet of a 37’ wide, 3,600-psi concrete curb and gutter pavement. The roadway construction consists of grading, lime stabilization, striping, signage and erosion control measures during construction.
- **Hubbard Drive Roadway Improvements (Offsite)** - Roadway improvements along Hubbard Drive to the south where the concrete terminates near the southern entrance of Scenic Dr. and Hubbard Drive, to the southern limits of the Property (an approximately 1625-foot road section). Improvements to be consistent with the width and design of the existing Hubbard Drive section that is being replaced and include a Class "C" concrete pavement section with no curb and gutter, a cul-de-sac, and replacement of two existing corrugated metal culvert pipes along this improved roadway section with 33" reinforced concrete pipes at each location with appropriate headwalls.
- **TxDOT Turn Lane at Roadway A (Offsite)** - The roadway portion of the project consists of construction of approximately 410 linear feet of a south bound right turn deceleration lane, and the addition of 410 linear feet of a north bound left turn deceleration lane within the Texas Department of Transportation (“TxDOT”) FM 740 right of way (ROW). This provides entrance improvements off of FM 740 into the development via Governor’s Boulevard. This project is now owned and operated by TxDOT.

**Hubbard Drive Improvement North of Scenic Drive (Offsite)** - Project shall consist of the construction of approximately 3,280 linear feet of a 37’ wide, 3,600-psi concrete street to replace the existing street section. This section is generally located between the northernmost entrance of the Antigua Bay Subdivision and the

northern most property line of the development where it fronts Hubbard Drive. The roadway construction will consist of grading, lime stabilization and erosion control measures during construction.

- **TxDOT Turn Lane at Trophy Drive (Roadway B) and FM 740 Roadway B (Offsite)** - The roadway portion of the project shall consist of construction of approximately 410 linear feet of a north bound left turn deceleration lane within the TxDOT FM 740 right of way (ROW). This will provide the entrance improvements off of FM 740 into the development via Trophy Drive.

### **Major Improvements - Utility Improvements**

#### *Water Improvements*

Major Utility Improvements (both completed and future) constituting water improvements are indicated on the attached exhibit “Major Improvements Water Exhibit C-2” located in Appendix C and include both onsite and offsite improvements. Governor’s Boulevard Waterline and Land Dedication to the City of Heath for a water storage tank are considered onsite Major Water Improvements as they are located within the district Boundaries. The offsite Major water improvements include FM 740 Offsite Waterline – Governor’s Boulevard to Towne Center Park Driveway, Water Tower Connection, FM 740 Offsite Waterline – Towne Center Driveway to Hubbard Drive and Hubbard Drive Waterline. All of these Major waterline improvements are described below:

- **Governor’s Boulevard Waterline (Onsite)** – This project consists of approximately 10,000 linear feet of 12” diameter PVC water transmission main from the north entrance along Governor’s Boulevard road down to the proposed clubhouse site. The waterline was constructed within the proposed right-of way of Governor’s Boulevard. This section included a connection to the 18” water- main at FM740, installation of twenty-eight 12” valves, twenty-three fire hydrants, 4 tons of ductile iron fittings.
- **Land Dedication (Onsite)** – This project consists of the dedication to the City of a one-acre tract of land located at the south end of the property for a future water storage tank.
- **FM 740 Offsite Waterline - Governor’s Boulevard to Towne Center Park Driveway (Offsite)** – Project consists of approximately 1180 linear feet of an 18” PVC waterline from the intersection of FM 740 and the first (northern most) entrance of Governor’s Boulevard (Heath Golf and Yacht Club Project (HGYC) entrance) along FM 740 to Towne Center Park Driveway.
- **Water Tower Connection (Offsite)** - This project consists of approximately 1300 linear feet of 18” PVC waterline from the existing 500,000 gallon elevated tank at City Hall generally along Towne Center Park Driveway across the City park to connect to the aforementioned 18” waterline in FM 740.

- **FM 740 Offsite Waterline -Towne Center Driveway to Hubbard Drive (Offsite)** – This project consists of approximately 1,450 linear feet of 18" PVC waterline from the intersection of Towne Center Park Driveway to Hubbard Drive.

**Hubbard Drive Waterline (Offsite)** - This project consists of approximately 4730 linear feet of 12" PVC waterline along Ray Hubbard Drive from the entrance of the northernmost entrance of the Antigua Bay Subdivision to the south property line of McCrummen Estates.

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

The City purchased Forney Lake WSC assets in 2018. This included an existing 10" water line along the route of the proposed 12" water line. Since a 12" waterline was scheduled to be constructed and a 10" was purchased by the City, the City is seeking reimbursement for the value of the 10" line purchased from Forney Lake WSC under Item 10 2.1(k) of the second amendment to the Master Development Agreement.

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

### ***Sanitary Sewer Improvements***

Major Utility Improvements constituting sanitary sewer improvements (all have been completed) are indicated on the attached exhibit titled "Major Improvements Wastewater Exhibit C-3", located in Appendix C, and include both onsite and offsite improvements. Onsite sanitary sewer improvements include Governor's Boulevard Wastewater Lines as they are located within the District boundaries. Offsite sanitary sewer lines include the Offsite Rush Creek Wastewater Lines and each are described below:

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

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

### ***Storm Drainage Improvements***

Major Utility Improvements constituting drainage improvements (both completed and future) are indicated on the attached exhibit titled "Major Improvements Drainage Exhibit C-4", located in Appendix C, and include both onsite and offsite major drainage improvements. The Governor's Boulevard Drainage improvements are onsite improvements and located within the District boundaries. The Hubbard Drive Drainage improvements are offsite improvements. Both drainage improvements are described below:

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

There are two private projects (a clubhouse and golf course) and two tracts of land that are located within the boundaries of the District that are not being financed through the Bonds and are, therefore, excluded from the levy of Assessments. However, these projects and tracts of land will receive a benefit from the Major Improvements. As a result, the Developer will be required to finance the estimated costs of Major Improvements allocable to these tracts and projects for the portion of the benefits these projects and tracts of land receive from the Major Improvements. The detailed allocation basis and calculated amounts are shown in Table III-A on the following page.

**Table III-A**  
**Major Improvement Actual Costs**

Improvement Project	Original Budget	Budget Changes	Revised Budget	Amount Spent	Remaining to be Spent
Roadway Improvements	\$3,833,866	\$724,135	\$4,558,001	\$2,546,549	\$2,011,452
Less: Developer contributions for clubhouse, golf course and undeveloped tracts <sup>1</sup>	(\$163,817)	\$0	(\$163,817)	(\$163,817)	\$0
<i>Subtotal – Net Major Roadway Improvements<sup>2</sup></i>	<i>\$3,670,049</i>	<i>\$724,135</i>	<i>\$4,394,184</i>	<i>\$2,382,732</i>	<i>\$2,011,452</i>
Water Improvements	\$2,313,258	\$1,865,702	\$4,178,960	\$1,044,800	\$3,134,160
Sanitary Sewer Improvements	\$891,700	\$324,860	\$1,216,560	\$1,216,560	\$0
Storm Drainage Improvements	\$850,172	\$1,271,833	\$2,122,005	\$1,017,771	\$1,104,234
Estimated total utility easements	\$2,010,250	(\$2,010,250)	\$0	\$0	\$0
Less: Developer contributions for clubhouse, golf course and undeveloped tracts <sup>1</sup>	(\$250,370)	\$0	(\$250,370)	(\$250,370)	\$0
<i>Subtotal – Net Major Utility Improvements<sup>2</sup></i>	<i>\$5,815,010</i>	<i>\$1,452,144</i>	<i>\$7,267,154</i>	<i>\$3,028,761</i>	<i>\$4,238,393</i>
<b>Total Major Improvements</b>	<b>\$9,485,059</b>	<b>\$2,176,279</b>	<b>\$11,661,338</b>	<b>\$5,411,493</b>	<b>\$6,249,845</b>

**Improvement Area #1**

Projected total Equivalent Units <sup>3</sup>	106.14	106.14
% of total Equivalent units	31.14%	31.14%
Proportionate Share of Major Roadway Improvement costs	\$1,142,879	\$1,368,380
Proportionate Share of Major Utility Improvement costs	\$1,810,835	\$2,263,044

**Improvement Area #2**

Projected total Equivalent Units <sup>3</sup>	91.27	91.27
% of total Equivalent units	26.78%	26.78%
Proportionate Share of Major Roadway Improvement costs	\$982,764	\$1,176,673
Proportionate Share of Major Utility Improvement costs	\$1,557,141	\$1,945,996

**Improvement Area #3**

Projected total Equivalent Units <sup>3</sup>	143.43	143.43
% of total Equivalent units	42.08%	42.08%
Proportionate Share of Major Roadway Improvement costs	\$1,544,405	\$1,849,131
Proportionate Share of Major Utility Improvement costs	\$2,447,033	\$3,058,115

**Notes:**

- 1 - The detailed description of the allocation basis and related calculations are shown in Appendix B as provided by the project engineer.
- 2 - The detailed costs of the Major Improvements are shown Appendix B.
- 3 - The detailed calculation of Equivalent Units is shown in Appendix D. The allocations are based upon the original projected Equivalent Units for each improvement area of the District.

**C. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #1 IMPROVEMENTS**

The Improvement Area #1 Improvements include roadway improvements (the “Improvement Area #1 Road Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #1 Utility Improvements”) as described below. All of the Improvement Area #1 Improvements provide benefit to Improvement Area #1. Diagrams of the Improvement Area #1 Improvements are included as Appendix C to this SAP.

The Improvement Area #1 Improvements include roadway improvements (the “Improvement Area #1 Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #1 Utility Improvements”) as described below. All of the Improvement Area #1 Improvements provide benefit to Improvement Area #1. The costs of the Improvement Area #1 Improvements are shown in Table III-B. The costs shown in Table III-B are estimates and may be revised in Annual Service and Assessment Plan Updates.

### **Improvement Area #1 Road Improvements**

The roadway portion of the Improvement Area #1 Improvements consists of constructing approximately 14,990 linear feet of 6” thick, 31-foot wide, concrete pavement with curb and gutter. The concrete will be 3,600 pounds per square inch (psi) strength. Excavation for the roadway will consist of 56,060 cubic yards of cut and fill, 75,800 square yards (sy) of pavement sub-grade will be lime stabilized and compacted. Signage, lighting and re-vegetation of all disturbed areas within the right of way are included. These roadway improvements include streets that will provide street access to each lot within Improvement Area #1. This project will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #1 Road Improvements are indicated on the attached exhibit titled “Improvement Area #1 Roadway Exhibit C-5” located in Appendix C.

### **Improvement Area #1 Utility Improvements**

#### ***Water Improvements***

The water portion of the Improvement Area #1 Improvements consists of constructing approximately 1,540 linear feet of 12” water line, 13,550 of 8” water line with associated 12”, 8” and 6” gate valves. One-inch diameter water services will be provided to each of the 313 lots within Improvement Area #1. All associated waterline testing, trench safety and erosion protection during construction are included. The waterline will be connected to the 12” water line constructed in Spine Road “A”. These lines will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. These lines will include the necessary appurtenances to be fully operational transmission lines extending water service to the limits of Improvement Area #1 and all lots within Improvement Area #1. Improvement Area #1 Utility Improvements constituting water improvements are indicated on the attached exhibit titled “Improvement Area #1 Water Exhibit C-6” located in Appendix C.

#### ***Sanitary Sewer Improvements***

The wastewater portion of the Improvement Area #1 Improvements consist of constructing approximately 14,990 linear feet of 8” gravity sanitary sewer line that connect to the Spine Road “A” sewer trunk main. Construction includes connection at multiple points through 30 concrete manholes. Services to individual lots are by 6” gravity sewer services. 17 cleanouts will be constructed to facilitate maintenance. These lines will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. These lines will include the necessary appurtenances to be fully operational extending wastewater service

to the limits of Improvement Area #1 and each of the lots within Improvement Area #1. Improvement Area #1 Utility Improvements constituting sanitary sewer improvements are indicated on the attached exhibit entitled "Improvement Area #1 Wastewater Exhibit C-7" located in Appendix C.

### ***Storm Drainage Improvements***

The drainage portion of the Improvement Area #1 Improvements shall consist of approximately 9,900 linear feet of drainage (storm sewer pipes) to support the residential units in Improvement Area #1. The main means of conveyance of storm drainage within Improvement Area #1, is within roadways and underground storm drain pipes. The roadway pavement section incorporates the use of curbs with integrated drainage inlets to control runoff. Drainage improvements include all associated inlets, headwalls, safety end treatments, manholes and storm sewer energy dissipaters at the points of discharge. All of the drainage areas within Improvement Area #1 flow to the Lake Ray Hubbard reservoir. Due to this fact, no storm water detention is required. This project will be constructed to City standards and specifications and will be conveyed to and operated by the City. Improvement Area #1 Utility Improvements constituting drainage improvements are indicated on the attached exhibit entitled "Improvement Area #1 Drainage Exhibit C-8" located in Appendix C.

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**Table III-B**  
**Improvement Area #1 Actual Costs**

<b>Improvement Project</b>	<b>Actual costs</b>
Roadway Improvements	\$4,193,051
Utility Improvements	\$4,716,687
<b><i>Subtotal –Improvement Area #1 Improvements<sup>1</sup></i></b>	<b><i>\$8,909,738</i></b>
Improvement Area #1 Share of Major Road Improvement Costs <sup>2</sup>	\$1,368,380
Improvement Area #1 Share of Major Utility Improvement Costs <sup>2</sup>	\$2,263,044
<b><i>Grand Total</i></b>	<b><i>\$12,541,162</i></b>

**Notes:**

- 1- The detailed costs of the Improvement Area #1 Improvements are shown in Appendix B.
- 2- See Table III-A for proration of Major Improvement Area estimated costs.

**D. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #2 IMPROVEMENTS**

Pursuant to the Omnibus Reimbursement Agreement and reimbursable from assessments or the proceeds of the Improvement Area #2 Bonds, the developer has funded or will fund the proportionate share of the costs of the Major Roadway Improvements and Major Utility Improvements attributable to Improvement Area #2 (as described above in Section III.B) as well as Improvement Area #2 Roadway Improvements and Improvement Area #2 Utility Improvements, which only benefit Improvement Area #2 Assessed Property.

The Improvement Area #2 Improvements include roadway improvements (the “Improvement Area #2 Roadway Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #2 Utility Improvements”) as described below. All of the Improvement Area #2 Improvements provide benefit to Improvement Area #2. The costs of the Improvement Area #2 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service and Assessment Plan Updates.

**Improvement Area #2 Road Improvements**

The roadway portion of the Improvement Area #2 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way. This project was designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #2 Road Improvements are shown on exhibit C-9 in Appendix C.

## **Improvement Area #2 Utility Improvements**

### ***Water Improvements***

The water portion of the Improvement Area #2 Improvements consist of construction and installation of water lines, mains, pipes, valves and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #2 Assessed Property. The water distribution system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Water Improvements are shown on exhibit C-10 in Appendix C.

### ***Sanitary Sewer Improvements***

The wastewater portion of the Improvement Area #2 Improvements consist of construction and installation of pipes, service lines, manholes, encasements and appurtenances necessary to provide sanitary sewer service to the Improvement Area #2 Assessed Property including a trunk line running east to west along Governor's Blvd. The sanitary sewer improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Sanitary Sewer Improvements are shown on exhibit C-11 in Appendix C.

### ***Storm Drainage Improvements***

The drainage portion of the Improvement Area #2 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements were designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #2 Storm Drain Improvements are shown on exhibit C-12 in Appendix C.

**Table III-C**  
**Improvement Area #2 Actual Costs**

<b>Improvement Project</b>	<b>Actual Costs</b>
Roadway Improvements	\$4,671,801
Utility Improvements	\$7,869,372
<b><i>Subtotal- Improvement Area #2 Improvements<sup>1</sup></i></b>	<b><i>\$1,219,393</i></b>
Improvement Area #2 Share of Major Road Improvement Costs <sup>2</sup>	\$1,176,673
Improvement Area #2 Share of Major Road Improvement Costs <sup>2</sup>	\$1,945,996
<b><i>Grand Total</i></b>	<b><i>\$15,663,842</i></b>

**Notes:**

- 1-The detailed costs of the Improvement Area #2 Improvements are shown in Appendix B.
- 2- See Table III-A for proration of Major Improvement estimated costs.

## **E. DESCRIPTIONS AND COSTS OF IMPROVEMENT AREA #3 IMPROVEMENTS**

The Improvement Area #3 Bonds will fund the proportionate share of the costs of the Major Road Improvements and Major Utility Improvements (as described above in Section III.B) as well as Improvement Area #3 Road Improvements and Improvement Area #3 Utility Improvements, which only benefit Improvement Area #3 Assessed Property.

The Improvement Area #3 Improvements include roadway improvements (the “Improvement Area #3 Road Improvements”) and water distribution system, sanitary sewer collection and drainage collection system improvements (collectively the “Improvement Area #3 Utility Improvements”) as described below. Improvement Area #3 is composed of Tracts 10,12,13,14,15,18 and 19. All of the Improvement Area #3 Improvements provide benefit to Improvement Area #3. The costs of the Improvement Area #3 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service and Assessment Plan Updates.

### **Improvement Area #3 Roadway Improvements**

The roadway portion of the Improvement Area #3 Improvements consists of constructing concrete pavement with curb and gutter, excavation, lime stabilization and compacting, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way. These roadway improvements include streets that will provide street access to each lot within Improvement Area #3. This project will be designed and constructed in accordance with City standards and specifications and will be conveyed to and operated by the City. Improvement Area #3 Road Improvements are shown on exhibit C-13 in Appendix C.

### **Improvement Area #3 Utility Improvements**

#### ***Water Improvements***

The water portion of the Improvement Area #3 Improvements consist of construction and installation of water lines, mains, pipes, valves and appurtenances necessary for the water distribution system, as well as related testing, trench safety and erosion protection, necessary to service the Improvement Area #3 Assessed Property. The water distribution system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Water Improvements are shown on exhibit C-14 in Appendix C.

#### ***Sanitary Sewer Improvements***

The wastewater portion of the Improvement Area #3 Improvements consist of construction and installation of pipes, service lines, manholes, encasements and appurtenances necessary to provide sanitary sewer service to the Improvement Area #3 Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Sanitary Sewer Improvements are shown on exhibit C-15 in Appendix C.

### ***Storm Drainage Improvements***

The drainage portion of the Improvement Area #3 Improvements shall consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage collection system improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. Improvement Area #3 Storm Drainage Improvements are shown on exhibit C-16 in Appendix C.

**Table III-D**  
**Improvement Area #3 Estimated Costs**

Improvement Project	Updated Budgeted Costs	Actual Spent	Balance to Complete
Roadway Improvements <sup>1</sup>	\$10,254,605	\$6,049,212	\$4,205,393
Utility Improvements <sup>1</sup>	\$9,514,889	\$7,955,478	\$1,559,412
<b><i>Subtotal- Improvement Area #3 Improvements</i></b>	<b>\$19,769,494</b>	<b>\$14,004,690</b>	<b>\$5,764,805</b>
Improvement Area #3 Share of Major Road Utility Improvement Costs <sup>2</sup>	\$1,849,131	\$1,511,556	\$337,575
Improvement Area #3 Share of Major Utility Improvement Costs <sup>2</sup>	\$3,058,115	\$3,022,679	\$35,436
<b>Grand Total</b>	<b>\$24,676,740</b>	<b>\$18,538,925</b>	<b>\$6,137,816</b>

**Notes:**

1 - The detailed costs of the Improvement Area #3 Improvements are shown in Appendix B.

2 - See Table III-A for proration of Major Improvement estimated costs.

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## **IV. ASSESSMENT PLAN**

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### **A. INTRODUCTION**

The PID Act requires the Board of Directors to apportion the Actual Cost of the Authorized Improvements on the basis of special benefits conferred upon the Property because of the Authorized Improvements. The Actual Costs may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The Board of Directors may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the District and the area to be assessed and the methods of assessing the special benefits for various classes or improvements.

Parcels are only assessed for the special benefits conferred upon the Parcel because of the Major Improvements, the Improvement Area #1 Improvements, the Improvement Area #2 Improvements, and the Improvement Area #3 Improvements.

This section of the Plan currently describes the special benefit received by each Parcel within the District as a result of the Major Improvements, Improvement Area #1 Improvements, Improvement Area #2 Improvements, and Improvement Area #3 Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments, and establishes the methodologies by which the Board of Directors allocates and reallocates the special benefit of the Major Improvements, Improvement Area #1, Improvement Area #2 Improvements, and Improvement Area #3 Improvements to Parcels in a manner that results in equal share of the Actual Cost being apportioned to Parcels similarly benefited. The determination by the Board of Directors of the assessment methodologies set forth below is the result of the discretionary exercise by the Board of Directors of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

### **B. SPECIAL BENEFIT**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the District shown in Table IV-A are authorized by the PID Act.

Each of the owners of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special

benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

Pursuant to the Landowner's Agreement, each owner of the Assessed Property has ratified, confirmed, accepted, agreed to and approved; (i) the determinations and finding by the Board of Directors as to the special benefits described in this Plan and the Assessment Order; (ii) the Plan and the Assessment Order, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the Planned Development District Ordinance requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs through the District has been determined by the Board of Directors to be the most beneficial means of doing so. As a result, the Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the Board of Directors.

#### **C. ALLOCATION OF ACTUAL COSTS OF MAJOR IMPROVEMENTS**

The Major Improvements will provide a special benefit to all property in the District. Accordingly, the Actual Costs of the Major Improvements must be allocated between the Improvement Area #1 Assessed Property, the Improvement Area #2 Assessed Property, and the Improvement Area #3 Assessed Property based on the special benefit each receives. Table IV-A summarizes the allocation of Actual Costs for each Major Improvement based on the original Equivalent Unit Factors shown in Table D-5 in Appendix D.

The total amount of Major Roadway Improvements and Major Utility Improvements as shown in Table III-A are estimated to be \$4,394,194 and \$7,267,154, respectively. As shown in Appendix D and calculated using the original Equivalent Unit Factors in Table D-5, there were originally a total of 340.84 projected Equivalent Units within the District. The total Equivalent Units for Improvement Area #1 represent 31.14% ( $106.14 \div 340.84 = 31.14\%$ ) of the total original Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #1 are \$1,368,380 ( $\$4,394,194 \times 31.14\% = \$1,368,380$ ) and \$2,263,043 ( $\$7,267,154 \times 31.14\% = \$2,263,043$ ), respectively. The Equivalent Units for Improvement Area #2 represent 26.78% ( $91.27 \div 340.84 = 26.78\%$ ) of the total original Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #2 are \$1,176,673 ( $\$4,394,194 \times 26.78\% = \$1,176,673$ ) and \$1,945,966 ( $\$7,267,154 \times 26.78\% = \$1,945,966$ ), respectively. The Equivalent Units for Improvement Area #3 represent 42.08% ( $143.42 \div 340.84 = 42.08\%$ ) of the total originally projected Equivalent Units within the District. As a result, the total of Major Roadway Improvements and Major Utility Improvements allocable to Improvement Area #3 are \$1,849,131 ( $\$4,394,194 \times 42.08\% = \$1,849,131$ ) and \$3,058,115 ( $\$7,267,154 \times 42.08\% = \$3,058,115$ ), respectively.

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**Table IV-A**  
**Cost Allocation of Major Improvements**

Authorized Improvements	Total Cost <sup>1</sup>	IA #1 Major Improvements		IA #2 Major Improvements		IA #3 Major Improvements	
		% Allocation	Share of Costs	% Allocation	Share of Costs	% Allocation	Share of Costs
Roadway Improvements	\$4,558,001	31.14%	\$1,419,394	26.78%	\$1,220,540	42.08%	\$1,918,067
Water Improvements	\$4,178,960	31.14%	\$1,301,358	26.78%	\$1,119,040	42.08%	\$1,758,562
Sanitary Sewer Improvements	\$1,216,560	31.14%	\$378,845	26.78%	\$325,770	42.08%	\$511,945
Storm Drainage Improvements	\$2,122,005	31.14%	\$660,807	26.78%	\$568,230	42.08%	\$892,968
Less: Developer Contribution	(\$414,187)	31.14%	(\$128,981)	26.78%	(\$110,911)	42.08%	(\$174,295)
<b>Total Authorized Improvements</b>	<b>\$11,661,338</b>		<b>\$3,631,424</b>		<b>\$3,122,669</b>		<b>\$4,907,246</b>

<sup>1</sup>See Table III-A for details.

#### **D. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #1 IMPROVEMENTS**

The Improvement Area #1 Improvements will provide a special benefit to Improvement Area #1 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #1 Improvements are allocated entirely to Improvement Area #1 Assessed Property based on the special benefit it receives.

Table IV-B summarizes the allocation of Actual Costs for each Improvement Area #1 Authorized Improvement. The costs shown in Table IV-A are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

**Table IV-B**  
**Cost Allocation of Improvement Area #1 Improvements**

Authorized Improvements	Total Cost <sup>1</sup>	IA #1 Major Improvements		IA #1 Onsite Improvements	
		% Allocation	Share of Costs	% Allocation	Share of Costs
Roadway Improvements	\$5,232,678	31.14%	\$1,419,394	100.00%	\$3,813,284
Roadway Drainage Easements	\$528,294	0.00%	\$0	100.00%	\$528,294
Water Improvements	\$3,579,052	31.14%	\$1,301,358	100.00%	\$2,277,694
Sanitary Sewer Improvements	\$1,615,148	31.14%	\$378,845	100.00%	\$1,236,303
Storm Drainage Improvements	\$1,863,475	31.14%	\$660,807	100.00%	\$1,202,668
Less: Developer Contribution	(\$128,981)	31.14%	(\$128,981)	0.00%	\$0
<b>Total Authorized Improvements</b>	<b>\$12,689,667</b>		<b>\$3,631,424</b>		<b>\$9,058,243</b>

<sup>1</sup>See Table IV-A and Table III-B for details.

#### **E. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #2 IMPROVEMENTS**

The Improvement Area #2 Improvements will provide a special benefit to Improvement Area #2 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #2 Improvements

are allocated entirely to Improvement Area #2 Assessed Property based on the special benefit it receives.

Table IV-C summarizes the allocation of Actual Costs for each Improvement Area #2 Authorized Improvement. The costs shown in Table IV-C are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

**Table IV-C**  
**Cost Allocation of Improvement Area #2 Authorized Improvements**

<b>Authorized Improvements</b>	<b>Total Cost<sup>1</sup></b>	<b>IA #2 Major Improvements</b>		<b>IA #2 Onsite Improvements</b>	
		<b>% Allocation</b>	<b>Share of Costs</b>	<b>% Allocation</b>	<b>Share of Costs</b>
Roadway Improvements	\$5,892,341	26.78%	\$1,220,540	100.00%	\$4,671,801
Water Improvements	\$5,192,721	26.78%	\$1,119,040	100.00%	\$4,073,681
Sanitary Sewer Improvements	\$1,747,884	26.78%	\$325,770	100.00%	\$1,422,114
Storm Drainage Improvements	\$2,941,807	26.78%	\$568,230	100.00%	\$2,373,577
Less: Developer Contribution	(\$110,911)	26.78%	(\$110,911)	0.00%	\$0
<b>Total Authorized Improvements</b>	<b>\$15,663,842</b>		<b>\$3,122,669</b>		<b>\$12,541,173</b>

<sup>1</sup>See Table IV-A and Table III-C for details.

#### **F. ALLOCATION OF ACTUAL COSTS OF IMPROVEMENT AREA #3 IMPROVEMENTS**

The Improvement Area #3 Improvements will provide a special benefit to Improvement Area #3 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #3 Improvements are allocated entirely to Improvement Area #3 Assessed Property based on the special benefit it receives.

Table IV-D summarizes the allocation of Actual Costs for each Improvement Area #3 Authorized Improvement. The costs shown in Table IV-D are estimates and may be revised in Annual Service and Assessment Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

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**Table IV-D**  
**Cost Allocation of Improvement Area #3 Authorized Improvements**

Authorized Improvements	Total Cost <sup>1</sup>	IA #3 Major Improvements		IA #3 Onsite Improvements	
		% Allocation <sup>2</sup>	Share of Costs <sup>3</sup>	% Allocation	Share of Costs
Roadway Improvements	\$12,103,736	42.08%	\$1,849,131	100.00%	\$10,254,605
Utility Improvements	\$12,573,004	42.08%	\$3,058,115	100.00%	\$9,514,889
<b>Total Authorized Improvements</b>	<b>\$24,676,740</b>		<b>\$4,907,246</b>		<b>\$19,769,494</b>

<sup>1</sup>See Table IV-A and Table III-D for details.

<sup>2</sup>Allocation of Major Improvements are allocated based on the original Equivalent Unit Factors as shown in Table D-5 in Appendix D.

<sup>3</sup>Improvement Area #3's share of costs accounts for the \$174,295 of Developer's equity contribution. See Table III-A for details.

## G. ASSESSMENT METHODOLOGY

The Actual Costs may be assessed by the Board of Directors against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the amount of the Assessments. The Actual Costs may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

### 1. *Assessment Methodology for Improvement Area #1*

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #1 Utility Improvements, the Improvement Area #1 Roadway Improvements, the portion of the Major Utility Improvements and the portion of the Major Roadway Improvements to be financed with the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Agreement shall be allocated to the Improvement Area #1 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #1.

Based on the Actual Costs provided by FC Cuny Corporation for the Improvement Area #1 Utility Improvements, the Improvement Area #1 Roadway Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #1 and the portion of the Major Roadway Improvements that benefit Improvement Area #1, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #1 Assessed Property from the Authorized Improvements is at least equal to the Assessments levied on the Improvement Area #1 Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values

will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Plan.

## 2. *Assessment Methodology for Improvement Area #2*

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #2 Utility Improvements, the Improvement Area #2 Roadway Improvements, the portion of the Major Utility Improvements and the portion of the Major Roadway Improvements that were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are now being financed and/or reimbursed by the Improvement Area #2 Bonds and the Improvement Area #2 Reimbursement Agreement, shall be allocated to the Improvement Area #2 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #2.

Based on the Actual Costs provided by FC Cuny Corporation for the Improvement Area #2 Utility Improvements, the Improvement Area #2 Roadway Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #2 and the portion of the Major Roadway Improvements that benefit Improvement Area #2, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #2 Assessed Property from the Authorized Improvements is at least equal to the Assessments levied on the Improvement Area #2 Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #2 is shown on the Improvement Area #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Plan.

3. *Assessment Methodology for Improvement Area #3*

For purpose of this Plan, the Board of Directors has determined that the Actual Costs of the Improvement Area #3 Utility Improvements, the Improvement Area #3 Road Improvements, the portion of the Major Utility Improvements and the portion of the Major Road Improvements that were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are now being financed and/or reimbursed by the Improvement Area #3 Bonds shall be allocated to the Improvement Area #3 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Improvement Area #3.

Based on the estimates provided by TNP Inc. of the costs of the Improvement Area #3 Utility Improvements, the Improvement Area #3 Road Improvements, the portion of the Major Utility Improvements that benefit Improvement Area #3 and the portion of the Major Road Improvements that benefit Improvement Area #3, as set forth in Table IV-A, the Board of Directors has determined that the benefit to Improvement Area #3 property of those improvements is at least equal to the Assessments levied on the Improvement Area #3 property.

Upon subsequent divisions of any Parcel in Improvement Area #3, the Assessment applicable to it will then be apportioned pro rata based on the updated Equivalent Units for Improvement Area #3 of each newly created Parcel as shown in Appendix D Table D-18. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, are determined by the Administrator and confirmed by the Board of Directors. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the Board of Directors has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #3 is shown on the Improvement Area #3 Assessment Roll, attached as Appendix H, and no Assessment shall be changed except as authorized by this Plan.

## **H. ASSESSMENT AND ANNUAL INSTALLMENTS**

The Assessments for the Improvement Area #1 Refunding and Improvement Bonds will be allocated to each Lot Type as shown in Appendix D and were levied on each Parcel according to the Improvement Area #1 Assessment Roll, attached hereto Appendix F. The Annual Installments for the Improvement Area #1 Refunding and Improvement Bonds will be collected at the time and in the amounts shown on the Improvement Area #1 Assessment Roll subject to any revisions made during an update to this Plan. The Annual Installments for the Improvement Area #1 Refunding and Improvement Bonds comply with the requirements of the Development Agreement.

The Assessments for Improvement Area #2 relating to the Improvement Area #2 Improvements were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which were subsequently financed and/or reimbursed by the Improvement Area #2 Bonds and the Improvement Area #2 Reimbursement Agreement and will be allocated to each Lot Type in Improvement Area #2 as shown in Appendix D and levied on each Parcel according to the Improvement Area #2 Assessment Roll, attached hereto as Appendix G.

The Assessments for Improvement Area #3 Bonds relating to the Improvement Area #3 Improvements were initially financed by the Developer under the Omnibus Reimbursement Agreement, a portion of which are subsequently being financed and/or reimbursed by the Improvement Area #3 Bonds and will be allocated to each Lot Type in Improvement Area #3 as shown in Appendix D and levied on each Parcel according to the Improvement Area #3 Assessment Roll, attached hereto as Appendix H.

## **I. ADMINISTRATIVE EXPENSES**

The cost of administering the District and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll, each of which may be revised based on Actual Costs incurred in any update to this Plan and the Service and Assessment Plan.

## **J. ADDITIONAL INTEREST RESERVE**

Funds generated by the Additional Interest Rate related to the Improvement Area #2 Bonds are held in the “Additional Interest Reserve” under the applicable Trust Indenture, which may be used to fund the associated interest charged between the date of prepayment of an Assessment and the date on which Improvement Area #2 Bonds are prepaid, to offset any possible delinquent payments and pay Administrative Expenses provided for in the applicable Trust Indenture.

Funds generated by the Additional Interest Rate related to the Improvement Area #3 Bonds are held in the “Additional Interest Reserve” under the applicable Trust Indenture, which may be used to fund the associated interest charged between the date of prepayment of an Assessment and the date on which the Improvement Area #3 Bonds are prepaid, to offset any possible delinquent payments and pay Administrative Expenses provided for in the applicable Trust Indenture.

The Additional Interest Reserve funded with proceeds of the Improvement Area #1 Refunding and Improvement Bonds will continue to be held in the “Additional Interest Reserve” account under the applicable Trust Indenture, which may be used to fund the associated interest charged between the date of prepayment of an Assessment and the date on which the Improvement Area #1 Refunding and Improvement Bonds are prepaid, to offset any possible delinquent payments and pay Administrative Expenses provided for in the applicable Trust Indenture.

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## ***V. SERVICE PLAN***

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### **A. INTRODUCTION**

The PID Act requires the Service Plan to (i) cover a period of at least five years, and (ii) define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the District during the five-year period. The service plan shall be reviewed and updated each year for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll. Any update to this Plan is herein referred as an “Annual Service and Assessment Plan Update”.

The Actual Costs for the Improvement Area #1 Improvements plus costs related to the issuance of the Improvement Area #1 Bonds, and payment of expenses incurred in the establishment, administration and operation of the District was \$14,953,505 as shown in Table V-A.1.

The Improvement Area #1 Refunding and Improvement Bonds are being issued to refund the Improvement Area #1 Bonds and the obligation under the Improvement Area #1 Reimbursement Agreement. The Actual Costs for the Improvement Area #1 Improvements, plus costs related to the issuance of the Improvement Area #1 Refunding and Improvement Bonds, and payment of expenses incurred in the administration and operation of the MMD is \$11,623,865 as shown in Table V-A.2.

Table V-A.1 summarizes the original sources and uses of funds required to construct the Improvement Area #1 Improvements and issue the Improvement Area #1 Bonds.

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**Table V-A.1**  
**Improvement Area #1**  
**Sources and Uses of Funds – Original**

<b>Sources of Funds</b>	<b>Improvement Area #1</b>		
	<b>Improvement Area #1 Bonds</b>	<b>Reimbursement Agreement</b>	<b>Total</b>
Bond Par	\$9,255,000	\$0	\$9,255,000
Reimbursement Agreement Assessments	\$0	\$3,245,000	\$3,245,000
Other funding sources	\$0	\$2,453,505	\$2,453,505
<b>Total Sources of Funds</b>	<b>\$9,255,000</b>	<b>\$5,698,505</b>	<b>\$14,953,505</b>
<b>Uses of Funds</b>			
Improvement Area #1 Roadway Improvements	\$231,003	\$4,110,575	\$4,341,578
Improvement Area #1's share of Major Roadway Improvements	\$0	\$1,368,380	\$1,368,380
Improvement Area #1 Utility Improvements	\$4,716,665	\$0	\$4,716,665
Improvement Area #1's share of Major Utility Improvements	\$2,043,494	\$219,549	\$2,263,043
<i>Subtotal Improvement Area #1 Improvements</i>	<i>\$6,991,162</i>	<i>\$5,698,505</i>	<i>\$12,689,667</i>
<i><u>Bond Issuance Costs:</u></i>			
Reserve Fund	\$791,225	\$0	\$791,225
Capitalized Interest	\$348,515	\$0	\$348,515
Administrative Fund	\$30,000	\$0	\$30,000
Other costs of issuance	\$1,094,098	\$0	\$1,094,098
<b>Total Uses of Funds</b>	<b>\$9,255,000</b>	<b>\$5,698,505</b>	<b>\$14,953,505</b>

The Improvement Area #1 Bonds were issued to finance and or reimburse the Developer for all or a portion of the Improvement Area #1 share of the Major Utility Improvements, the Improvement Area #1 Utility Improvements, a portion of the Improvement Area #1 Roadway Improvements, and estimated costs to issue the Improvement Area #1 Bonds, as shown in Table V-A.1. The remaining costs of Improvement Area #1 Roadway Improvements and the Improvement Area #1 share of the Major Roadway Improvements will be paid by the Developer subject to reimbursement under the Improvement Area #1 Reimbursement Agreement.

Table V.A.2 shows the updated sources and uses for the Improvement Area #1 Improvements.

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**Table V-A.2**  
**Sources and Uses – Improvement Area #1 – Updated<sup>1</sup>**

<b>Sources of Funds</b>	<b>Improvement Area #1 Refunding and Improvement Bonds (Ref. of Series 2016 Bonds)</b>	<b>Improvement Area #1 Refunding and Improvement Bonds (IA #1 Reimbursement Agreement)</b>	<b>Total Improvement Area #1 Refunding and Improvement Bonds</b>
Improvement Area #1 Refunding and Improvement Bonds Par Amount	\$6,671,000	\$2,824,000	\$9,495,000
Bond Premium	\$403,652	\$177,407	\$581,058
Available Trust Fund Balances	\$1,539,049	\$8,757	\$1,547,806
<b>Total Sources</b>	<b>\$8,613,701</b>	<b>\$3,010,164</b>	<b>\$11,623,865</b>
<b>Uses of funds</b>			
Deposit to Escrow Fund for Improvement Area #1 Bonds	\$7,496,575	\$0	\$7,496,575
Deposit to Escrow Fund for IA #1 Reimbursement Agreement	\$0	\$2,586,542	\$2,586,542
<i>Subtotal</i>	<i>\$7,496,575</i>	<i>\$2,586,542</i>	<i>\$10,083,117</i>
<i>Bond Issuance Costs</i>			
Debt Service Reserve Account	\$205,252	\$86,888	\$292,140
Additional Interest Reserve Account	\$51,313	\$21,722	\$73,035
Cost of Issuance	\$421,079	\$178,710	\$599,789
Underwriter's Discount	\$200,130	\$84,720	\$284,850
Bond Insurance	\$121,850	\$51,582	\$173,432
Deposit to Administrative Fund	\$117,502	\$0	\$117,502
<i>Subtotal</i>	<i>\$1,117,126</i>	<i>\$423,622</i>	<i>\$1,540,748</i>
<b>Total uses of funds</b>	<b>\$8,613,701</b>	<b>\$3,010,164</b>	<b>\$11,623,865</b>

<sup>1</sup>Updated to reflect the issuance of the Improvement Area #1 Refunding and Improvement Bonds.

Prior to the issuance of the Improvement Area #1 Refunding and Improvement Bonds, the outstanding principal due, interest due, and Additional Interest for the Additional Interest Reserve from 2026 to 2046 was \$7,165,779, \$5,899,062, and \$475,025, respectively, for the Improvement Area #1 Bonds, which was anticipated to be collected from 332 Lots less 28 prepaid Lots (304 Lots) within Improvement Area #1.

The outstanding principal and interest due from the Improvement Area #1 Reimbursement Agreement, from 2026 to 2046 was \$2,494,838 and \$2,028,506, respectively, for the Improvement Area #1 Bonds, which was anticipated to be collected from 332 Lots less 28 prepaid Lots (304 Lots) within Improvement Area #1.

Following the issuance of the Improvement Area #1 Refunding and Improvement Bonds, the total principal due, interest due, and funding of the Additional Interest Reserve from 2026 to 2046 is

\$9,495,000, \$5,586,069, and \$0, respectively, for the Improvement Area #1 Refunding and Improvement Bonds which is anticipated to be collected from 332 Lots less 28 prepaid Lots (304 Lots) within Improvement Area #1. As a result, the principal, interest, and Additional Interest Reserve fund savings from the Improvement Area #1 Refunding and Improvement Bonds are \$165,617, \$2,341,499, and \$475,025, respectively, totaling \$3,004,527 (net of adjustments to estimated Administrative Expenses). Table V-A.3 shows the summary of net savings from the refunding.

**Table V-A.3**  
**Summary of Savings –Improvement Area #1 Refunding and Improvement Bonds**

	<b>Lots</b>	<b>Period</b>	<b>Principal</b>	<b>Interest</b>	<b>Administrative Expenses</b>	<b>Additional Interest<sup>1</sup></b>	<b>Total Annual Installments</b>
Improvement Area #1 Bonds – Original	332	2016-2046	\$9,255,000	\$12,190,432	\$903,319	\$448,300	\$22,797,051
Improvement Area #1 Reimbursement Agreement	332	2016-2046	\$3,245,000	\$4,265,310	\$541,991	\$0	\$8,052,301
Improvement Area #1 Improvement Bonds – Outstanding <sup>2</sup>	304	2026-2046	\$7,165,779	\$5,899,062	\$761,647	\$475,025	\$14,301,513
Improvement Area #1 Reimbursement Agreement – Outstanding <sup>2</sup>	304	2026-2046	\$2,494,838	\$2,028,506	\$265,175	\$0	\$4,788,519
Improvement Area #1 Refunding and Improvement Bonds	304	2026-2046	\$9,495,000	\$5,586,069	\$1,882,182	\$0	\$16,963,251
<b>Net Refunding related savings</b>			<b>\$165,617</b>	<b>\$2,341,499</b>	<b>(\$855,360)</b>	<b>\$475,025</b>	<b>\$2,126,780</b>

<sup>(1)</sup>Additional Interest was used for funding the Additional Interest Reserve Account for the Improvement Area #1 Bonds. Additional Interest will be used to fund the Additional Interest Reserve Account for the Improvement Area #1 Refunding and Improvement Bonds.

<sup>(2)</sup>Outstanding as of December 31, 2025.

Table V-B summarizes the original sources and uses of funds required to construct the Improvement Area #2 Improvements under the Omnibus Reimbursement Agreement.

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**Table V-B**  
**Improvement Area #2**  
**Sources and Uses of Funds - Original**

<b>Sources of Funds</b>	<b>Total</b>
Assessments	\$10,750,000
Other funding sources	\$4,913,842
<b>Total Sources of Funds</b>	<b>\$15,663,842</b>
<b>Uses of Funds</b>	
Improvement Area #2 Roadway Improvements	\$4,671,801
Improvement Area #2's share of Major Roadway Improvements	\$1,176,673
Improvement Area #2 Utility Improvements	\$7,869,372
Improvement Area #2's share of Major Utility Improvements	\$1,945,996
<i>Subtotal Improvement Area #2 Improvements</i>	<i>\$15,663,842</i>
<b>Total Uses of Funds</b>	<b>\$15,663,842</b>

Table V-C summarizes the updated sources and uses of funds required to construct and/or reimburse the Developer for the Improvement Area #2 Improvements that will benefit the Improvement Area #2 Assessed Property, pay a portion of the costs related to the administration and operation of the District and to issue the Improvement Area #2 Bonds. The sources and uses of funds shown in Table V-C shall be updated each year in the Annual Service Plan Update to reflect any revisions to the Actual Costs.

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**Table V-C**  
**Improvement Area #2**  
**Estimated Sources and Uses of Funds - Updated**

Sources of Funds	Improvement Area #2		
	Improvement Area #2 Bonds	Reimbursement Agreement	Total
Bond Par	\$9,230,000	\$0	\$9,230,000
Assessments	\$0	\$1,500,000	\$1,500,000
Other funding sources	\$0	\$6,320,841	\$6,320,841
Bond Premium	\$154,677	\$0	\$154,677
<b>Total Sources of Funds</b>	<b>\$9,384,677</b>	<b>\$7,820,841</b>	<b>\$17,205,518</b>
<b>Uses of Funds</b>			
<u>Improvement Area #2 Improvements:</u>			
Roadway Improvements	\$2,371,701	\$2,300,100	\$4,671,801
Share of Major Roadway Improvements	\$584,241	\$592,432	\$1,176,673
Utility Improvements	\$3,994,990	\$3,874,382	\$7,869,372
Share of Major Utility Improvements	\$892,068	\$1,053,928	\$1,945,996
<i>Subtotal Improvement Area #2 Improvements</i>	<i>\$7,843,000</i>	<i>\$7,820,841</i>	<i>\$15,663,841</i>
<u>Bond Issuance Costs:</u>			
Reserve Fund	\$528,805	\$0	\$528,805
Capitalized Interest	\$0	\$0	\$0
Administrative Expenses Fund	\$20,000	\$0	\$20,000
Cost of Issuance	\$793,272	\$0	\$793,272
Underwriters Discount	\$199,600	\$0	\$199,600
<i>Subtotal Bond Issuance Costs</i>	<i>\$1,541,677</i>	<i>\$0</i>	<i>\$1,541,677</i>
<b>Total Uses of Funds</b>	<b>\$9,384,677</b>	<b>\$7,820,841</b>	<b>\$17,205,518</b>

The estimated costs for the Improvement Area #2 Improvements, plus first year Administrative Expenses, are \$15,683,841 as shown in Table V-C. The estimated costs for Improvement Area #2 Improvements plus costs related to the issuance of the Improvement Area #2 Bonds for the Improvement Area #2 Improvements as shown in Table V-C.

Table V-D summarizes the original sources and uses of funds required to construct the Improvement Area #3 Improvements. Tables included in this Section may be rounded to the nearest whole dollar.

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**Table V-D**  
**Improvement Area #3- Original**  
**Sources and Uses of Funds**

<b>Sources of Funds</b>	<b>Total</b>
Assessments	\$17,270,000
Other funding sources	\$13,186,861
<b>Total Sources of Funds</b>	<b>\$30,456,861</b>
<b>Uses of Funds</b>	
Roadway Improvements	\$17,251,550
Share of Major Roadway Improvements	\$1,849,131
Utility Improvements	\$8,208,065
Share of Major Utility Improvements	\$3,058,115
<i>Subtotal Improvement Area #3 Improvements</i>	<i>\$30,366,861</i>
<b>Other Assessment Levy Costs</b>	
First Year Administrative Expenses	\$90,000
<i>Subtotal Other Assessment Levy Costs</i>	<i>\$90,000</i>
<b>Total Uses of Funds</b>	<b>\$30,456,861</b>

The Improvement Area #3 Bonds were issued in 2024 to reimburse a portion of the estimated costs of the Improvement Area #3 Improvements and/or fulfill obligations under the portion of the Omnibus Reimbursement Agreement to Improvement Area #3.

Table V-E on the following page summarizes the updated sources and uses of funds required to construct and or/reimburse the Developer for the Improvement Area #3 Improvements that will benefit the Improvement Area #3 Assessed Property, pay a portion of the costs related to the administration and operation of the District and to issue the Improvement Area #3 Bonds. The updated sources and uses of funds shown in Table V-E shall be updated each year in the Annual Service Plan Update to reflect any revisions to Actual Costs.

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**Table V-E**  
**Improvement Area #3**  
**Estimated Sources and Uses of Funds- Updated**

<b>Sources of Funds</b>	<b>Total</b>
Assessments	\$17,270,000
Other funding sources	\$10,706,740
<b>Total Sources of Funds</b>	<b>\$27,976,740</b>
<b>Uses of Funds</b>	
Roadway Improvements	\$10,254,605
Share of Major Roadway Improvements	\$1,849,131
Utility Improvements	\$9,514,889
Share of Major Utility Improvements	\$3,058,115
<i>Subtotal Improvement Area #3 Improvements</i>	<i>\$24,676,740</i>
<b>Bond Issuance Costs</b>	
Additional Interest Reserve Fund	\$172,199
Debt Service Reserve Fund	\$803,597
Capitalized Interest	\$624,552
Cost of Issuance	\$1,091,552
Underwriter's Discount	\$518,100
Deposit to Improvement Area #3 Administrative Fund	\$90,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,300,000</i>
<b>Total Uses of Funds</b>	<b>\$27,976,740</b>

The estimated costs for the Improvement Area #3 Improvements, plus first year Administrative Expenses, are \$27,976,740 as shown in Table V-E. The estimated cost for Improvement Area #3 Improvements plus costs related to the issuance of the Improvement Area #3 Bonds for the Improvement Area #3 Improvements are shown in Table V-E. The service plan shall be reviewed and updated each year for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll.

The Improvement Area #3 Improvements were initially financed by the Developer and reimbursable pursuant to the Omnibus Reimbursement Agreement. The Improvement Area #3 Bonds were issued to satisfy the District's obligation under the Omnibus Reimbursement Agreement related to the Improvement Area #3 Improvements. Table V-E shows the updated estimated sources and uses for the Improvement Area #3 Improvements.

## **B. ANNUAL PROJECTED COSTS AND INDEBTEDNESS**

### Improvement Area #1

The annual projected costs and annual projected indebtedness for Improvement Area #1 is shown in Table V-F. The annual projected costs and indebtedness are subject to revision, and each shall

be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table V-F**  
**Improvement Area #1**  
**Annual Projected Costs and Projected Indebtedness**

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2025 & Prior	\$14,805,000	\$12,500,000	\$2,305,000	\$9,584,035
2026	\$1,540,748	-\$165,617	\$1,706,365	\$884,969
2027	\$0	\$0	\$0	\$804,810
2028	\$0	\$0	\$0	\$804,099
2029	\$0	\$0	\$0	\$803,818
2030	\$0	\$0	\$0	\$803,918
2031	\$0	\$0	\$0	\$803,348
<b>Total</b>	<b>\$16,345,748</b>	<b>\$12,334,383</b>	<b>\$4,011,365</b>	<b>\$14,488,996</b>

The annual projected costs shown in Table V-F are the annual expenditures relating to the Improvement Area #1 Improvements shown in Table III-B and the costs associated with setting up the District and costs of issuance including reserves shown in Table V-A.2. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

**Improvement Area #2**

The annual projected costs and annual projected indebtedness for Improvement Area #2 is shown in Table V-G. The annual projected costs and indebtedness are subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table V-G**  
**Improvement Area #2**  
**Annual Projected Costs and Projected Indebtedness**

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2025 & Prior	\$17,205,518	\$10,730,000	\$6,475,518	\$3,683,797
2026	\$0	\$0	\$0	\$738,190
2027	\$0	\$0	\$0	\$737,987
2028	\$0	\$0	\$0	\$737,494
2029	\$0	\$0	\$0	\$737,825
2030	\$0	\$0	\$0	\$737,947
2031	\$0	\$0	\$0	\$737,860
<b>Total</b>	<b>\$17,205,518</b>	<b>\$10,730,000</b>	<b>\$6,475,518</b>	<b>\$8,111,100</b>

The annual projected costs shown in Table V-G are the annual expenditures relating to the Improvement Area #2 Improvements shown in Table III-C and the costs associated with setting up the District and costs of issuance including reserves shown in Table V-C. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

#### Improvement Area #3

The annual projected costs and annual projected indebtedness for Improvement Area #3 is shown in Table V-H. The annual projected costs and indebtedness are subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**Table V-H**  
**Improvement Area #3**  
**Annual Projected Costs and Projected Indebtedness- Updated**

Period Ending 9/30	Annual Projected Costs	Annual Projected Indebtedness	Other Funding Sources	Annual Installments
2025 & Prior	\$27,976,740	\$17,270,000	\$10,706,740	\$624,552
2026	\$0	\$0	\$0	\$1,272,017
2027	\$0	\$0	\$0	\$1,272,253
2028	\$0	\$0	\$0	\$1,272,044
2029	\$0	\$0	\$0	\$1,272,392
2030	\$0	\$0	\$0	\$1,272,253
2031	\$0	\$0	\$0	\$1,271,628
<b>Total</b>	<b>\$27,976,740</b>	<b>\$17,270,000</b>	<b>\$10,706,740</b>	<b>\$8,257,139</b>

The annual projected costs shown in Table V-H are the annual expenditures relating to the Improvement Area #3 Improvements shown in Table III-D and the costs associated with the issuance of the Improvement Area #3 Bonds are shown in Table V-E. The difference between the total projected cost and the total projected indebtedness, if any, is the amount contributed by the Developer.

#### **C. HOMEBUYER DISCLOSURE**

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 Homebuyer Disclosure (the, “Homebuyer Disclosure”) is attached hereto as Appendix E and may be updated in an Annual Service Plan Update.

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## ***VI. TERMS OF THE SPECIAL ASSESSMENTS***

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### **A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND IMPROVEMENT AREA #3**

The Assessments and Annual Installments for each Improvement Area #1 Assessed Property are shown on the Improvement Area #1 Assessment Roll in Appendix F. The Assessments and Annual Installments for each Improvement Area #2 Assessed Property are shown on the Improvement Area #2 Assessment Roll in Appendix G. The Assessments and Annual Installments for each Improvement Area #3 Assessed Property are shown on the Improvement Area #3 Assessment Roll in Appendix H.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #1 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #1 Refunding and Improvement Bonds, (ii) to fund the Additional Interest Reserve for the Improvement Area #1 Refunding and Improvement Bonds, and (iii) to cover the Administrative Expenses of Improvement Area #1.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #2 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #2 Bonds, (ii) to fund the Additional Interest Reserve for the Improvement Area #2 Bonds, and (iii) to cover the Administrative Expenses of Improvement Area #2.

The Assessment and Annual Installments shall not be changed except as authorized under the terms of this SAP and the PID Act. The Annual Installments shall be collected from Improvement Area #3 Assessed Property in an amount sufficient to pay (i) the principal and interest on the Improvement Area #3 Bonds, (ii) to fund the Additional Interest Reserve for the Improvement Area #3 Bonds, and (iii) to cover the Administrative Expenses of Improvement Area #3. The Annual Installments shall include Additional Interest as described in Section IV.L. The Annual Installment for each Parcel shall be calculated by taking into consideration any available capitalized interest, or other funds applicable to the Parcel.

### **B. REALLOCATION OF ASSESSMENTS FOR PARCELS LOCATED WITHIN IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND IMPROVEMENT AREA #3**

#### **Upon Division Prior to Recording of Subdivision Plat**

Upon the division of any Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Assessment for the Parcel prior to the division among the newly divided Parcels according to the following formula:

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

Where the terms have the following meanings:

- A = the Assessment for the new divided Lot
- B = the Assessment for the Lot prior to division
- C = the Equivalent Units of the new divided Lot
- D = the sum of the Equivalent Units for all of the new divided Lots

The calculation of the Equivalent Units of a Parcel shall be performed by the Administrator based on information available in the Official Public Records of Rockwall or Kaufman County, Texas regarding the Assessed Property and development related information provided by the property owners. The calculation as confirmed by the Board of Directors shall be conclusive.

The sum of the Assessments for all newly divided Parcels shall equal the Assessment for the Parcels prior to subdivision. The calculation shall be made separately for each newly divided Parcel. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

### **1. Upon Subdivision by a Recorded Subdivision Plat**

Upon the subdivision of any Assessed Property based on a recorded Subdivision Plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula:

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

Where the terms have the following meanings:

- A = the Assessment for the new subdivided Lot
- B = the Assessment for the Lot prior to subdivision
- C = the Equivalent Units of the new divided Lot
- D = the sum of the Equivalent Units for all of the new divided Lots

Prior to the recording of a subdivision plat, the Developer shall provide the District and the Administrator an estimated average home value by Lot Type as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact the average home value and any other information available to the Developer. The calculation of the Equivalent Units for a Lot shall be performed by the Administrator and confirmed by the Board of Directors based on information provided by the Developer, homebuilders, third party consultants, and/or the Official Public Records Rockwall or Kaufman County, Texas regarding the Lot.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the

reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

## **2. Upon Consolidation**

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in an update to this Service and Assessment Plan approved by the Board of Directors.

## **C. MANDATORY PREPAYMENT OF ASSESSMENTS**

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the District the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.
2. If at any time the Assessment per Unit on a Parcel exceeds the applicable Improvement Area #1 Maximum Assessment Per Equivalent Unit, the Improvement Area #2 Maximum Assessment Per Equivalent Unit, or the Improvement Area #3 Maximum Assessment Per Equivalent Unit calculated in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the District prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per Equivalent Unit for the Parcel exceeds the applicable Improvement Area #1 Maximum Assessment Per Equivalent Unit, the Improvement Area #2 Maximum Assessment Per Equivalent Unit, or the Improvement Area #3 Maximum Assessment Per Equivalent Unit calculated in this Service and Assessment Plan.
3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

## **D. REDUCTION OF ASSESSMENTS**

1. If after all Authorized Improvements to be funded with a series of Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessments securing such series of Bonds, resulting in excess Bond proceeds being available to redeem Bonds of such series, then the Assessment securing such series of Bonds for each Assessed Property shall be reduced by the Board of Directors pro rata such that the sum of the resulting reduced Assessments for all Assessed

Properties equals the actual reduced Actual Costs and such excess Bond proceeds shall be applied to redeem Bonds of such series. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds.

2. If the Authorized Improvements to be funded with a series of Bonds are not undertaken or completed by the District, resulting in excess Bond proceeds being available to redeem Bonds of such series, the Assessment securing such series of Bonds for each Assessed Property shall be reduced by the Board of Directors to reflect only the Actual Costs that were expended and such excess Bond proceeds shall be applied to redeem Bonds of such series. The Board of Directors shall reduce such Assessments for each Assessed Property pro rata such that the sum of the resulting reduced Assessments equals the Actual Costs with respect to such Authorized Improvements that were undertaken. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds.

## **E. PAYMENT OF ASSESSMENTS**

### **1. Payment in Part or Full**

- (a) The Assessment for any Parcel or Lot may be paid in full at any time. Payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Trust Indenture, net of any other costs applicable to the redemption of Bonds.
- (b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
- (c) Upon payment in full of an Assessment and all Prepayment Costs, the District shall deposit the payment in accordance with the Indenture; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.
- (d) At the option of the Parcel or Lot owner, the Assessment on any Parcel or Lot plus Prepayment Costs may be paid in part in an amount sufficient to allow for redemption of Bonds in authorized denominations as determined by the Administrator. Upon the payment of such amounts for a Parcel or Lot, the Assessment for the Parcel or Lot shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, the obligation to pay the Annual Installment for such Parcel or Lot shall be reduced to the extent the partial payment is made, and the term of the Assessment shall not be reduced.

### **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 District may collect interest and collection costs on the outstanding Assessment. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year

in the amounts shown in the Improvement Area #1 Assessment Roll, Improvement Area #2 Assessment Roll and Improvement Area #3 Assessment Roll, which includes interest on the outstanding Assessment and Administrative Expenses.

*Updated 2026: Improvement Area #1 Refunding and Improvement Bonds*

The Improvement Area #1 Bonds are being refunded by the Improvement Area #1 Refunding and Improvement Bonds and the Improvement Area #1 Refunding and Improvement Bonds related to the Improvement Area #1 Improvements.

Each Assessment for the Improvement Area #1 Assessed Property shall be paid with interest of no more than the actual interest rate paid on the Improvement Area #1 Refunding and Improvement Bonds (plus Additional Interest, as applicable). The Improvement Area #1 Assessment Roll sets forth for each year the Annual Installment for each Parcel based on an interest rate of 5.000% for years 2026 through 2046 for the Improvement Area #1 Refunding and Improvement Bonds, Administrative Expenses, and Additional Interest at the rate of 0.5% for the Additional Interest account, as applicable. The Annual Installments may not exceed the amounts shown on the Improvement Area #1 Assessment Roll, except pursuant to any amendment or update to this SAP. The Improvement Area #1 Assessment Roll is shown as Appendix F.

*Improvement Area #2 Bonds, and Improvement Area #2 Reimbursement Agreement.*

The Annual Installments shown in the Improvement Area #2 Assessment Roll have been calculated using an interest rate on the Improvement Area #2 Bonds of 2.50% in years 1 through 5 (2022-2026), 3.00% in years 6 through 10 (2027-2031), 3.250% in years 11 through 20 (2032-2041), and 4.00% in years 21 through 29 (2042-2050), and an interest rate of 3.680% on the Improvement Area #2 Reimbursement Agreement. The Annual Installments may not exceed the amounts shown on the Improvement Area #2 Assessment Roll, except pursuant to any amendment or update to this SAP. The Improvement Area #2 Assessment Roll is shown as Appendix G.

*Improvement Area #3 Bonds*

Each Assessment for the Improvement Area #3 Assessed Property shall be paid with interest related to the actual interest rate paid on the Improvement Area #3 Bonds allocable to Improvement Area #3, as shown in the Improvement Area #3 Assessment Roll is based on an actual interest rate of 4.38%, 5.10%, and 5.38%, plus the Additional Interest at the rate of 0.5% to fund the Additional Interest Reserve, if collected. The Annual Installments may not exceed the amounts shown on the Improvement Area #3 Assessment Roll and have been calculated using an interest rate on the Improvement Area #3 Bonds of 4.38% for years 1 through 6 (2025-2031), 5.10% in years 7-19 (2032-2044), and 5.38% on years 20-30 (2045-2055). The Annual Installments may not exceed the amounts shown on the Improvement Area #3 Assessment Roll, except pursuant to any amendment or update to this SAP. The Improvement Area #3 Assessment Roll is shown as Appendix H.

### **3. Reduction of Assessments**

The Annual Installments shall be reduced to equal the actual costs of repaying the related series of Bonds and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances and actual costs of paying reimbursement obligations under the Improvement Area #2 Reimbursement Agreement, or any other applicable reimbursement agreement.

The District reserves and shall have the right and option to refund the Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds and to make required payments under the Improvement Area #2 Reimbursement Agreement and such refunding bonds shall constitute “Bonds” for purposes of this Service and Assessment Plan.

### **F. COLLECTION OF ANNUAL INSTALLMENTS**

No less frequently than annually, the Administrator shall prepare, and the Board of Directors shall approve, an Annual Service and Assessment Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service and Assessment Plan Update shall include an updated Improvement Area #1 Assessment Roll, Improvement Area #2 Assessment Roll, and Improvement Area #3 Assessment Roll, and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment collected in Improvement Areas where Bonds have been issued shall be reduced by any credits applied under the applicable Trust Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for an additional interest reserve. Annual Installments shall be collected by the District in the same manner and at the same time as ad valorem taxes for other entities and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes. The Board of Directors may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

Each Improvement Area #1 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment for the Improvement Area #1 Bonds related to Improvement Area #1 commenced in 2017.

Each Improvement Area #2 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment for Improvement Area #2 commenced in 2020.

Each Improvement Area #3 Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on September 1 and shall be due on October 1 of that year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the first Annual Installment Improvement Area #3 is will commence in 2026.

#### **G. SURPLUS FUNDS REMAINING IN IMPROVEMENT AREA #2 BOND ACCOUNT**

If Improvement Area #2 Bond proceeds still remain after all of the Improvement Area #2 Improvements are constructed and conveyed to the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit the Improvement Area #2 Assessed Property.

#### **H. SURPLUS FUNDS REMAINING IN IMPROVEMENT AREA #3 BOND ACCOUNT**

If Improvement Area #3 Bond proceeds still remain after all of the Improvement Area #3 Improvements are constructed and conveyed to the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit the Improvement Area #3 Assessed Property.

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## **VII. THE ASSESSMENT ROLL**

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### **A. IMPROVEMENT AREA #1 ASSESSMENT ROLL**

Each Parcel within Improvement Area #1 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #1 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #1 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #1 Improvements and the proportionate share of the Major Improvements. Table VII-A summarizes the \$16,345,748 in special benefit received by Improvement Area #1 Assessed Property from the Improvement Area #1 Improvements that benefit Improvement Area #1, a proportionate share of the Major Improvements, the costs of the District formation, Improvement Area #1 Bond issuance costs, and Improvement Area #1 Refunding and Improvement Bond issuance costs. The total principal amount paid from the Improvement Area #1 Bonds, the proportionate share of the Major Improvements, the total principal of the Improvement Area #1 Reimbursement Agreement, and the total principal amount of the Improvement Area #1 Refunding and Improvement Bonds, collectively, is \$12,334,383, which is less than the benefit received by Improvement Area #1 Assessed Property, and as such the total Assessment for all Assessed Property within Improvement Area #1 is \$12,334,383 plus annual Administrative Expenses and other authorized charges. The Assessment for each Assessed Property within Improvement Area #1 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #1 Assessment Roll is attached hereto as Appendix F.

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**Table VII-A**  
**Improvement Area #1**  
**Special Benefit Summary**

<b>Special Benefit</b>	<b>Total Cost</b>
Total Authorized Improvements <sup>1</sup>	\$12,541,162
<b><u>Improvement Area #1 Bond Issuance Costs:</u></b>	
Reserve Fund	\$791,225
Capitalized Interest	\$348,515
Administrative Fund	\$30,000
Other Costs of Issuance	\$1,094,098
<i>Subtotal</i>	<i>\$2,263,838</i>
<b><u>Improvement Area #1 Refunding and Improvement Bond issuance costs:</u></b>	
Debt Service Reserve Account	\$292,140
Additional Interest Reserve Account	\$73,035
Cost of Issuance	\$599,789
Underwriter's Discount	\$284,850
Bond Insurance	\$173,432
Deposit to Administrative Fund	\$117,502
<i>Subtotal</i>	<i>\$1,540,748</i>
<b>Total Special Benefit</b>	<b>\$16,345,748</b>
<b><u>Special Benefit:</u></b>	
Total Special Benefit	\$16,345,748
Original Improvement Area #1 Assessment	\$12,500,000
Principal Refunding related savings	(\$165,617)
<b>Excess Benefit</b>	<b>\$4,011,365</b>

<sup>1</sup>See Table III-B for details.

## **B. IMPROVEMENT AREA #2 ASSESSMENT ROLL**

Each Parcel within Improvement Area #2 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #2 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #2 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #2 Improvements and a proportionate share of the Major Improvements. Table VII-B summarizes the \$17,205,518 in special benefit received by Improvement Area #2 Assessed Property from the Improvement Area #2 Improvements that benefit Improvement Area #2, a proportionate share of the Major Improvements, and the costs

associated with issuing the Improvement Area #2 Bonds. The total original amount payable for the Improvement Area #2 Improvements under the Omnibus Reimbursement Agreement was \$10,750,000 as shown in Table VII-B, which is less than the benefit received by Improvement Area #2 Assessed Property, and as such the total Assessment for all Assessed Property within Improvement Area #2 is \$10,750,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #2 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #2 Assessment Roll is attached hereto as Appendix G.

**Table VII-B**  
**Improvement Area #2**  
**Special Benefit Summary**

<b>Special Benefit</b>	<b>Total Cost</b>
Total Authorized Improvements <sup>1</sup>	\$15,663,841
<b><u>Bond Issuance Costs:</u></b>	
Reserve Fund	\$528,805
Capitalized Interest	\$0
Administrative Expenses Fund	\$20,000
Cost of Issuance	\$793,272
Underwriters Discount	\$199,600
<b><u>Subtotal Bond Issuance Costs</u></b>	<b>\$1,541,677</b>
<b>Total Special Benefit</b>	<b>\$17,205,518</b>
<b><u>Special Benefit:</u></b>	
Total Special Benefit	\$17,205,518
Assessment	\$10,750,000
<b>Excess Benefit</b>	<b>\$6,455,518</b>

<sup>1</sup>See Table III-C for details.

### C. IMPROVEMENT AREA #3 ASSESSMENT ROLL

Each Parcel within Improvement Area #3 has been evaluated by the Board of Directors (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Improvement Area #3 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the Board of Directors) to determine the amount of Assessed Property within the Parcel.

Improvement Area #3 Assessed Property has been assessed for the special benefits conferred upon the property because of the Improvement Area #3 Improvements and a proportionate share of the Major Improvements. Table VII-C summarizes the \$27,976,740 in special benefit received by Improvement Area #3 Assessed Property from the Improvement Area #3 Improvements that benefit Improvement Area #3, a proportionate share of the Major Improvements, and applicable Bond issuance costs. The Assessment amount of the Improvement Area #3 Bonds as shown in Table VII-C, which is less than the benefit received by Improvement Area #3 Assessed Property,

and as such the total Assessment for all Assessed Property within Improvement Area #3 is \$17,270,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #3 is calculated based on the allocation methodologies described in Section IV.G of this Service and Assessment Plan. The Improvement Area #3 Assessment Roll is attached hereto as Appendix H.

**Table VII-C**  
**Improvement Area #3**  
**Special Benefit Summary**

<b>Special Benefit</b>	<b>Total Cost</b>
Total Authorized Improvements <sup>1</sup>	\$24,676,740
<b><u>Bond Issuance Costs:</u></b>	
Additional Interest Reserve Fund	\$172,199
Debt Service Reserve Fund	\$803,597
Capitalized Interest	\$624,552
Cost of Issuance	\$1,091,552
Underwriter's Discount	\$518,100
Administrative Expense Fund	\$90,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,300,000</i>
<b>Total Special Benefit</b>	<b>\$27,976,740</b>
<b><u>Special Benefit</u></b>	
Total Special Benefit	\$27,976,740
Assessment	\$17,270,000
<b>Excess Benefit</b>	<b>\$10,706,740</b>

<sup>1</sup>See Table III-C for details.

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#### **D. ANNUAL ASSESSMENT ROLL UPDATES**

The Administrator shall prepare, and shall submit to the Board of Directors for approval, annual updates to the Improvement Area #1 Assessment Roll, the Improvement Area #2 Assessment Roll, and the Improvement Area #3 Assessment Roll in conjunction with the Annual Service and Assessment Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the District: (i) the identification of each Parcel (ii) the Assessment for each Assessed Property, including any adjustments authorized by this Plan; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.E of this Service and Assessment Plan.

The Annual Service Plan Update will reflect the actual interest on the Improvement Area #1 Refunding and Improvement Bonds, the Improvement Area #2 Bonds, the Improvement Area #2 Reimbursement Agreement, and the Improvement Area #3 Bonds, and any reduction in the Improvement Area #1 Assessments, Improvement Area #2 Assessments, and Improvement Area #3 Assessments and any revisions in the Actual Costs to be funded by the Improvement Area #1 Bonds, the Improvement Area #2 Bonds, or the Improvement Area #3 Bonds.

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## **VIII. MISCELLANEOUS PROVISIONS**

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### **A. ADMINISTRATIVE REVIEW**

The District shall elect to designate a third party to serve as Administrator. The District shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

An owner of an Assessed Property claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the District not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and an Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the Board of Directors for approval. A cash refund may not be made for any amount previously paid by the Assessed Property owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the District for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to such Assessment Roll may be appealed to the Board of Directors. Any amendments made to the Assessment Roll pursuant to calculations errors shall be made pursuant to the PID Act.

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

### **B. TERMINATION OF ASSESSMENTS**

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment, and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the District shall provide the owner of the affected Parcel a recordable "Notice of the Assessment Termination."

### **C. AMENDMENTS**

Amendments to the Plan can be made as permitted or required under Texas law.

The Board of Directors reserves the right to amend this Service and Assessment Plan without notice and without notice to property owners of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of

Assessments, Prepayment Costs, Collection Costs, and other charges imposed by the Service and Assessment Plan.

#### **D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS**

The Board of Directors shall administer (or cause the administration of ) the District, this Plan, and all Annual Service and Assessment Plan Updates consistent with the Creation Legislation and the PID Act and shall make all interpretations and determinations related to the application of this Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

#### **E. SEVERABILITY**

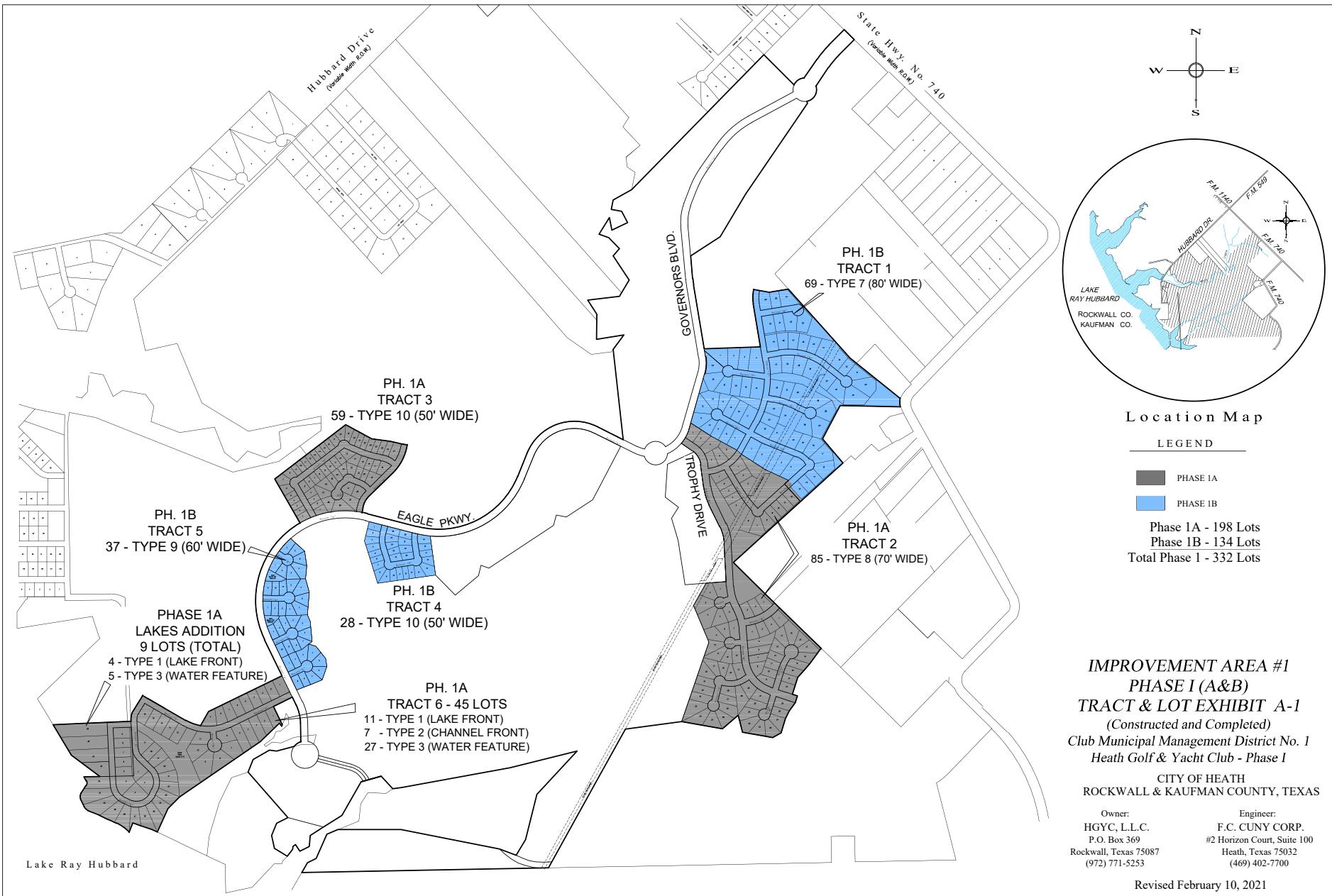
If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Property or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the Board of Directors in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the District.

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**APPENDIX A**  
**DISTRICT MAP**







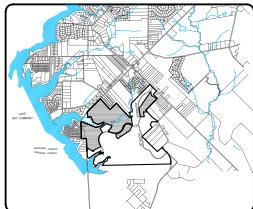
TRACT	ACREAGE	LOTS
2B	8.266	22
7	18.188	49
8	6.047	35
9	12.159	55
11	27.238	80
16	16.392	156
17A	3.825	25
17B	1.535	6
17C	5.092	49
TOTAL	98.742	477

IMPROVEMENT AREA #2  
TRACT AND LOT EXHIBIT A-2  
(Constructed & Completed)  
Club Municipal Management District No. 1  
Heath Golf & Yacht Club - Phase 2

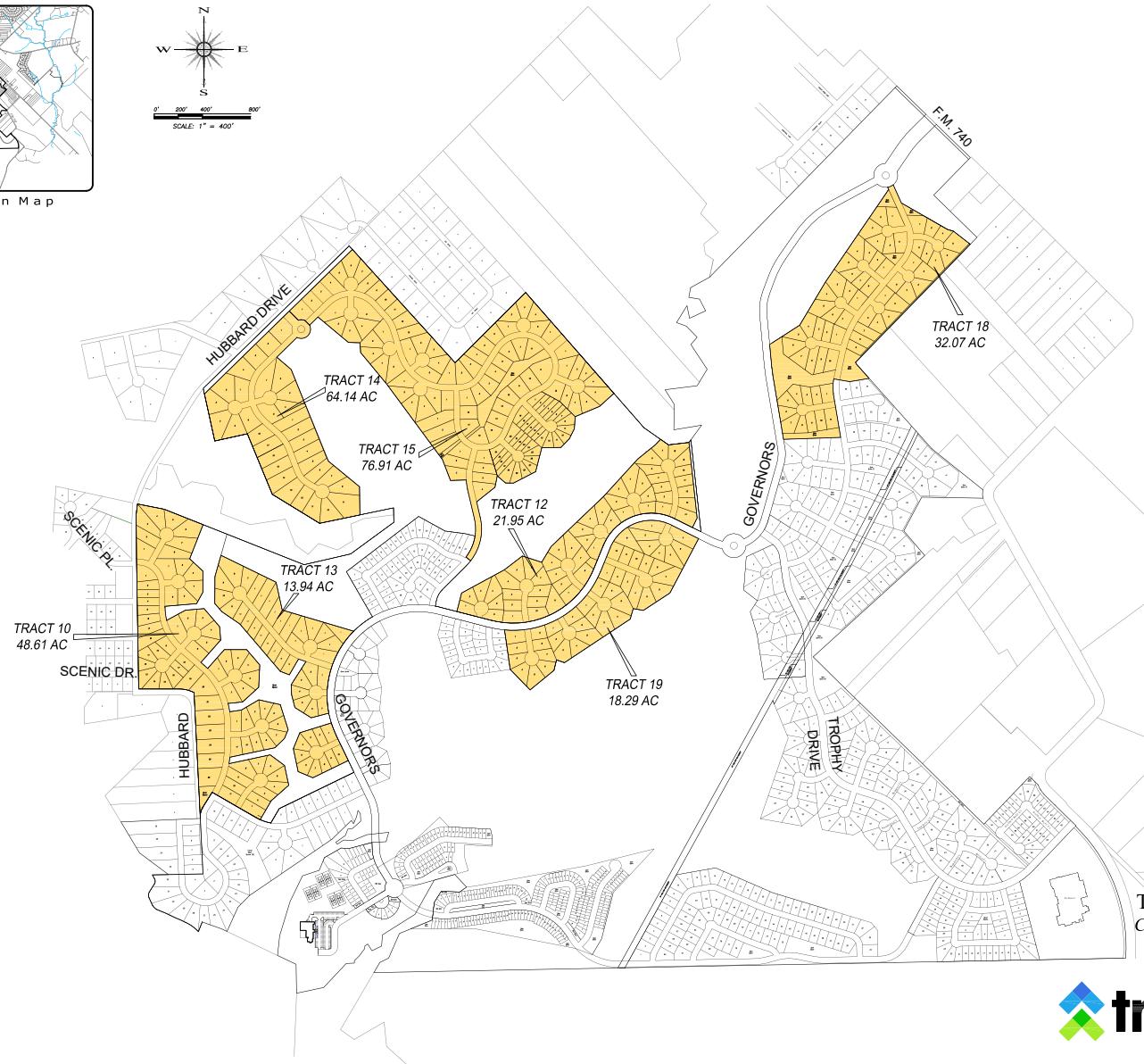
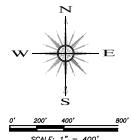


F.C. CUNY CORPORATION  
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700  
Texas Registered Engineering Firm F-7449

February 10, 2021



Location Map



TRACT	ACREAGE	LOTS
10	48.61	75
12	21.95	52
13	17.05	43
14	64.14	33
15	76.91	118
18	32.07	63
19	18.29	43
TOTAL	279.02	427

IMPROVEMENT AREA #3  
TRACT AND LOT EXHIBIT A-3  
Club Municipal Management District No. 1  
Heath Golf & Yacht Club - Phase 3

teague nall & perkins  
825 Watters Creek Blvd., Suite M300  
Allen, Texas 75013  
214.461.9867 ph 214.461.9864 fx  
TBPE Registration No. F-230  
[www.tnplinc.com](http://www.tnplinc.com)  
February 10, 2021

**APPENDIX B**  
**AUTHORIZED IMPROVEMENT COSTS**

## Estimated Authorized Improvement Costs

Prepared by: Chris Cuny, P.E. of Teague Nall & Perkins, Inc.  
 Date: February 19, 2021

### Road Improvements

Description	Original CIP Estimated Major Improvement Costs	Actual Completed Major Improvement Costs	Estimated Future Major Improvement Costs	Total: Completed & Future Major Improvement Costs	Original CIP Estimated Improvement Area #1 Costs	Actual Completed Improvement Area #1 Costs	Substantially Complete Improvement Area #2 Costs	Estimated Future Improvement Area #3 Costs
Right-of-way clearing & Grubbing	\$107,946	\$8,000	\$99,946	\$107,946	\$73,492	\$18,000	\$193,277	\$301,800
Street Excavation	\$183,467	\$89,262	\$145,776	\$235,038	\$261,399	\$230,265	\$343,101	\$203,626
Lime Stabilization	\$117,603	\$125,012	\$74,165	\$199,177	\$165,525	\$177,417	\$201,011	\$423,784
Lime Material	\$134,786	\$95,844	\$37,972	\$133,816	\$187,883	\$194,579	\$194,855	\$271,222
Concrete Paving	\$1,550,926	\$1,011,150	\$676,400	\$1,687,550	\$2,197,741	\$2,428,679	\$2,535,221	\$3,981,000
Left Turn Lane or Asphalt Overlay	\$279,007	\$202,088	\$3,000	\$205,088	\$0	\$0	\$30,900	\$0
ADA (Barrier Free) Ramps	\$7,734	\$7,563	\$133,200	\$140,763	\$59,435	\$64,094	\$38,600	\$144,000
Sawcut & Connect to Existing Paving	\$0	\$2,018	\$2,700	\$4,718	\$0	\$10,175	\$14,200	\$54,000
Street Signs	\$10,000	\$0	\$45,000	\$45,000	\$46,000	\$46,000	\$31,000	\$48,000
Street Lights	\$7,500	\$0	\$57,500	\$57,500	\$58,000	\$58,000	\$15,500	\$48,000
Erosion Control and Storm Water Pollution Prevention	\$220,633	\$0	\$243,593	\$243,593	\$38,095	\$38,095	\$63,348	\$71,768
Maintenance Bond	\$0	\$32,500	\$25,622	\$58,122	\$0	\$19,250	\$76,400	\$160,869
Contingency	\$185,773	\$0	\$130,674	\$130,674	\$170,857	\$0	\$373,741	\$570,807
Surveying and Engineering	\$222,036	\$137,676	\$140,148	\$277,824	\$296,379	\$287,398	\$359,726	\$549,402
City Inspection Fee 4%	\$0	\$62,937	\$57,497	\$120,434	\$0	\$131,382	\$157,171	\$251,155
Capital Improvement Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical and Materials Testing	\$33,955	\$0	\$59,205	\$59,205	\$109,950	\$109,950	\$43,750	\$43,750
Right of way costs (15.45 acres Governor's Blvd)	\$772,500	\$772,500	\$0	\$772,500	\$0	\$0	\$0	\$0
Drainage Easements (43.8% of 21.09 acres @ \$55,000 est.)	\$0	\$0	\$0	\$528,294	\$528,294	\$528,294	\$0	\$0
<b>Subtotal - Road Costs</b>	<b>\$3,833,866</b>	<b>\$2,546,549</b>	<b>\$1,932,398</b>	<b>\$4,478,947</b>	<b>\$4,193,050</b>	<b>\$4,341,578</b>	<b>\$4,671,801</b>	<b>\$7,123,181</b>
Less: Developer Contribution to Clubhouse	(\$98,567)	(\$98,567)	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to Golf Course	(\$60,696)	(\$60,696)	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to 40 Acre Undeveloped Tract North	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to 21 Acre Undeveloped Tract South	(\$4,554)	(\$4,554)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal - Net Road Costs</b>	<b>\$3,670,049</b>	<b>\$2,382,732</b>	<b>\$1,932,398</b>	<b>\$4,478,947</b>	<b>\$4,193,050</b>	<b>\$4,341,578</b>	<b>\$4,671,801</b>	<b>\$7,123,181</b>

### Engineers Notes to Appendix B-1 & B-2:

Completed Major Improvement Costs are compiled from contractor approved pay requests including: Chase Excavation, LH Lacy, Sister's Asphalt.

Completed Major Improvements Onsite include: Governors Blvd (Paving, Drainage, Water and Sanitary Sewer).

Completed Major Improvements Offsite include: Both Left turn lanes into the Project, FM 740 18" waterline to Existing Water Tower, 15" Sanitary Sewer Line from Antigua Bay to South side Lift Station.

Future Major improvements include: Hubbard Drive (pavement widening, 12" waterline and Drainage improvements) and the Capital Improvement fee of \$4.0 Million.

Completed Area Improvement #1 (HGYC Phase 1A - Tracts 2,3,6 and the Lakes addition) costs are compiled from contractor approved pay requests including: Chase excavation and LH Lacy.

Completed Area Improvement #1 (HGYC Phase 1B - Tracts 1,4,5 & Trophy Drive) costs are compiled from contractor approved pay requests including: Chase excavation, LH Lacy and Double R.

Completed Area Improvement #1 (HGYC Phase 1A & 1B) include: Tracts 1,2,3,4,5,6 & Lakes Addition consisting of 332 lots. Improvements include: Force main relocation, section of Hubbard Dr. & Trophy Dr. extension.

Substantially Completed Area Improvement #2 (HGYC Phase 2) costs are compiled from original contractor contracts including: Chase Excavation, RPMX, Double R, Haws Concrete.

Substantially Completed Area Improvement #2 (HGYC Phase 2) include: Tracts 2B, 7,8,9,11,16 & 17 consisting of 447 lots. Improvements include: Sanitary Sewer extension along south section of Governors Blvd.

Area Improvement #3 (HGYC Phase 3) costs are based on an Opinion of Probable Cost (OPC) utilizing Area Improvement 2 Unit Prices. These improvement projects are currently out to Bid as of February 22, 2021.

Area Improvement #3 (HGYC Phase 3) include: Tracts 10, 12, 13, 14, 18 and 19, consisting of 427 lots.

Improvement costs for all areas exclude concrete trails.

Improvement costs for all areas exclude lot grading.

**Estimated Authorized Improvement Costs**

Prepared by: Chris Cuny, P.E. of Teague Nall & Perkins, Inc.  
 Date: February 19, 2021

**Utility Improvements**

Description:	Original CIP Estimated Major Improvement Costs	Actual Completed Major Improvement Costs	Estimated Future Major Improvement Costs	Total: Completed & Future Major Improvement Costs	Original CIP Estimated Improvement Area #1 Costs	Actual Completed Improvement Area #1 Costs	Substantially Complete Improvement Area #2 Costs	Estimated Future Improvement Area #3 Costs
<b>Water Improvements</b>								
18" Waterline	\$401,444	\$181,012	\$0	\$181,012	\$0	\$0	\$0	\$0
18" Gate Valve	\$58,479	\$58,479	\$0	\$58,479	\$0	\$0	\$0	\$0
1/3 Cost Contribution McCrummen Waterline from Smirl	\$65,000	\$65,000	\$0	\$65,000	\$0	\$0	\$0	\$0
12" PVC Waterline	\$768,457	\$295,424	\$214,200	\$509,624	\$0	\$103,375	\$178,490	\$68,000
8" PVC Waterline	\$25,421	\$15,186	\$15,000	\$30,186	\$313,559	\$354,776	\$298,350	\$462,625
6" PVC Waterline	\$2,984	\$2,940	\$0	\$2,940	\$3,263	\$5,158	\$28,163	\$13,000
4" PVC Waterline	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$348,585
12" Gate valve	\$128,263	\$43,984	\$43,200	\$87,184	\$0	\$16,884	\$43,044	\$115,920
8" Gate valve	\$25,148	\$22,402	\$2,700	\$25,102	\$54,496	\$68,216	\$54,000	\$152,550
6" Gate valve	\$14,254	\$14,038	\$0	\$14,038	\$15,669	\$29,940	\$34,400	\$56,800
Fire Hydrant with Lead	\$158,656	\$48,096	\$60,800	\$108,896	\$110,209	\$115,480	\$163,650	\$269,800
1" Service	\$7,622	\$1,668	\$0	\$1,668	\$284,734	\$234,561	\$230,280	\$226,310
2" Irrigation Service	\$0	\$5,838	\$0	\$5,838	\$5,928	\$11,103	\$7,201	\$88,200
2" Flush Valve	\$0	\$7,834	\$0	\$7,834	\$0	\$7,831	\$7,158	\$94,600
Fittings	\$103,822	\$53,003	\$34,200	\$87,203	\$70,692	\$97,320	\$87,900	\$175,318
Connect to Existing	\$0	\$6,211	\$3,000	\$9,211	\$0	\$15,300	\$44,760	\$91,200
Roadway Bore	\$0	\$87,598	\$0	\$87,598	\$0	\$0	\$0	\$0
Trench Safety	\$15,349	\$2,208	\$5,260	\$7,468	\$5,712	\$6,634	\$10,788	\$41,010
Water testing and Chlorination	\$20,728	\$7,586	\$5,260	\$12,846	\$6,168	\$11,153	\$11,988	\$41,010
Erosion Control & SWPPP	\$104,958	\$0	\$104,958	\$104,958	\$5,000	\$5,000	\$0	\$0
Maintenance Bond	\$0	\$0	\$7,672	\$7,672	\$0	\$34,957	\$19,222	\$65,103
Contingency	\$130,822	\$0	\$38,362	\$38,362	\$47,943	\$0	\$121,939	\$231,003
Surveying and Engineering	\$182,848	\$89,554	\$41,143	\$130,698	\$82,326	\$97,798	\$117,367	\$222,340
City Inspection Fee 4%	\$0	\$36,740	\$16,879	\$53,620	\$0	\$44,708	\$52,836	\$101,641
Capital Improvement Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical and Materials Testing	\$49,003	\$0	\$74,253	\$74,253	\$17,500	\$17,500	\$43,750	\$43,750
Dedication of Land to City for Water Tank Site	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City water Improvements	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000	\$2,518,396	\$1,581,608
<b>Subtotal - Water Costs</b>	<b>\$2,313,258</b>	<b>\$1,044,800</b>	<b>\$666,888</b>	<b>\$1,711,688</b>	<b>\$2,023,199</b>	<b>\$2,277,694</b>	<b>\$4,073,681</b>	<b>\$4,490,374</b>
Less: Developer Contribution to Clubhouse	(\$96,000)	(\$96,000)	\$0	(\$96,000)	\$0	\$0	\$0	\$0
Developer Contribution to Golf Course	(\$3,381)	(\$3,381)	\$0	(\$3,381)	\$0	\$0	\$0	\$0
Developer Contribution to 40 Acre Undeveloped Tract North	(\$21,441)	(\$21,441)	\$0	(\$21,441)	\$0	\$0	\$0	\$0
Developer Contribution to 21 Acre Undeveloped Tract South	(\$40,902)	(\$40,902)	\$0	(\$40,902)	\$0	\$0	\$0	\$0
<b>Subtotal - Net Water Costs</b>	<b>\$2,151,534.00</b>	<b>\$883,076.44</b>	<b>\$666,887.93</b>	<b>\$1,549,964.36</b>	<b>\$2,023,199.00</b>	<b>\$2,277,693.58</b>	<b>\$4,073,681.03</b>	<b>\$4,490,373.52</b>

**Estimated Authorized Improvement Costs**

Prepared by: Chris Cuny, P.E. of Teague Nall & Perkins, Inc.  
 Date: February 19, 2021

**Utility Improvements**

Description:	Original CIP Estimated Major Improvement Costs	Actual Completed Major Improvement Costs	Estimated Future Major Improvement Costs	Total: Completed & Future Major Improvement Costs	Original CIP Estimated Improvement Area #1 Costs	Actual Completed Improvement Area #1 Costs	Substantially Complete Improvement Area #2 Costs	Estimated Future Improvement Area #3 Costs
<b>Sanitary Sewer Improvements</b>								
15" PVC Offsite Sani Sewer Line	\$200,000	\$321,951	\$0	\$321,951	\$0	\$0	\$0	\$0
5.0' Diameter Manhole	\$26,221	\$26,221	\$0	\$26,221	\$31,519	\$48,356	\$0	\$0
5.0' Diameter Drop Manhole	\$85,693	\$85,693	\$0	\$85,693	\$22,723	\$17,086	\$0	\$0
4.0' Diameter Drop Manhole	\$0	\$0	\$0	\$0	\$13,738	\$32,929	\$0	\$0
12" PVC Sani Sewer Line	\$256,757	\$604,963	\$0	\$604,963	\$155,831	\$177,218	\$7,500	\$0
8" PVC Sani Sewer Line	\$155,073	\$13,635	\$0	\$13,635	\$337,698	\$370,653	\$436,790	\$615,150
8" SDR 26 Deep Sewer Pipe	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6" Force main	\$0	\$0	\$0	\$0	\$0	\$86,514	\$5,100	\$0
Connect to Existing	\$2,364	\$0	\$0	\$0	\$0	\$0	\$32,415	\$70,644
6" SWR Service	\$1,358	\$1,358	\$0	\$1,358	\$186,246	\$161,994	\$381,600	\$341,600
4.0' Diameter Manhole	\$37,922	\$0	\$0	\$0	\$146,993	\$112,487	\$142,190	\$123,030
Cleanout	\$0	\$0	\$0	\$0	\$2,176	\$4,156	\$20,000	\$52,500
Concrete encasement	\$1,331	\$1,331	\$0	\$1,331	\$0	\$44,871	\$15,150	\$23,100
Line testing	\$9,678	\$5,754	\$0	\$5,754	\$16,057	\$27,498	\$25,823	\$30,758
Trench Safety	\$3,617	\$2,004	\$0	\$2,004	\$10,057	\$12,738	\$17,855	\$20,505
Manhole Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$12,850	\$20,505
Maintenance Bond	\$0	\$0	\$0	\$0	\$0	\$0	\$19,825	\$37,636
Construction Contingency	\$31,750	\$0	\$0	\$0	\$51,304	\$0	\$93,380	\$133,543
Surveying and Engineering	\$72,436	\$103,634	\$0	\$103,634	\$17,500	\$95,944	\$107,750	\$128,535
City Inspection Fee (4%)	\$0	\$42,516	\$0	\$42,516	\$86,786	\$43,860	\$47,637	\$58,759
Capital Improvement Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical and Materials Testing	\$7,500	\$7,500	\$0	\$7,500	\$0	\$0	\$56,250	\$43,750
<b>Subtotal - Sanitary Sewer Costs</b>		<b>\$891,700</b>	<b>\$1,216,560</b>	<b>\$0</b>	<b>\$1,216,560</b>	<b>\$1,078,628</b>	<b>\$1,236,303</b>	<b>\$1,422,114</b>
Less: Developer Contribution to Clubhouse	(\$12,662)	(\$12,662)	\$0	(\$12,662)	\$0	\$0	\$0	\$0
Developer Contribution to Golf Course	(\$1,070)	(\$1,070)	\$0	(\$1,070)	\$0	\$0	\$0	\$0
Developer Contribution to 40 Acre Undeveloped Tract North	(\$27,464)	(\$27,464)	\$0	(\$27,464)	\$0	\$0	\$0	\$0
Developer Contribution to 21 Acre Undeveloped Tract South	(\$14,446)	(\$14,446)	\$0	(\$14,446)	\$0	\$0	\$0	\$0
<b>Subtotal - Net Sanitary Sewer Costs</b>		<b>\$836,058</b>	<b>\$1,160,918</b>	<b>\$0</b>	<b>\$1,160,918</b>	<b>\$1,078,628</b>	<b>\$1,236,303</b>	<b>\$1,422,114</b>
								<b>\$1,700,014</b>

**Estimated Authorized Improvement Costs**

Prepared by: Chris Cuny, P.E. of Teague Nall & Perkins, Inc.  
 Date: February 19, 2021

**Utility Improvements**

Description:	Original CIP Estimated Major Improvement Costs	Actual Completed Major Improvement Costs	Estimated Future Major Improvement Costs	Total: Completed & Future Major Improvement Costs	Original CIP Estimated Improvement Area #1 Costs	Actual Completed Improvement Area #1 Costs	Substantially Complete Improvement Area #2 Costs	Estimated Future Improvement Area #3 Costs
<b>Storm Drainage Improvements</b>								
Basic storm sewer installation including:	\$0		\$424,377	\$424,377			\$1,430,317	\$1,997,824
Reinforced Concrete Storm Sewer Pipe & Wye Connections	\$211,423	\$412,140	\$0	\$412,140	\$604,993	\$707,011	\$0	\$0
Inlets	\$81,543	\$80,929	\$0	\$80,929	\$163,744	\$292,233	\$0	\$0
Reinforced Concrete Headwalls	\$40,666	\$42,863	\$0	\$42,863	\$27,379	\$22,395	\$49,000	\$0
Box Culvert	\$450,185	\$0	\$0	\$0	\$0	\$0	\$50,000	\$200,000
Trench Safety	\$914	\$900	\$0	\$900	\$1,941	\$3,174	\$0	\$0
Rock Rip Rap	\$0	\$20,231	\$0	\$20,231	\$5,000	\$32,986	\$0	\$0
Drainage Excavation & Infrastructure	\$0	\$0	\$300,000	\$300,000	\$0	\$0	\$307,925	\$376,375
Grade to Drain storm outfalls	\$0	\$0	\$100,000	\$100,000	\$5,000	\$0	\$13,163	\$210,000
Detention Pond & Channel Excavation	\$0	\$0	\$101,500	\$101,500	\$0	\$0	\$0	\$84,375
Erosion Control and seeding	\$5,000	\$0	\$46,014	\$46,014	\$0	\$0	\$18,199	\$100,600
Maintenance Bond	\$0	\$0	\$19,338	\$19,338	\$0	\$0	\$5,954	\$86,106
Contingency	\$9,692	\$0	\$96,689	\$96,689	\$43,555	\$0	\$182,381	\$305,528
Surveying and Engineering	\$43,249	\$54,314	\$103,699	\$158,013	\$75,391	\$92,557	\$179,982	\$294,071
City Inspection Fee 4%	\$0	\$22,283	\$42,543	\$64,826	\$0	\$42,312	\$80,408	\$134,432
Capital Improvement Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Geotechnical and Materials Testing	\$7,500	\$0	\$32,750	\$32,750	\$10,000	\$10,000	\$56,250	\$43,750
Right-of way costs (15.45 acres Governor's Blvd)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal - Storm Drainage Costs</b>	<b>\$850,172</b>	<b>\$633,660</b>	<b>\$1,266,910</b>	<b>\$1,900,570</b>	<b>\$937,003</b>	<b>\$1,202,668</b>	<b>\$2,373,577</b>	<b>\$3,833,061</b>
Less: Developer Contribution to Clubhouse	(\$20,426)	(\$20,426)	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to Golf Course	(\$12,578)	(\$12,578)	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to 40 Acre Undeveloped Tract North	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Developer Contribution to 21 Acre Undeveloped Tract South	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal - Net Storm Drainage Costs</b>	<b>\$817,168</b>	<b>\$600,656</b>	<b>\$1,266,910</b>	<b>\$1,900,570</b>	<b>\$937,003</b>	<b>\$1,202,668</b>	<b>\$2,373,577</b>	<b>\$3,833,061</b>
<b>Estimated Utility Easements</b>								
Governor's Blvd utility easements (14.6 acres @ \$55,000 est.)	\$850,300	\$0	\$850,300	\$850,300	\$0	\$0	\$0	\$0
Drainage easements (56.2% of 21.09 acres @ \$55,000 est.)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Phase 1 Utility Easements (21.93 acres @ 55,000 est.)	\$1,159,950	\$0	\$1,159,950	\$1,159,950	\$0	\$0	\$0	\$0
<b>Subtotal: Estimated Utility Easements</b>	<b>\$2,010,250</b>	<b>\$0</b>	<b>\$2,010,250</b>	<b>\$2,010,250</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Estimated Utility Costs</b>	<b>\$5,815,010</b>	<b>\$2,644,650</b>	<b>\$1,933,798</b>	<b>\$6,621,702</b>	<b>\$4,038,830</b>	<b>\$4,716,665</b>	<b>\$7,869,373</b>	<b>\$10,023,448</b>
<b>GRAND TOTAL ROADS &amp; UTILITIES (WATER, SANI SEWER, DRAINAGE)</b>	<b>\$9,485,059</b>	<b>\$5,027,382</b>	<b>\$5,876,446</b>	<b>\$11,100,649</b>	<b>\$8,231,880</b>	<b>\$9,058,243</b>	<b>\$12,541,174</b>	<b>\$17,146,629</b>

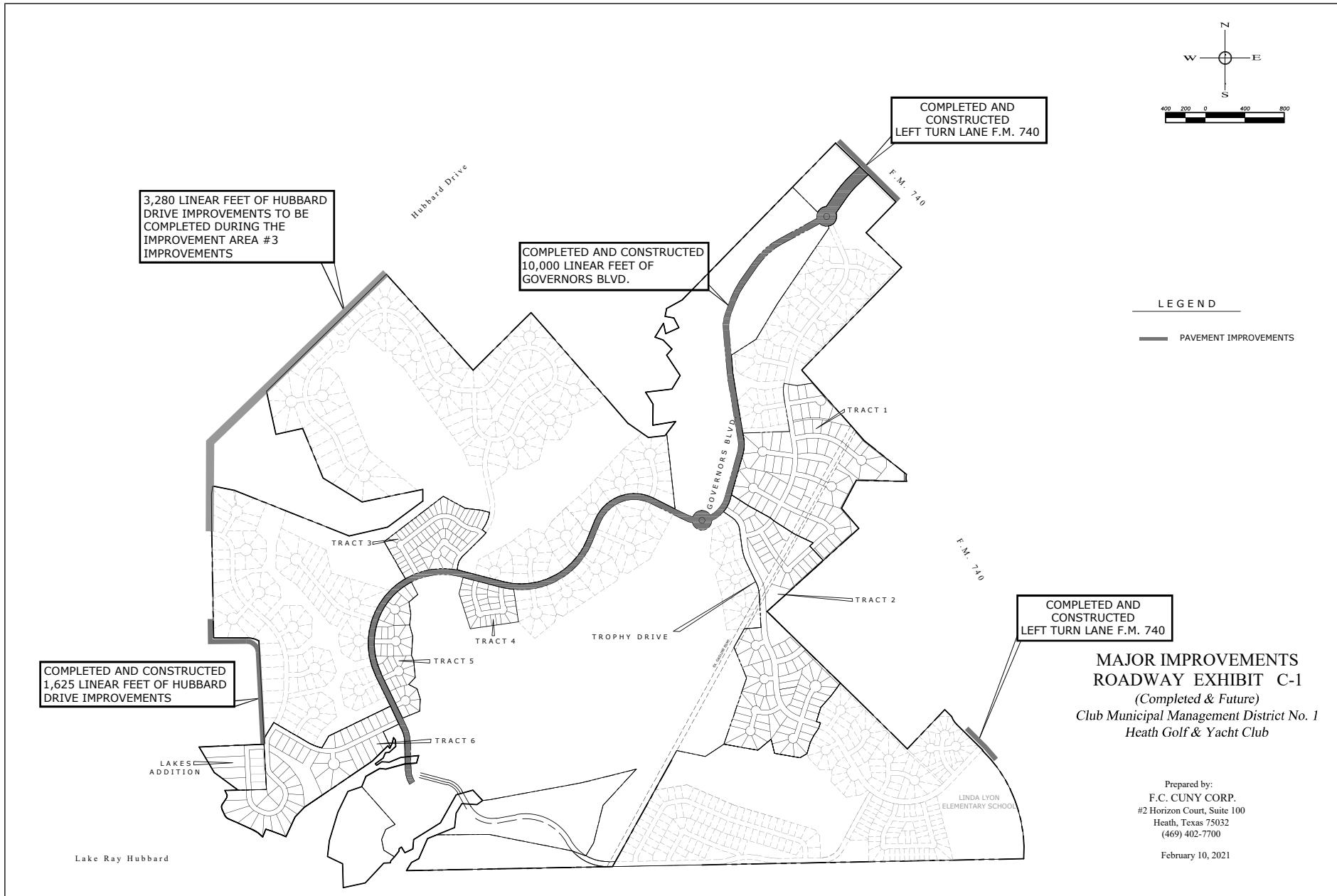


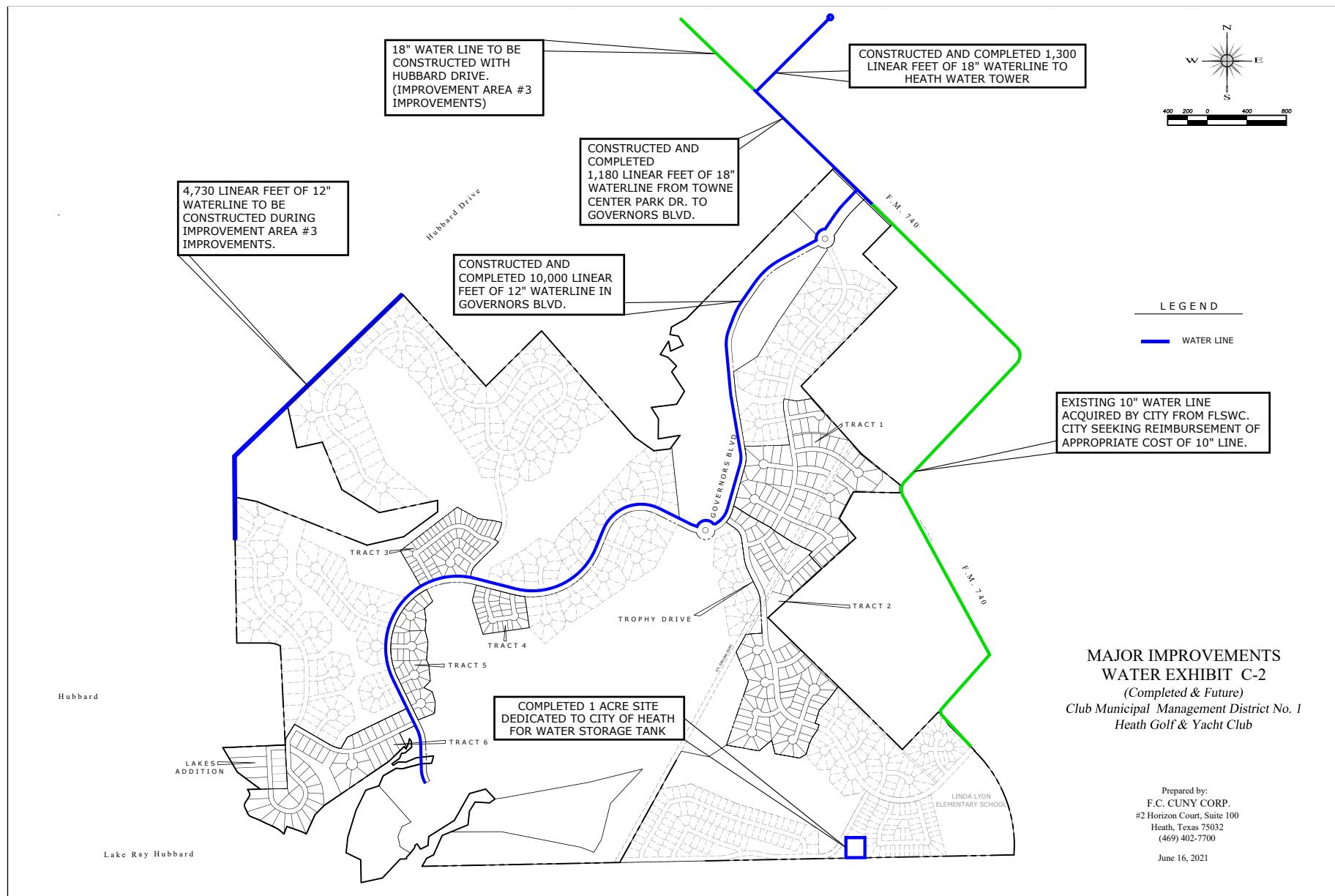


TRACT	10	12	13	14	15	18	19	Hubbard Drive	TOTAL
<b>ROAD IMPROVEMENTS</b>									
Right of Way Clearing/Grubbing	\$20,100.00	\$46,095.00	\$10,200.00	\$18,854.00	\$21,500.00	\$38,484.00	\$14,632.00	\$188,918.00	\$377,883.00
Street Excavation	\$121,255.68	\$83,303.80	\$68,358.30	\$103,806.00	\$229,061.00	\$169,771.00	\$89,445.50	\$69,979.00	\$934,980.28
Line Stabilization	\$279,517.94	\$117,027.11	\$97,361.71	\$142,454.34	\$375,104.28	\$188,576.88	\$89,011.86	\$206,191.27	\$1,496,245.39
Line Material									\$0.00
Concrete Paving	\$1,210,088.42	\$487,120.62	\$24,565.19	\$626,841.41	\$1,682,227.16	\$885,422.02	\$384,347.57	\$995,982.92	\$6,696,595.31
Left Turn Lane or Asphalt Overlay									\$0.00
Hike and Bike Trail	\$248,748.77				\$310,676.75			\$218,284.16	\$777,720.68
Sidewalk	\$7,877.76	\$16,393.39	\$22,570.03	\$8,718.96	\$22,391.34	\$13,045.60			\$90,997.08
ADA (Barrier Free) Ramps	\$12,800.00	\$9,600.00	\$6,400.00	\$4,800.00	\$19,200.00	\$12,800.00	\$8,000.00	\$16,800.00	\$90,400.00
Sawcut & Connect to Existing Paving	\$2,052.86	\$4,339.44	\$3,142.13	\$2,346.12	\$1,916.00	\$2,262.33	\$6,870.15	\$11,000.00	\$33,929.03
Street Signs	\$22,500.00	\$15,600.00	\$12,900.00	\$9,900.00	\$35,400.00	\$18,900.00	\$12,900.00		\$128,100.00
Street Lights, Pole Bases	\$16,148.38	\$8,628.95	\$8,628.95	\$8,628.95	\$25,109.10	\$11,578.00			\$78,722.33
Erosion Control and Storm Water Pollution Prevention	\$17,790.00	\$12,725.00	\$17,790.00	\$23,986.00	\$23,986.00	\$21,181.00	\$12,725.00	\$17,210.00	\$147,393.00
Maintenance Bond	\$42,686.65	\$14,901.62	\$13,606.06	\$19,210.81	\$63,025.16	\$35,314.47	\$11,770.43	\$42,317.85	\$242,833.05
Contingency									\$21,556.42
Surveying and Engineering	\$245,233.67	\$159,841.99	\$127,166.05	\$164,229.89	\$453,746.81	\$232,526.14	\$112,139.61	\$159,001.49	\$1,653,885.65
City Inspection Fee 4% (Estimate)	\$67,500.00	\$46,800.00	\$38,700.00	\$29,700.00	\$106,200.00	\$56,700.00	\$38,700.00	\$70,667.33	\$454,967.33
Capital Improvement Fee									\$0.00
Geotechnical and Materials Testing	\$75,000.00	\$52,000.00	\$43,000.00	\$33,000.00	\$118,000.00	\$63,000.00	\$43,000.00	\$23,000.00	\$450,000.00
Right-of-way costs (15.45 acres Governor's Blvd)	\$305,800.00	\$143,550.00	\$129,800.00	\$188,650.00	\$510,950.00	\$121,000.00		\$0.00	\$1,659,350.00
Drainage Easements (43.8% of 21.09 acres @ \$55,000 est.)	\$56,100.00	\$13,750.00	\$14,850.00	\$24,200.00	\$74,800.00	\$75,350.00	\$0.00	\$0.00	\$259,050.00
<b>Subtotal - Road Costs</b>	<b>\$2,760,200.13</b>	<b>\$1,231,676.92</b>	<b>\$1,039,128.42</b>	<b>\$1,409,336.48</b>	<b>\$4,083,293.60</b>	<b>\$2,085,511.44</b>	<b>\$966,098.54</b>	<b>\$2,019,352.02</b>	<b>\$15,594,597.55</b>
Less: Developer Contribution to Clubhouse									\$0.00
Developer Contribution to Golf Course									\$0.00
Developer Contribution to 40 Acre Undeveloped Tract North									\$0.00
Developer Contribution to 21 Acre Undeveloped Tract South									\$0.00
<b>Subtotal - Net Road Costs</b>									
<b>UTILITY IMPROVEMENTS</b>									
<b>Water Improvements</b>									
18" Gate Valve									\$1,029,392.00
18" Gate Valve									\$183,876.00
1/3 Cost Contribution McCrummen Waterline from Smiril									\$0.00
12" PVC Waterline	\$187,488.00				\$15,960.00				\$203,448.00
8" PVC Waterline	\$97,020.00	\$59,532.00	\$73,358.00	\$89,425.00	\$319,480.00	\$165,679.00	\$56,320.00	\$17,460.00	\$878,274.00
6" PVC Waterline	\$41,360.00				\$19,140.00	\$39,160.00			\$48,070.00
4" PVC Waterline		\$40,440.00	\$45,182.00			\$66,700.00	\$45,994.00		\$196,316.00
12" Gate Valve	\$37,884.00				\$2,982.00	\$10,824.00	\$0.00		\$51,690.00
8" Gate Valve	\$36,708.00	\$11,052.00	\$9,210.00	\$5,244.00	\$49,818.00	\$25,788.00		\$9,044.00	\$146,864.00
6" Gate Valve	\$4,839.00				\$14,517.00				\$24,968.00
4" Gate Valve		\$4,998.00	\$4,165.00	\$0.00	\$0.00	\$6,664.00	\$8,330.00		\$4,157.00
4" Plug									\$14,950.00
Fire Hydrant with Lead	\$74,544.00	\$40,628.00	\$40,628.00	\$43,484.00	\$124,240.00	\$63,844.00	\$29,020.00	\$72,816.00	\$449,204.00
1" Service	\$56,775.00	\$33,384.00	\$27,606.00	\$24,981.00	\$83,426.00	\$40,446.00	\$27,606.00		\$294,224.00
8" Plug					\$920.00				\$2,955.00
18" Plug									\$2,244.00
2" Irrigation Service									\$0.00
2" Flush Valve									\$0.00
Fittings	\$44,460.00	\$12,320.00	\$14,080.00	\$24,700.00	\$34,580.00	\$21,662.80	\$12,600.00	\$41,085.20	\$205,488.00
16" Steel Encasement	\$10,000.00								\$15,000.00
Connect to Existing	\$26,348.00	\$41,340.00	\$18,570.00	\$3,518.00	\$6,936.00	\$8,664.00	\$22,100.00	\$87,413.00	\$224,889.00
Roadway Bore	\$15,000.00								
Saw Cut and Replace Concrete Pavement	\$4,000.00								\$13,450.00
Trench Safety	\$1,030.40	\$5,402.00	\$3,264.00	\$2,450.00	\$1,111.50	\$3,076.50	\$5,732.00	\$21,208.00	\$43,274.40
Water Testing and Chlorination	\$3,348.80	\$2,701.00	\$3,264.00	\$1,592.50	\$3,705.50	\$3,076.50	\$2,866.00	\$10,604.00	\$31,158.30
Erosion Control & SWPPP									\$0.00
Maintenance Bond	\$6,900.00	\$3,974.00	\$4,710.00	\$4,200.00	\$9,188.00	\$5,320.00	\$4,900.00	\$37,900.00	\$77,092.00
Contingency									\$0.00
Surveying and Engineering									\$1,444,369.68
City Inspection Fee 4%									\$64,194.21
Capital Improvement Fee	\$338,625.00	\$234,780.00	\$194,145.00	\$148,995.00	\$532,770.00	\$284,445.00	\$194,145.00		\$1,927,905.00
Geotechnical and Materials Testing									\$0.00
Dedication of Land to City for Water Tank Site									\$0.00
City Water Improvements									\$0.00
<b>Subtotal - Water Costs</b>	<b>\$986,330.20</b>	<b>\$490,551.00</b>	<b>\$441,164.00</b>	<b>\$409,950.50</b>	<b>\$1,204,415.00</b>	<b>\$704,815.80</b>	<b>\$422,563.00</b>	<b>\$3,113,419.09</b>	<b>\$7,773,208.59</b>
Less: Developer Contribution to Clubhouse									\$0.00
Developer Contribution to Golf Course									\$0.00
Developer Contribution to 40 Acre Undeveloped Tract North									\$0.00
Developer Contribution to 21 Acre Undeveloped Tract South									\$0.00
<b>Subtotal - Net Water Costs</b>									
<b>UTILITY IMPROVEMENTS</b>									
<b>Sanitary Sewer Improvements</b>									
15" PVC Offsite									\$0.00
3.0 Diameter Manhole									\$12,800.00
3.0 Diameter Drop Manhole									\$91,220.00
4.0 Diameter Drop Manhole									\$103,870.00
12" PVC Sanit Sewer Line									\$0.00
8" SDR-35 PVC Sanit Sewer Line	\$101,337.00	\$46,032.00	\$42,840.00	\$59,772.00	\$214,016.00	\$98,055.00	\$53,768.00		\$615,820.00
8" SDR-26 Sewer Pipe	\$29,082.00	\$28,125.00	\$50,932.00	\$104,014.00	\$94,783.50	\$46,826.50			\$353,763.00
6" Forecaimain									\$0.00
Connect to Existing		\$6,654.00	\$3,306.00						\$9,960.00
8" Plug					\$795.00				\$795.00
6" SWP Service	\$20,656.00								\$20,656.00
6" Lateral	\$75,174.00	\$55,080.00	\$45,360.00	\$37,026.00	\$127,440.00	\$55,160.00	\$46,440.00		\$442,680.00
4.0 Diameter Manhole	\$25,520.00	\$20,340.00							\$83,750.00
6" Lateral Service Connected to Ex. Sewer Line									\$31,350.00
Connect to Existing 8" Sewer Stub	\$1,300.00								\$9,874.00
Connect to Existing Manhole	\$9,500.00		\$1,900.00	\$2,700.00	\$2,380.00				\$16,480.00
8" Cleanout	\$1,130.00				\$1,130.00				\$2,260.00
Testing	\$4,862.00	\$2,818.00	\$3,616.00	\$6,210.00	\$9,685.50	\$5,932.00	\$2,444.00		\$35,567.50
Cleanout									\$0.00
Concrete Encasement									\$0.00
Line Testing	\$5,469.75								\$5,469.75
Trench Safety	\$2,431.00	\$2,818.00	\$1,808.00	\$2,760.00	\$3,228.50	\$2,966.00	\$2,444.00		\$18,455.50
Manhole Testing									\$0.00
Maintenance Bond	\$2,790.00	\$3,200.00	\$3,520.00	\$4,200.00	\$8,800.00	\$4,700.00	\$3,700.00		\$30,910.00
Construction Contingency									\$0.00
Surveying and Engineering									\$0.00
City Inspection Fee (4%)									\$0.00
Capital Improvement Fee									\$0.00
Geotechnical and Materials Testing									\$0.00
<b>Subtotal - Sanitary Sewer Costs</b>	<b>\$279,251.75</b>	<b>\$165,067.00</b>	<b>\$172,422.00</b>	<b>\$253,797.00</b>	<b>\$556,795.50</b>	<b>\$327,191.50</b>	<b>\$131,156.00</b>	<b>\$0.00</b>	<b>\$1,885,680.75</b>
Less: Developer Contribution to Clubhouse									\$0.00
Developer Contribution to Golf Course									\$0.00
Developer Contribution to 40 Acre Undeveloped Tract North									\$0.00
Developer Contribution to 21 Acre Undeveloped Tract South									\$0.00
<b>Subtotal - Net Sanitary Sewer Costs</b>									

TRACT	10	12	13	14	15	18	19	Hubbard Drive	TOTAL
<b>UTILITY IMPROVEMENTS</b>									\$0.00
<b>Storm Drainage Improvements</b>									\$0.00
Basic Storm Sewer Installation including:									\$0.00
18" CL III RCP	\$88,040.00	\$18,644.00	\$15,930.00	\$23,856.00	\$289,751.00	\$139,594.00	\$6,216.00	\$14,200.00	\$596,231.00
21" CL III RCP		\$36,582.00	\$39,195.00	\$47,971.00	\$34,086.00	\$42,315.00	\$4,698.00	\$600.00	\$206,347.00
24" CL III RCP	\$18,720.00	\$22,881.00	\$8,970.00		\$23,968.00	\$14,220.00			\$88,659.00
27" CL III RCP		\$24,050.00	\$18,966.00		\$49,023.00			\$3,250.00	\$97,740.00
30" CL III RCP			\$22,320.00	\$49,770.00	\$8,127.00				\$193,029.00
33" CL III RCP		\$7,482.00	\$33,669.00	\$66,303.00					\$304,290.00
36" CL III RCP	\$45,731.00	\$12,354.00			\$35,306.00				\$384,507.00
42" CL III RCP		\$125,330.00			\$105,600.00			\$19,500.00	\$250,430.00
48" CL III RCP		\$12,610.00		\$129,256.00	\$49,324.00				\$191,190.00
24" HDPE	\$108,880.00								\$108,880.00
30" HDPE	\$26,520.00								\$26,520.00
36" HDPE	\$35,280.00								\$35,280.00
18" Type "B" Headwall	\$2,759.00	\$2,800.00	\$2,600.00	\$2,759.00					\$10,918.00
21" Type "B" Headwall						\$3,100.00			\$3,100.00
24" Type "B" Headwall	\$3,990.00								\$3,990.00
27" Type "B" Headwall		\$4,120.00	\$4,100.00					\$5,500.00	\$13,720.00
30" Type "B" Headwall					\$4,520.00				\$4,520.00
33" Type "B" Headwall				\$4,280.00	\$4,712.00				\$8,992.00
36" Type "B" Headwall	\$10,666.00								\$10,666.00
42" Type "B" Headwall						\$5,120.00		\$20,000.00	\$25,120.00
48" Type "B" Headwall		\$11,240.00		\$12,640.00	\$5,620.00				\$29,500.00
18" Sloped Headwall						\$9,300.00			\$9,300.00
21" Sloped Headwall					\$3,600.00				\$3,600.00
24" Sloped Headwall						\$3,100.00			\$3,100.00
TXDOT MBC Headwall						\$104,080.00			\$104,080.00
33" Parallel Headwall	\$23,224.00								\$23,224.00
Connect to Ex 18" RCP	\$600.00					\$2,800.00			\$3,400.00
Connect to Ex 21" RCP						\$2,200.00	\$6,200.00	\$18,120.00	\$26,520.00
Connect to Ex 24" RCP	\$750.00			\$1,350.00		\$2,300.00			\$4,400.00
Connect to Ex 27" RCP									\$3,990.00
Connect to Ex 30" RCP									\$4,790.00
Connect to Ex 36" RCP									\$2,300.00
Connect to Ex 42" RCP									\$3,200.00
Connect to Ex 48" RCP									\$2,500.00
Wye Connection	\$2,200.00	\$2,000.00	\$1,600.00	\$3,080.00	\$7,200.00	\$3,200.00	\$400.00	\$3,400.00	\$32,080.00
2' X2' Junction Box					\$3,300.00				\$3,300.00
4' X4' Junction Box					\$11,240.00				\$11,240.00
15" Connect to Ex Nyloplast Grate Inlet							\$2,700.00		\$2,700.00
15" Nyloplast Grate Inlet						\$47,320.00	\$13,520.00	\$11,830.00	\$72,670.00
5' Curb Inlet	\$11,040.00				\$11,040.00	\$5,520.00			\$27,600.00
10' Curb Inlet	\$49,760.00	\$44,960.00	\$26,100.00	\$31,100.00	\$118,180.00	\$57,420.00	\$39,354.00	\$32,000.00	\$398,874.00
14' Curb Inlet			\$7,440.00		\$8,923.00			\$12,000.00	\$28,363.00
15' Curb Inlet	\$8,923.00						\$7,440.00		\$16,363.00
20' Curb Inlet								\$20,000.00	\$20,000.00
4' X4' Wye Inlet	\$6,452.00					\$5,212.00			\$11,664.00
2' X2' Junction Box						\$3,300.00			\$3,300.00
4' X4' Junction Box	\$6,036.00					\$11,240.00			\$17,276.00
3' X3' Grate Inlet	\$5,900.00								\$5,900.00
2' X2' Grate Inlet	\$4,900.00								\$4,900.00
21" Plug					\$890.00				\$890.00
Grounded Dry Rock Rip Rap	\$9,520.00	\$18,850.00	\$5,600.00	\$36,400.00	\$194,600.00	\$1,680.00		\$4,000.00	\$270,650.00
8' X10' CL III RCB						\$300,852.00			\$1,144,554.55
12" HDPE						\$756.00		\$21,168.00	\$21,924.00
18" HDPE						\$25,916.00		\$22,244.00	\$28,160.00
Grade to Drain all Storm Outlets (No Quantity)			\$0.00						\$0.00
SawCut, Remove, and Replace Concrete Pavement	\$11,600.00							\$8,700.00	\$11,060.00
Trench Safety	\$2,727.00	\$2,217.00	\$1,591.00	\$2,435.00	\$1,854.25	\$1,595.50	\$1,604.00	\$8,273.00	\$22,296.75
Maintenance Bond	\$5,420.00	\$8,118.00	\$4,420.00	\$8,600.00	\$19,200.00	\$6,920.00	\$5,900.00	\$12,000.00	\$70,578.00
Reinforced Concrete Storm Sewer Pipe & Wye Connections									\$0.00
Inlets									\$0.00
Reinforced Concrete Headwalls									\$0.00
Box Culvert									\$0.00
Trench Safety									\$0.00
Rock Rip Rap									\$0.00
Drainage Excavation and Infrastructure									\$0.00
Grade to Drain Storm Outfalls									\$0.00
Demolition and Channel Excavation									\$0.00
Erosion Control and Seeding									\$0.00
Maintenance Bond									\$0.00
Contingency									\$0.00
Surveying and Engineering									\$153,820.58
City Inspection Fee (4%)									\$68,364.70
Capital Improvement Fee									\$0.00
Geotechnical and Materials Testing									\$0.00
Right of Way Costs (15.45 Acres Governor's Blvd)									\$0.00
<b>Subtotal - Net Storm Drainage Costs</b>	<b>\$497,120.00</b>	<b>\$352,756.00</b>	<b>\$198,131.00</b>	<b>\$435,332.00</b>	<b>\$1,495,018.25</b>	<b>\$295,964.50</b>	<b>\$142,404.00</b>	<b>\$1,931,302.83</b>	<b>\$5,348,028.58</b>
<b>CONTINGENCY</b>	<b>\$300,000.00</b>	<b>\$250,000.00</b>	<b>\$240,000.00</b>	<b>\$250,000.00</b>	<b>\$400,000.00</b>	<b>\$300,000.00</b>	<b>\$250,000.00</b>	<b>\$250,000.00</b>	<b>\$2,240,000.00</b>
									\$0.00
									\$0.00
									\$0.00
<b>TOTAL</b>	<b>\$4,522,902.08</b>	<b>\$2,240,050.92</b>	<b>\$1,850,845.42</b>	<b>\$2,508,415.98</b>	<b>\$7,339,522.35</b>	<b>\$3,413,483.24</b>	<b>\$1,662,221.54</b>	<b>\$7,064,073.94</b>	<b>\$32,841,515.47</b>

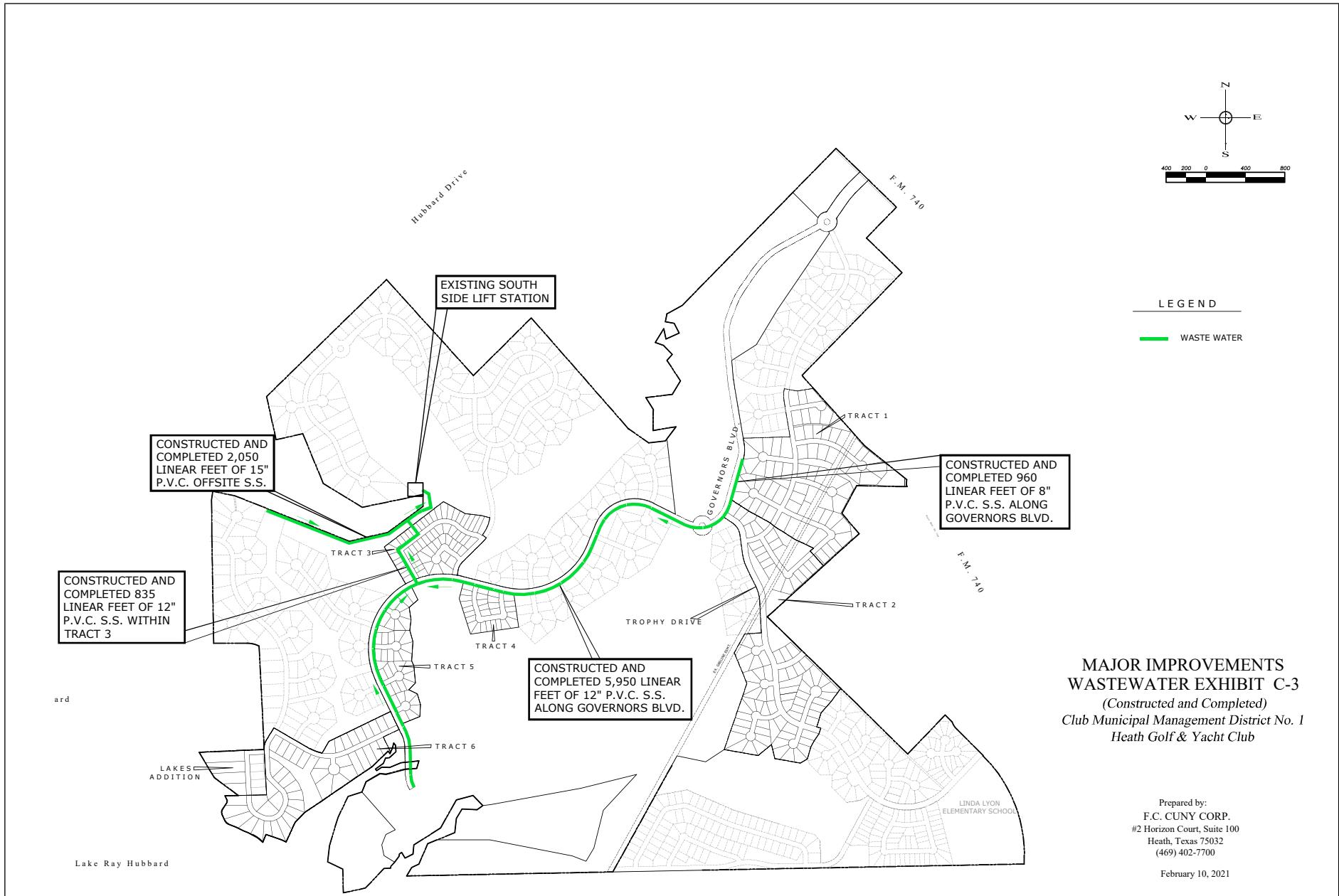
**APPENDIX C**  
**DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS**

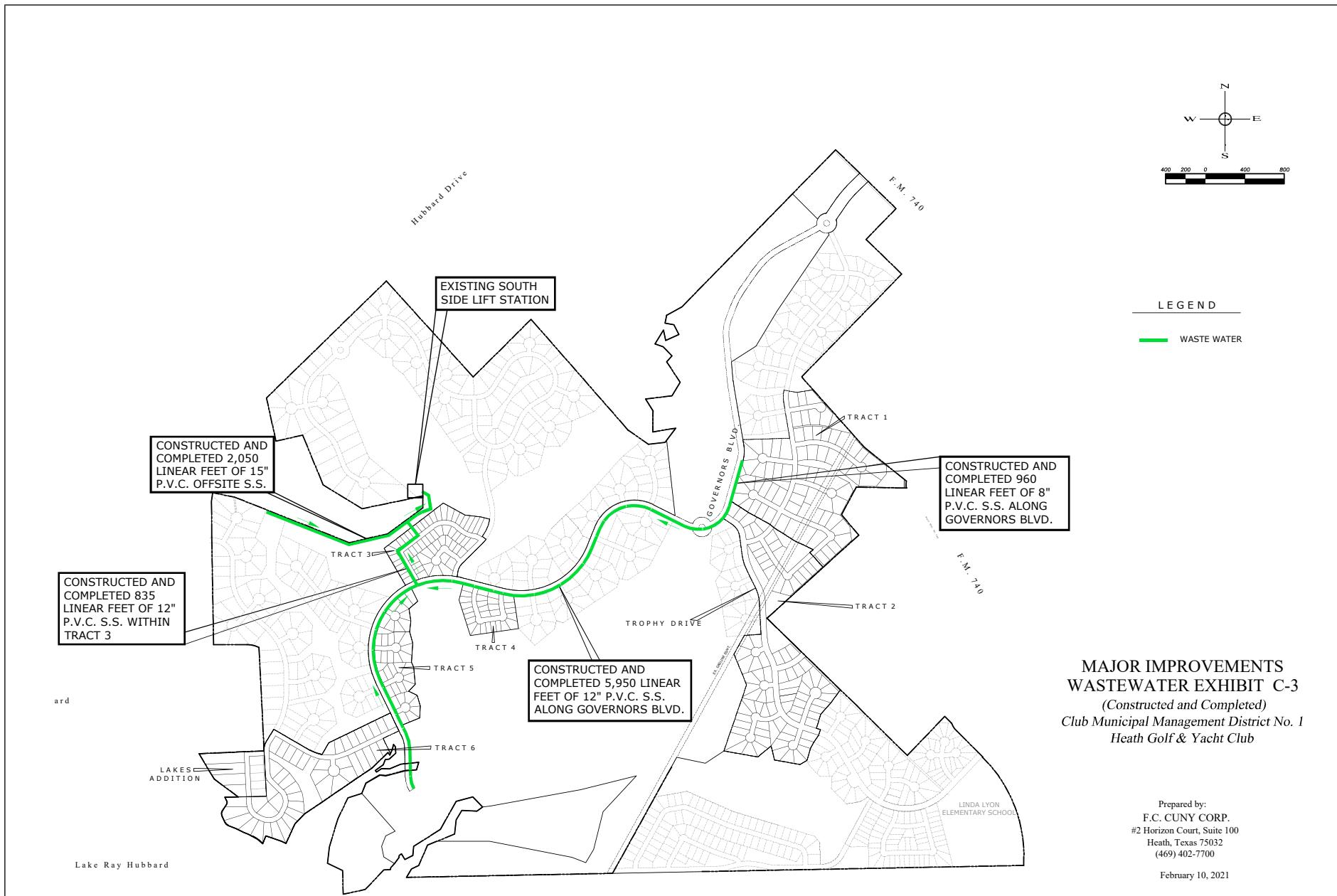




Prepared by:  
 F.C. CUNY CORP.  
 #2 Horizon Court, Suite 100  
 Heath, Texas 75032  
 (469) 402-7700

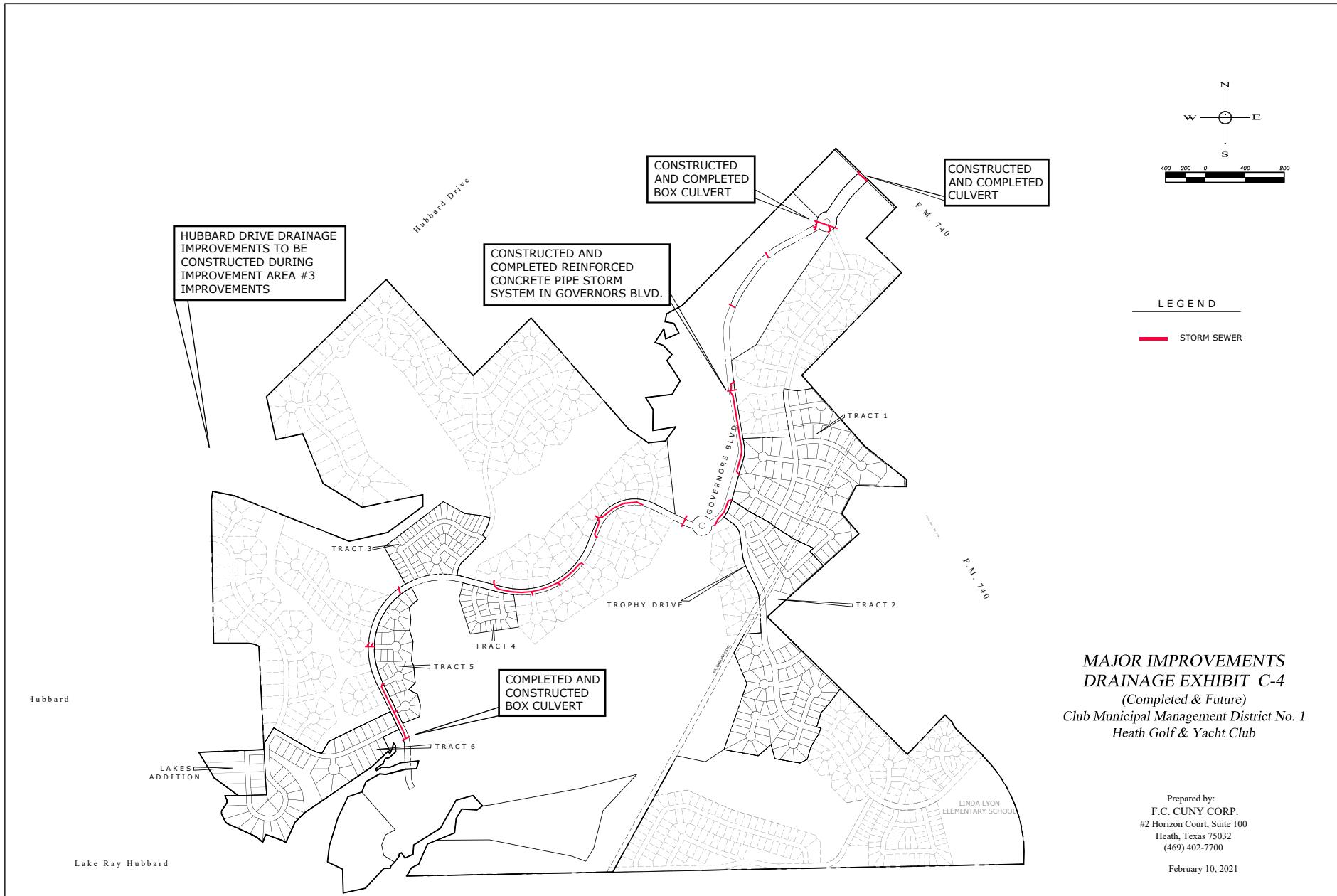
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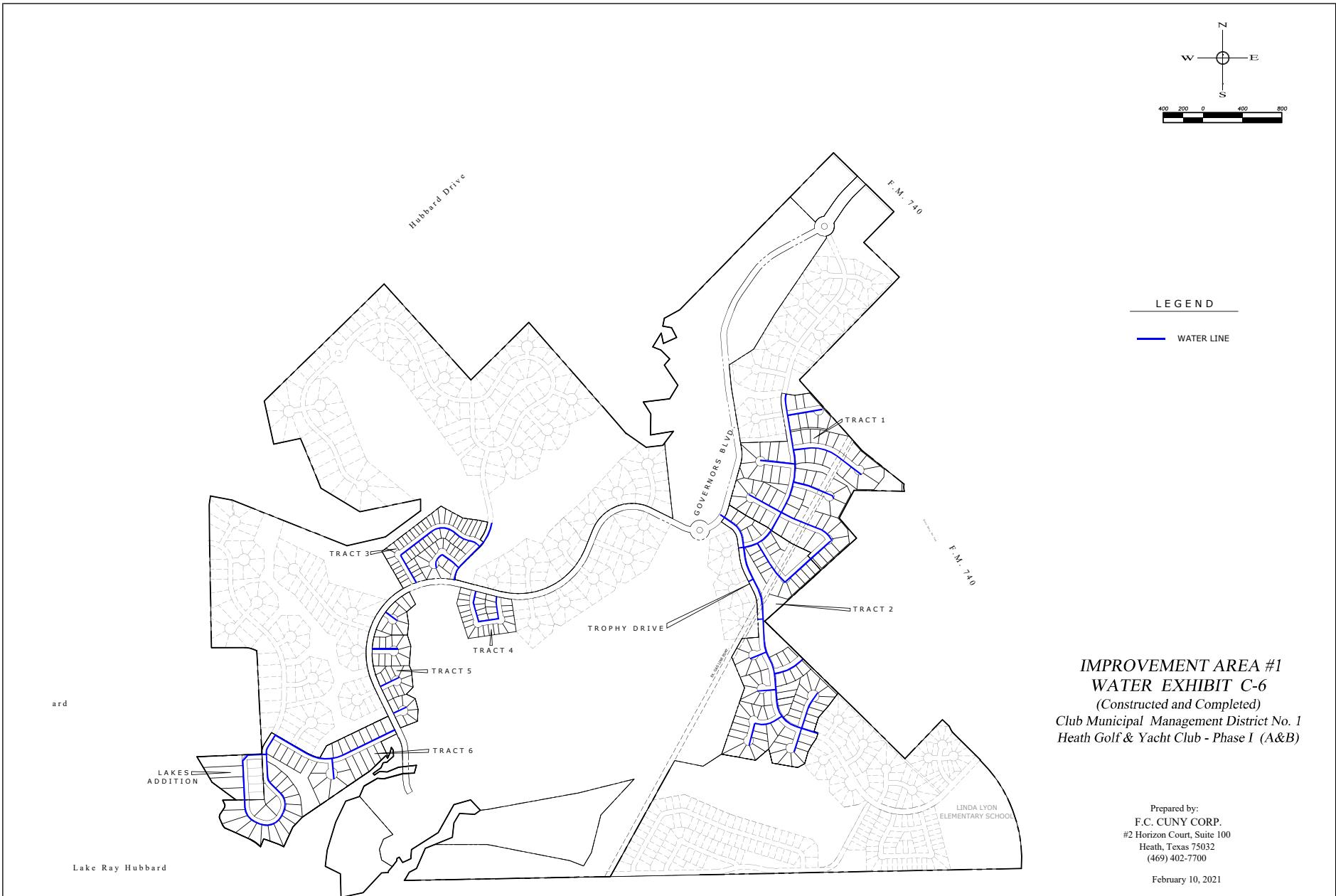


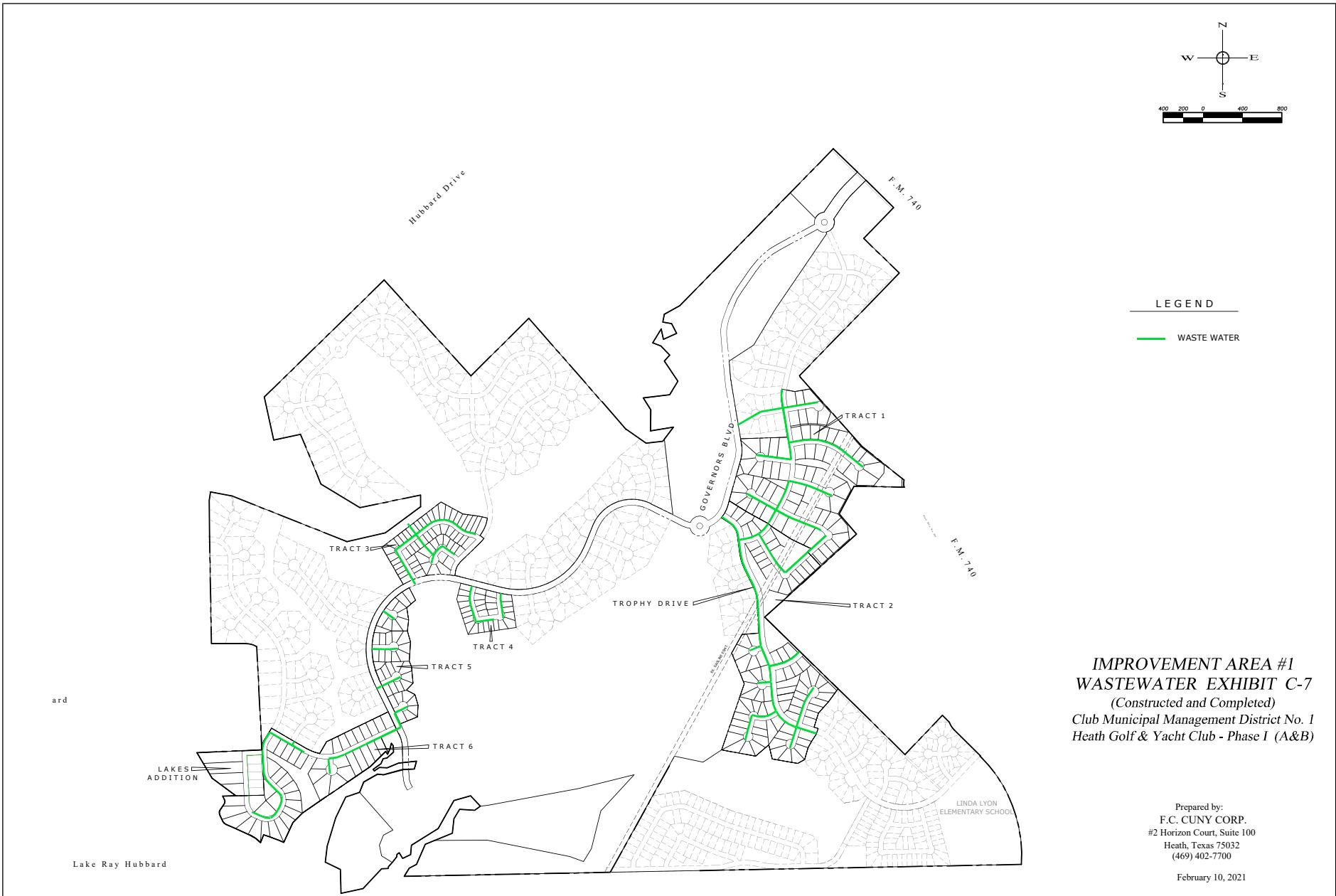
Prepared by:  
F.C. CUNY CORP.  
#2 Horizon Court, Suite 100  
Heath, Texas 75032  
(469) 402-7700

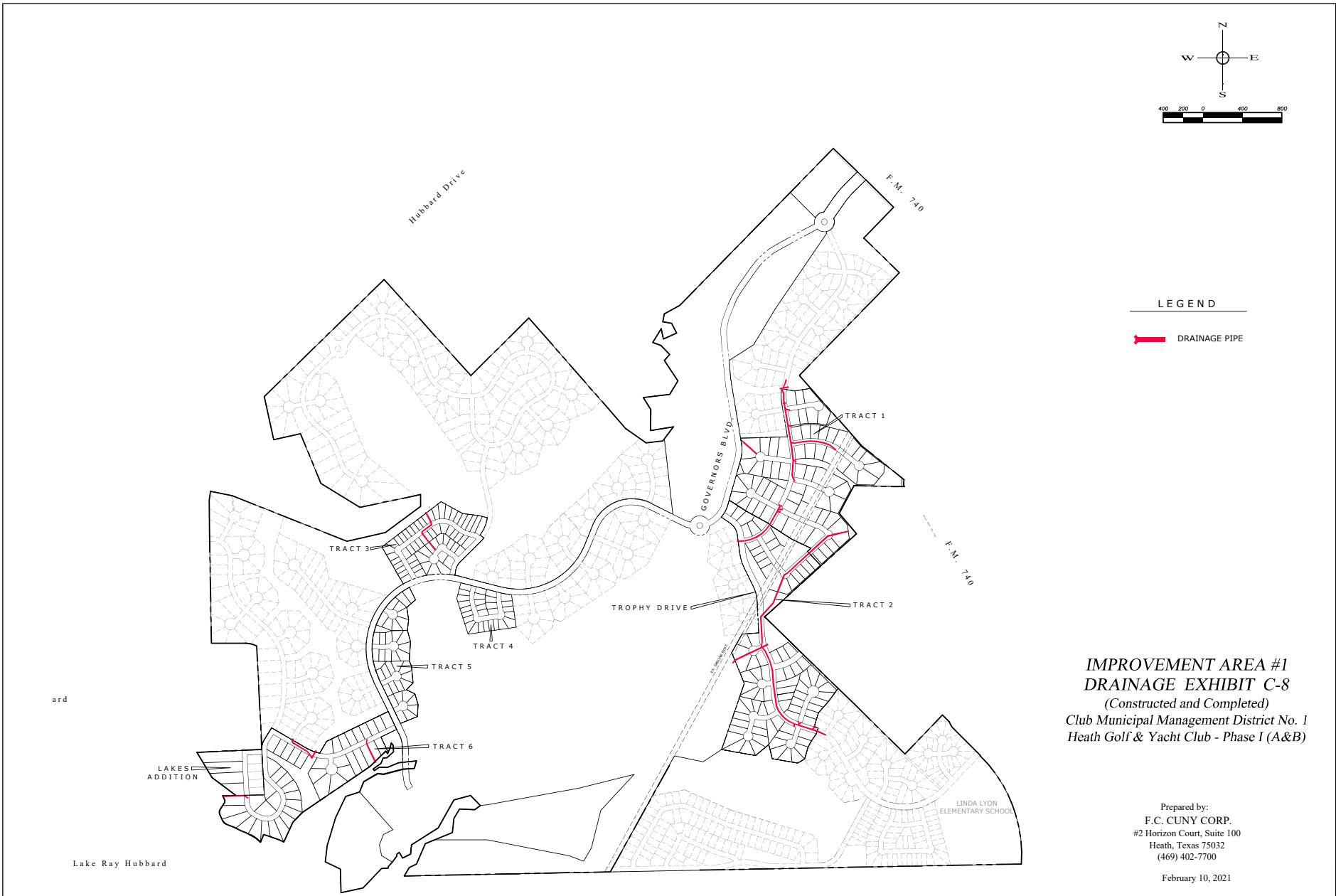
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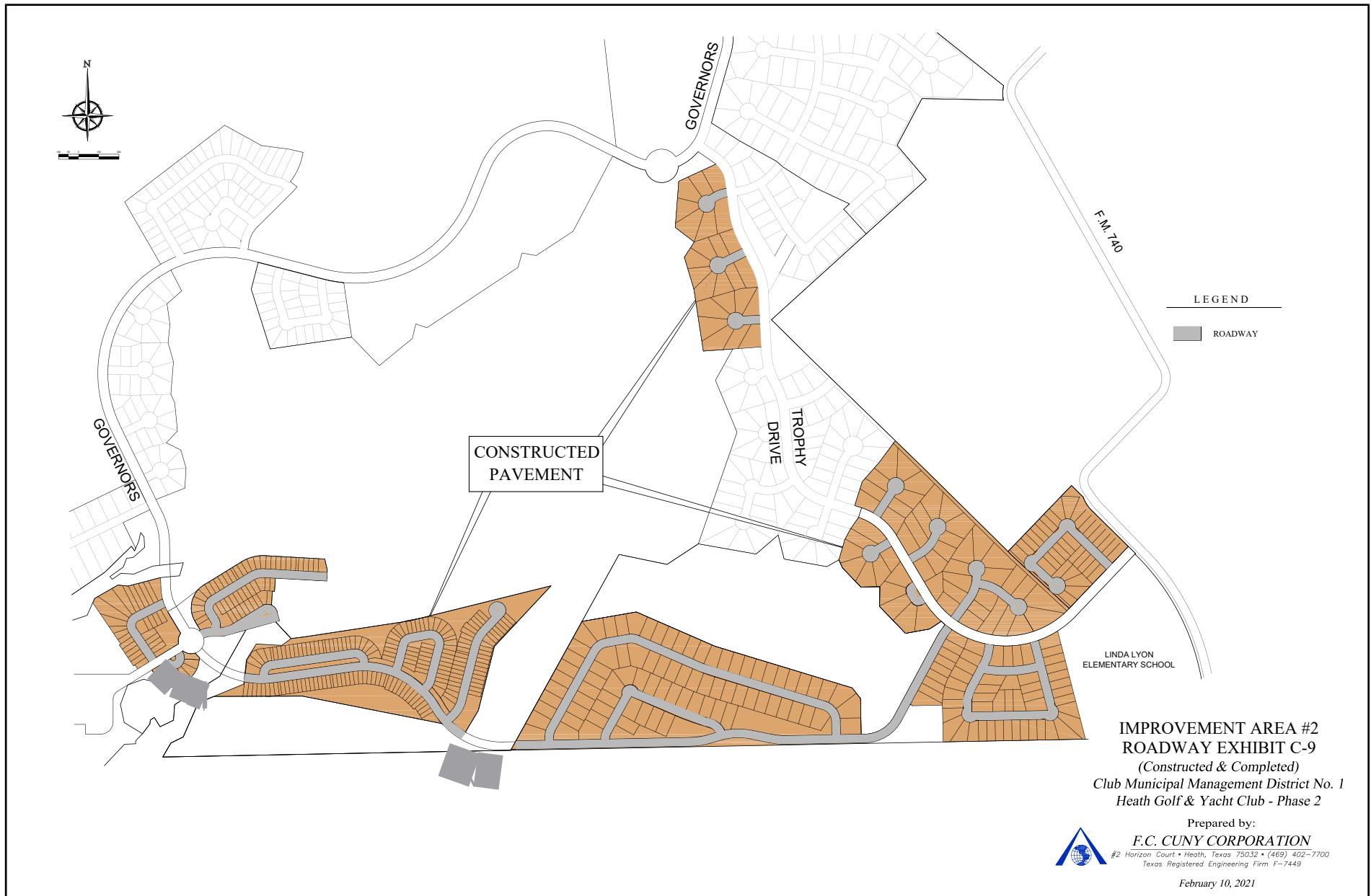


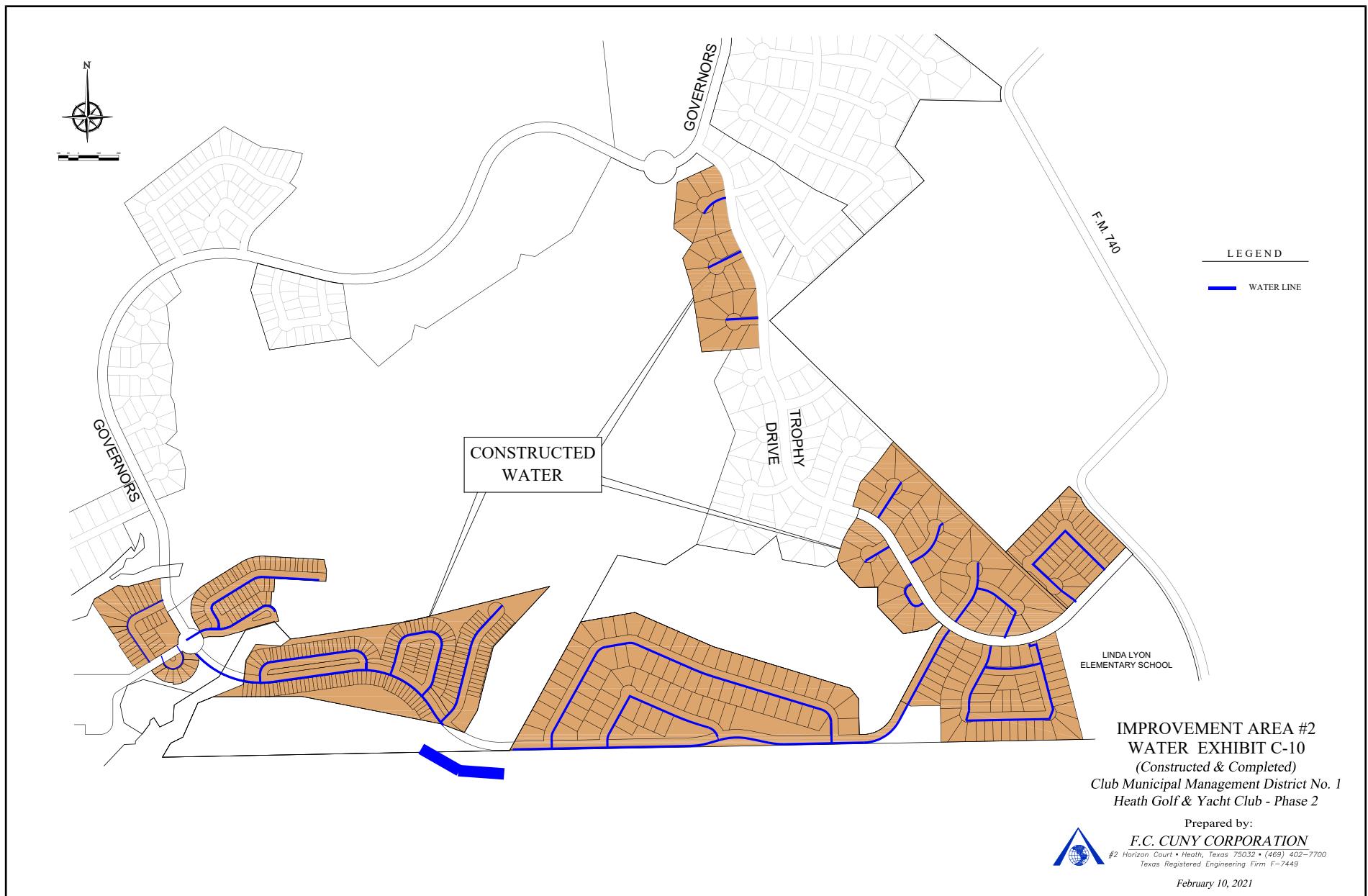


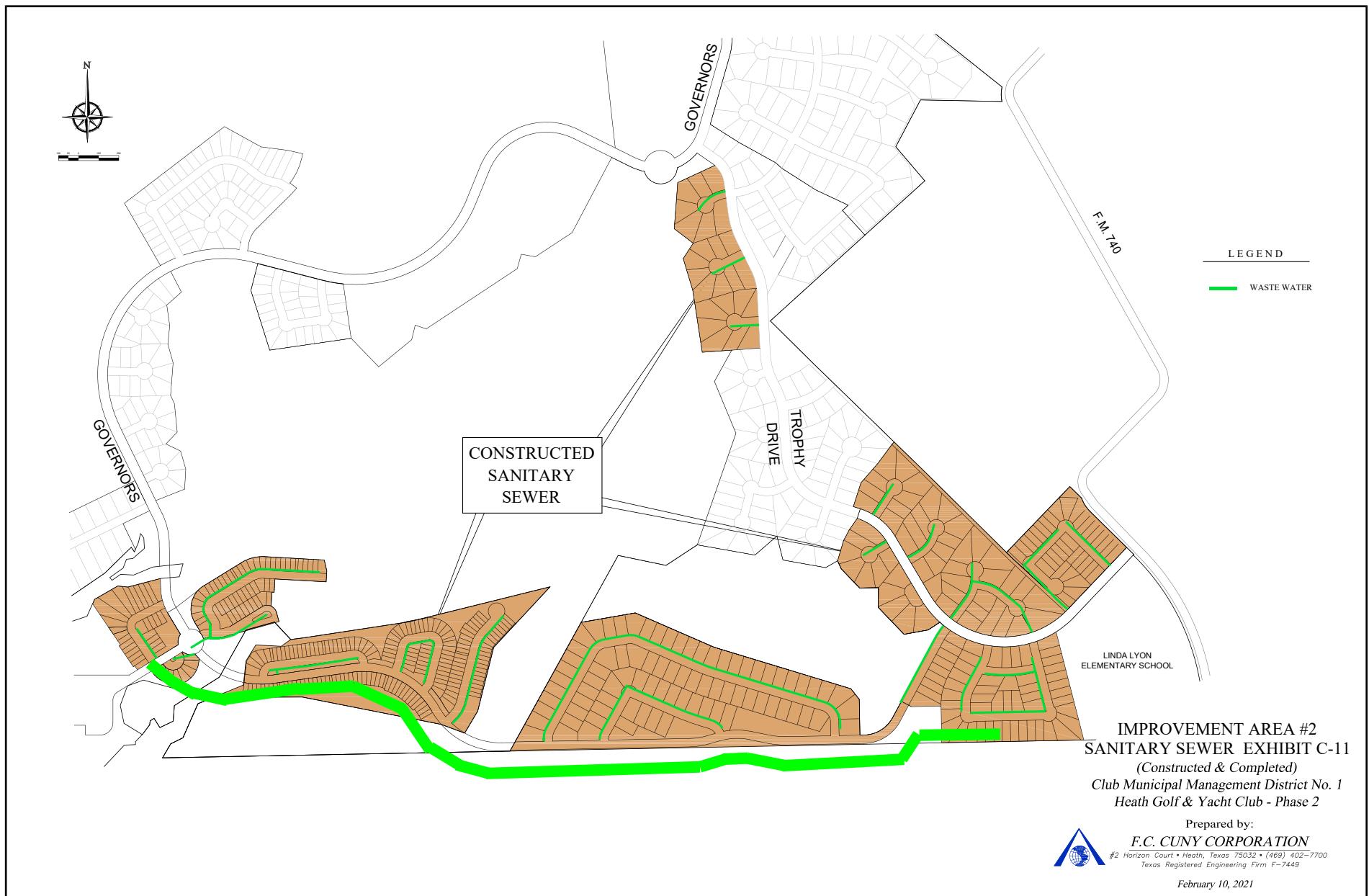


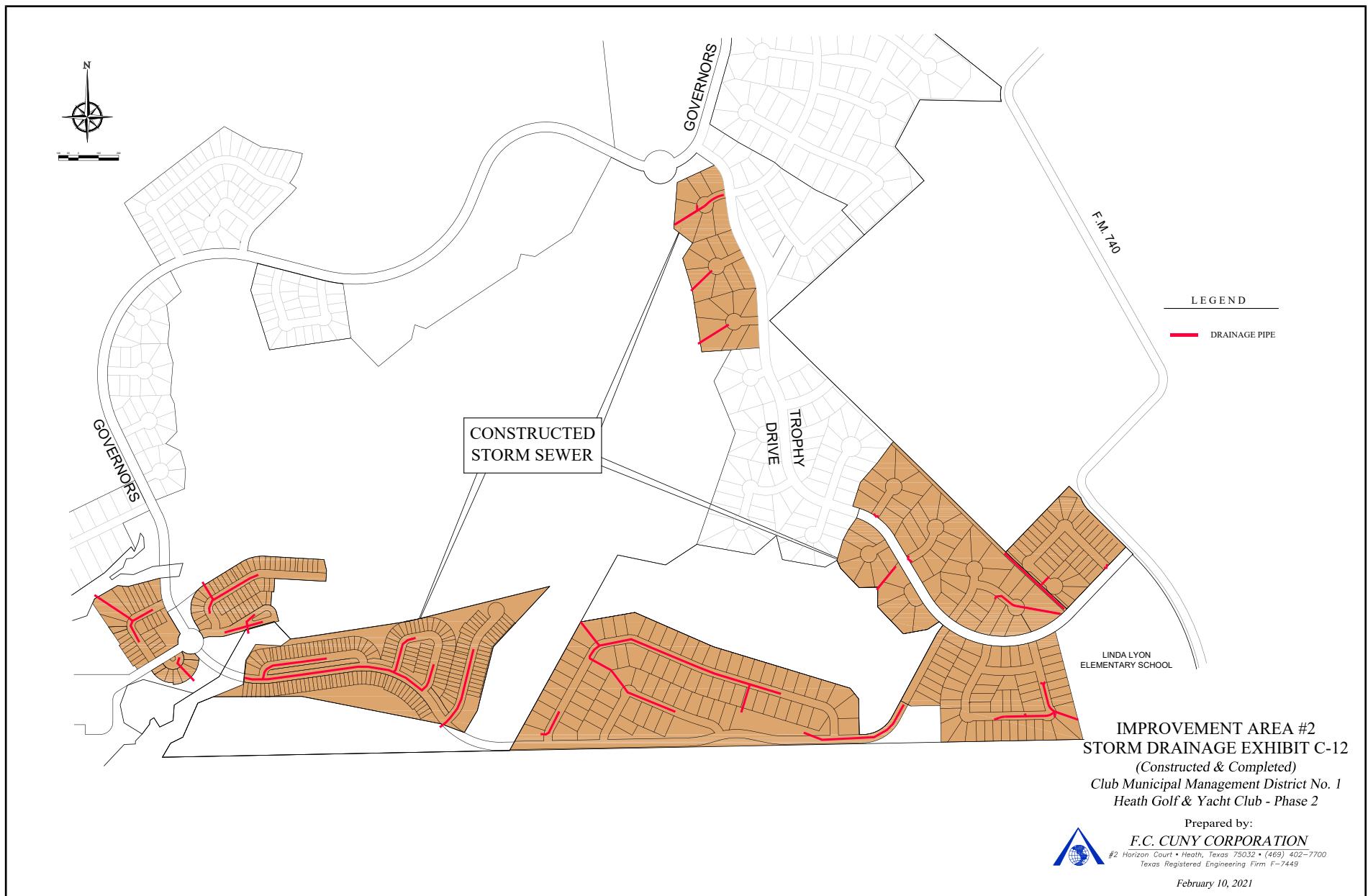


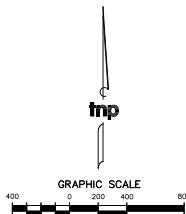
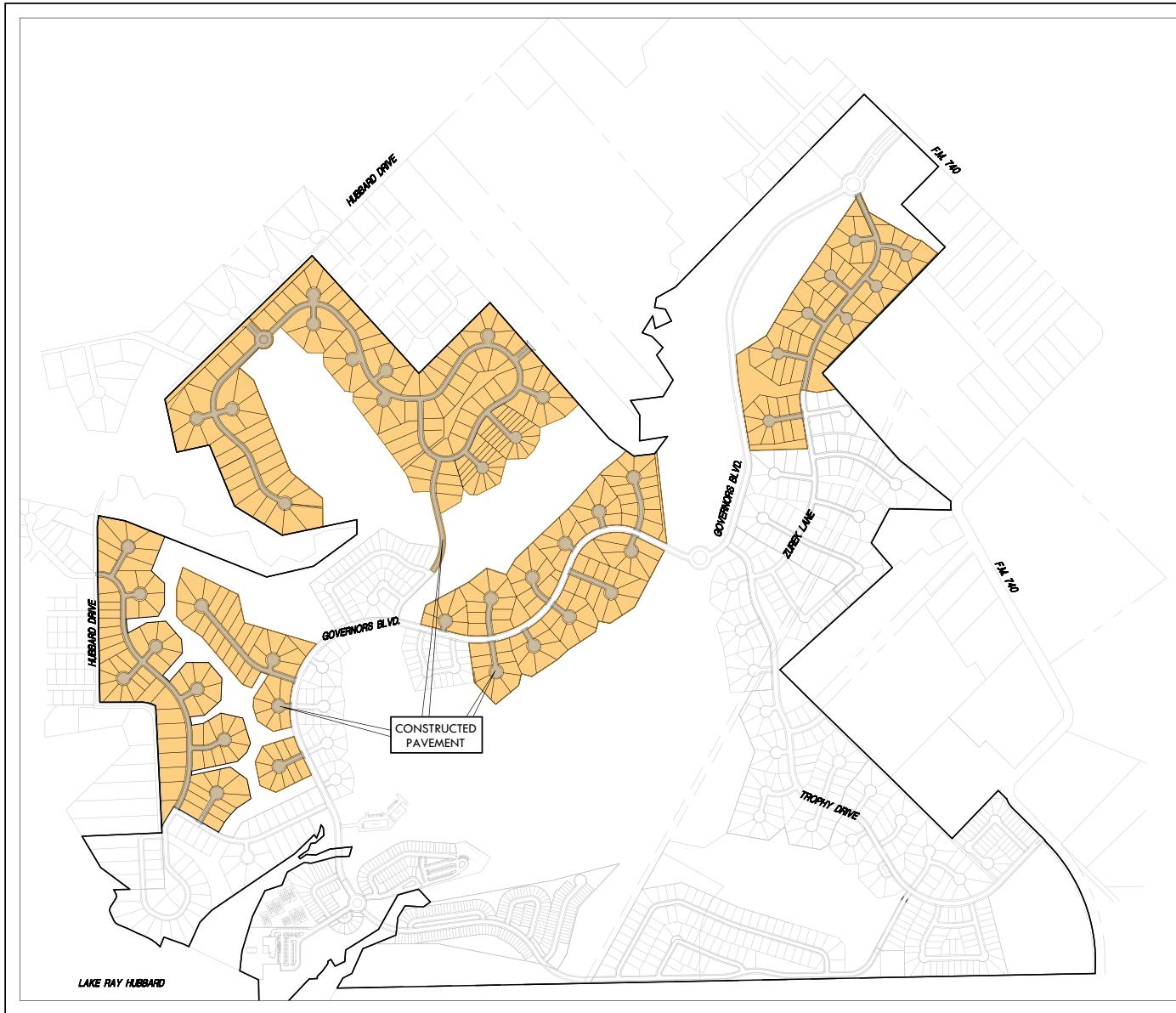












#### Legend

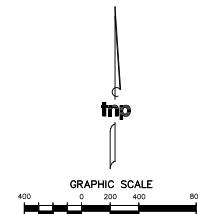
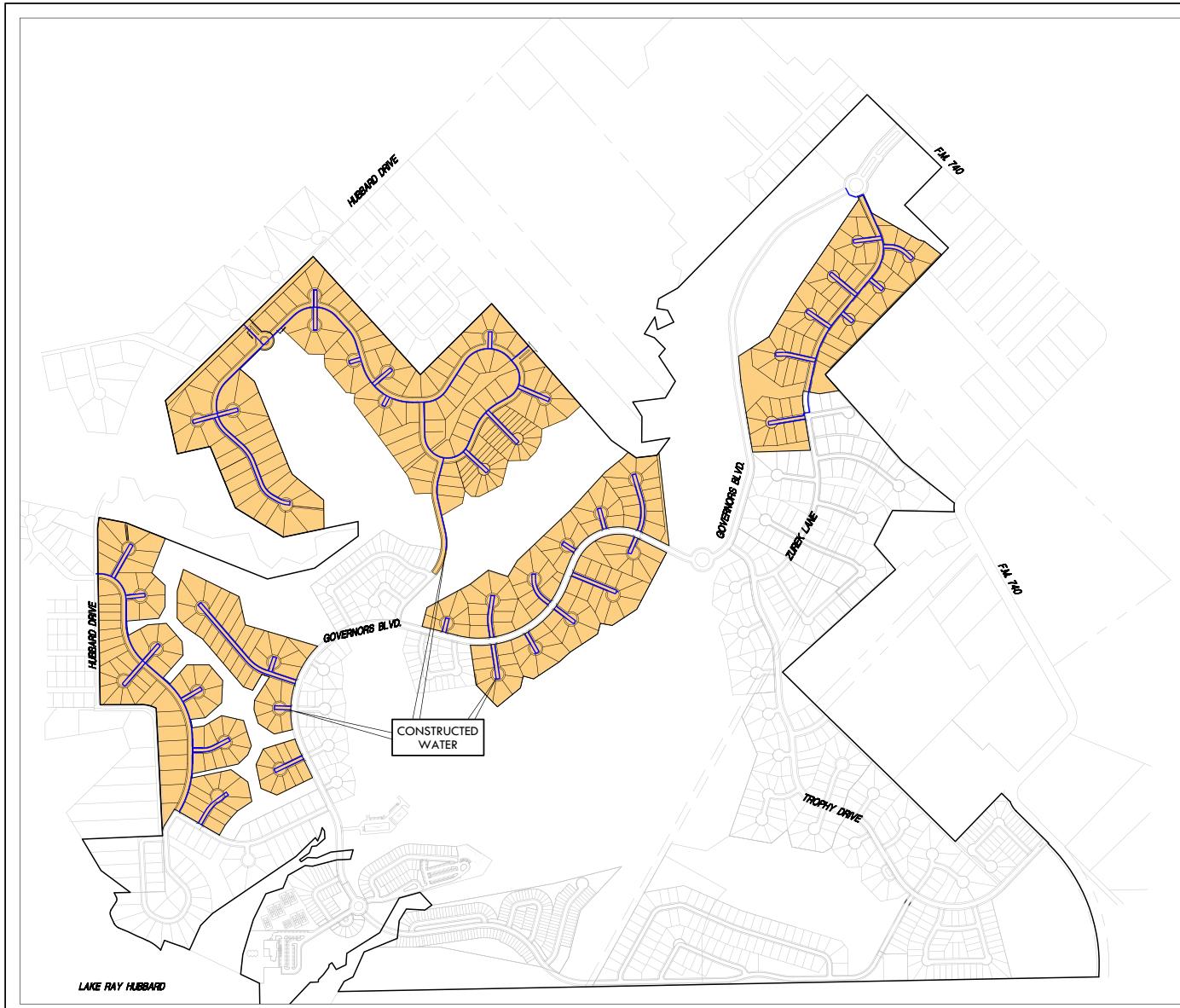
 Roadway

**IMPROVEMENT AREA #3  
ROADWAY EXHIBIT**  
Club Municipal Management District No. 1  
Heath Golf & Yacht Club - Phase 3

league nall and perkins, inc  
825 Waters Creek Blvd., Suite M300  
Allen, Texas 75013  
214.461.9867 ph 214.461.9864 fx  
www.tnplinc.com  
TBPELS: ENGR F-230; SURV 10011601, 10011601, 10194381  
GAP: FER007431; TBA: BR 2673



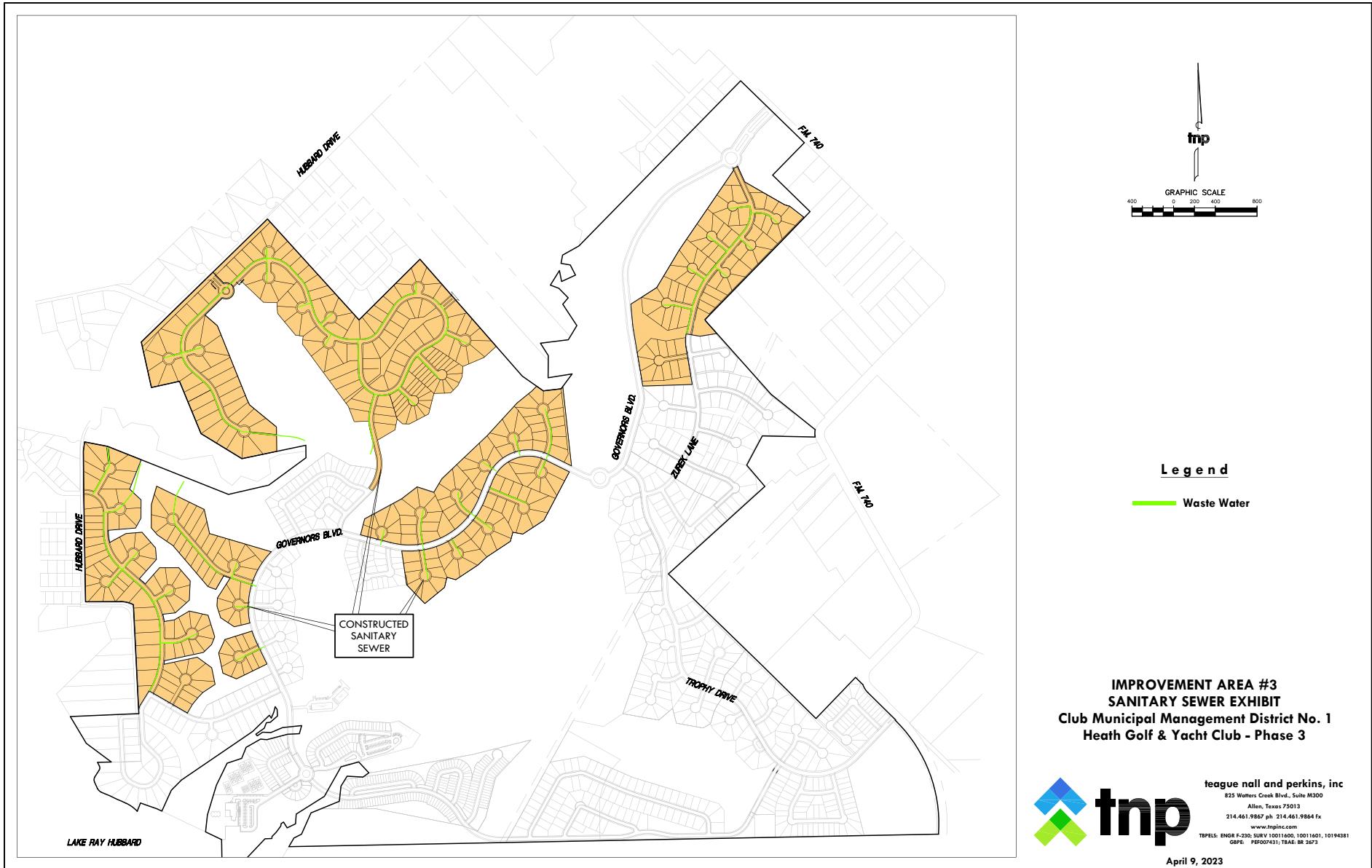
April 9, 2023

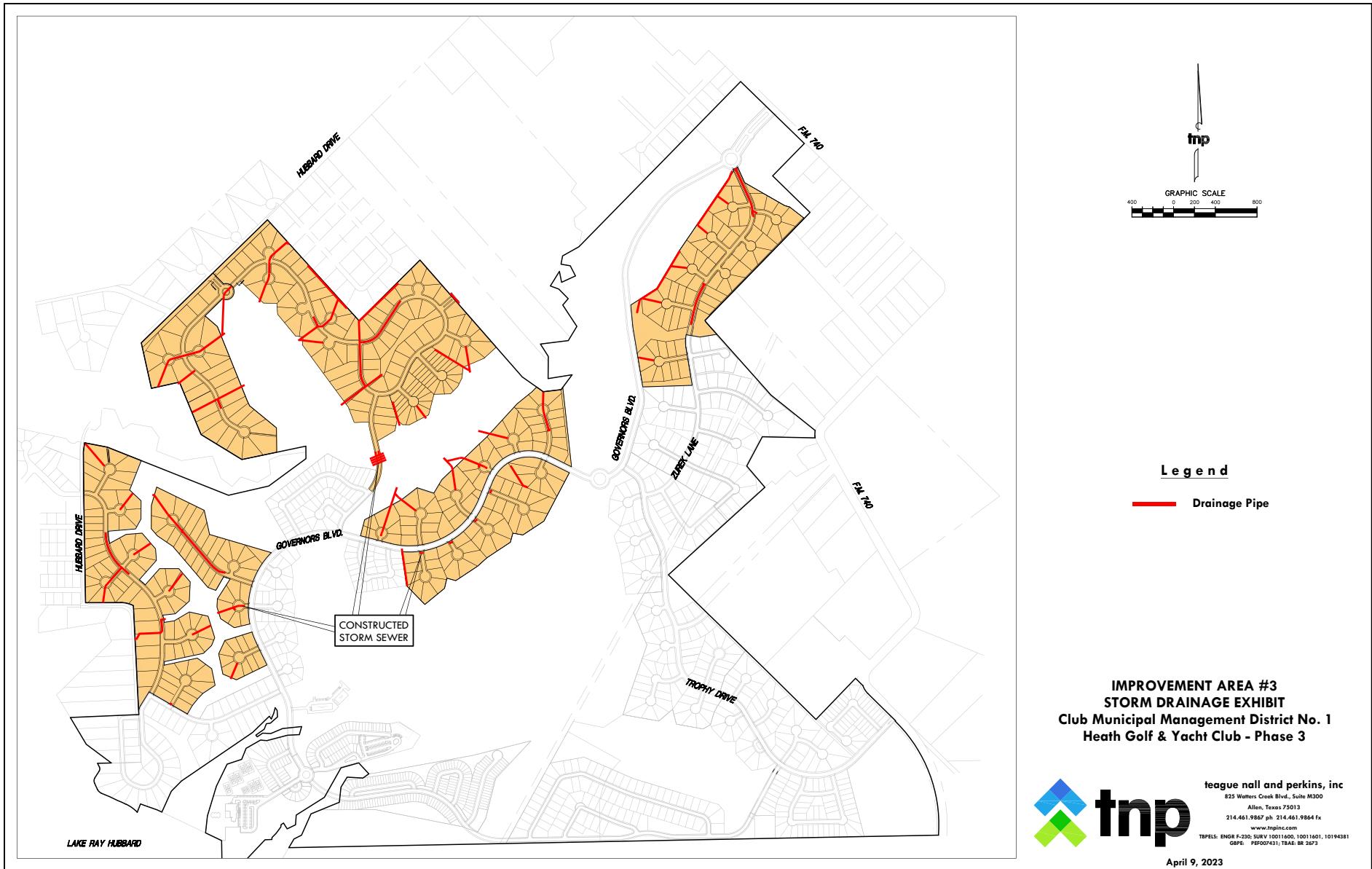


#### Legend

Waterline

**IMPROVEMENT AREA #3  
ROADWAY EXHIBIT**  
Club Municipal Management District No. 1  
Heath Golf & Yacht Club - Phase 3





**APPENDIX D**  
**ASSESSMENT PER EQUIVALENT UNIT, PROJECTED LEVERAGE AND PROJECTED  
TAX RATE EQUIVALENTS**

## **APPENDIX D**

### **A) Proposed Development**

Table D-1 shows the proposed residential units to be developed within the District.

**Table D-1**  
**Proposed Development within the District**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (Lake Front Lots)	15	units
Lot Type 2 (Channel Front Lots)	7	units
Lot Type 3 (Water Feature Lots)	32	units
Lot Type 4 (120 ft Lots)	49	units
Lot Type 5 (100 Ft Lots)	129	units
Lot Type 6 (90 Ft Lots)	83	units
Lot Type 7 (80 Ft Lots)	176	units
Lot Type 8 (70 Ft Lots)	261	units
Lot Type 9 (60 Ft Lots)	37	units
Lot Type 10 (50 Ft Lots)	142	units
Lot Type 11 (Detached Luxury Villas)	69	units
Lot Type 12 (Attached Luxury Villas)	236	units
<b>Total</b>	<b>1,236</b>	<b>units</b>

Table D-2 shows the residential units within Improvement Area #1.

**Table D-2**  
**Development – Improvement Area #1**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 1 (Lake Front Lots)	15	units
Lot Type 2 (Channel Front Lots)	7	units
Lot Type 3 (Water Feature Lots)	32	units
Lot Type 7 (80 Ft Lots)	69	units
Lot Type 8 (70 Ft Lots)	85	units
Lot Type 9 (60 Ft Lots)	37	units
Lot Type 10 (50 Ft Lots)	87	units
<b>Total</b>	<b>332</b>	<b>units</b>

Table D-3 on the following page shows the residential Lot Types within Improvement Area #2.

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**Table D-3**  
**Proposed Development – Improvement Area #2**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 8 (70 Ft Lots)	151	units
Lot Type 10 (50 Ft Lots)	55	units
Lot Type 11 (Detached Luxury Villas)	35	units
Lot Type 12 (Attached Luxury Villas)	236	units
<b>Total</b>	<b>477</b>	<b>units</b>

Table D-4 shows the proposed residential Lot Types within Improvement Area #3.

**Table D-4**  
**Proposed Development – Improvement Area #3**

<b>Description</b>	<b>Proposed Development</b>	
Lot Type 4 (120 ft Lots)	49	units
Lot Type 5 (100 Ft Lots)	129	units
Lot Type 6 (90 Ft Lots)	83	units
Lot Type 7 (80 Ft Lots)	107	units
Lot Type 8 (70 Ft Lots)	25	units
Lot Type 11 (Detached Luxury Villas)	34	units
<b>Total</b>	<b>427</b>	<b>units</b>

As explained under Section IV, for purpose of this Service and Assessment Plan, the Board of Directors has determined that the Actual Costs of the Authorized Improvements to be financed with the original Improvement Area #1 Bonds, Improvement Area #1 Reimbursement Agreement, Improvement Area #2 Bonds, Improvement Area #2 Reimbursement Agreement, and Improvement Area #3 Bonds shall be allocated to the applicable Assessed Property by spreading the entire Assessment for that particular Improvement Area across the Parcels based on the estimated Equivalent Units.

For purposes of this Plan, the District has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average home value of each Lot Type, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Lot Type, the District has taken into consideration (i) the type of lots (i.e., lake front lots, channel front lots, water feature lots, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the District has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Lot Types” defined above. These classifications (from Lot Type 1 (Lake Front Lot) representing the highest value to Lot Type 12 (Luxury Villa Lots – Attached) representing the lowest value for residential lots are set forth in Table D-5. Assessments are allocated to each Lot Type on the basis of the average home value for each class

of lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are the ratio of the average value of lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (Lake Front Lot) to 1.0.

Table D-5 sets forth the estimated Equivalent Unit Factors used to allocate the Major Improvements to Improvement Area #1, Improvement Area #2, and Improvement Area #3.

**Table D-5**  
**Equivalent Unit Factors (Allocation of Major Improvements)**

<b>Lot Type</b>	<b>Estimated Average Unit Value<sup>1</sup></b>	<b>Equivalent Unit Factor</b>	
Lot Type 1 (Lake Front Lots)	\$1,500,000	1.00	per unit
Lot Type 2 (Channel Front Lots)	\$750,000	0.50	per unit
Lot Type 3 (Water Feature Lots)	\$650,000	0.43	per unit
Lot Type 4 (120 ft Lots)	\$600,000	0.40	per unit
Lot Type 5 (100 Ft Lots)	\$565,000	0.38	per unit
Lot Type 6 (90 Ft Lots)	\$505,000	0.34	per unit
Lot Type 7 (80 Ft Lots)	\$485,000	0.32	per unit
Lot Type 8 (70 Ft Lots)	\$440,000	0.29	per unit
Lot Type 9 (60 Ft Lots)	\$360,000	0.24	per unit
Lot Type 10 (50 Ft Lots)	\$315,000	0.21	per unit
Lot Type 11 (Detached Luxury Villas)	\$225,000	0.15	per unit
Lot Type 12 (Attached Luxury Villas)	\$200,000	0.13	per unit

<sup>1</sup>Based on the original home value provided by the Developer.

The original total Equivalent Units for Improvement Area #1 are shown in Table D-6.1 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #1.

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**Table D-6.1**  
**Equivalent Units- Improvement Area #1 – Original**

<b>Lot Type</b>	<b>No. of units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 1 (Lake Front Lots)	15	1.00	15.00
Lot Type 2 (Channel Front Lots)	7	0.50	3.50
Lot Type 3 (Water Feature Lots)	32	0.43	13.76
Lot Type 7 (80 Ft Lots)	69	0.32	22.08
Lot Type 8 (70 Ft Lots)	85	0.29	24.65
Lot Type 9 (60 Ft Lots)	37	0.24	8.88
Lot Type 10 (50 Ft Lots)	87	0.21	18.27
<b>Total Equivalent Units</b>	<b>332</b>		<b>106.14</b>

Twenty-eight parcels representing 12.77 Equivalent Units have prepaid their Assessment related to the Phase #1 Improvements in full. As a result, the outstanding total Equivalent Units for Improvement Area #1 are shown in Table D-6.2 as calculated based on the Equivalent Unit factors shown above in Table D-5, Lot Types and number of units built within Improvement Area #1 subject to the applicable Assessment.

**Table D-6.2**  
**Outstanding Equivalent Units Calculation - Improvement Area #1**

<b>Lot Type</b>	<b>No. of units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units<sup>1</sup></b>
Lot Type 1 (Lake Front Lots)	9	1.00	9.00
Lot Type 2 (Channel Front Lots)	6	0.50	3.00
Lot Type 3 (Water Feature Lots)	30	0.43	12.90
Lot Type 7 (80 Ft Lots)	60	0.32	19.20
Lot Type 8 (70 Ft Lots)	80	0.29	23.20
Lot Type 9 (60 Ft Lots)	36	0.24	8.64
Lot Type 10 (50 Ft Lots)	83	0.21	17.43
<b>Total Equivalent Units</b>	<b>332</b>		<b>93.37</b>

<sup>1</sup>Footnote

The total Equivalent Units for Improvement Area #2 are shown in Table D-7 as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #2.

**Table D-7**  
**Equivalent Units- Improvement Area #2**

<b>Lot Type</b>	<b>No. of units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 8 (70 Ft Lots)	151	0.29	43.79
Lot Type 10 (50 Ft Lots)	55	0.21	11.55
Lot Type 11 (Detached Luxury Villas)	35	0.15	5.25
Lot Type 12 (Attached Luxury Villas)	236	0.13	30.68
<b>Total Equivalent Units</b>	<b>477</b>		<b>91.27</b>

The total Equivalent Units for Improvement Area #3, used to allocate the Major Improvements to Improvement Area #3, are shown in Table D-8 on the following page as calculated based on the Equivalent Unit factors shown in Table D-5, estimated Lot Types and number of units estimated to be built within Improvement Area #3.

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**Table D-8**  
**Equivalent Units- Improvement Area #3 – (For Allocation of Major Improvements)**

<b>Lot Type</b>	<b>No. of units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units</b>
Lot Type 4 (120 ft Lots)	49	0.40	19.60
Lot Type 5 (100 Ft Lots)	129	0.38	49.02
Lot Type 6 (90 Ft Lots)	83	0.34	28.22
Lot Type 7 (80 Ft Lots)	107	0.32	34.24
Lot Type 8 (70 Ft Lots)	25	0.29	7.25
Lot Type 11 (Detached Luxury Villas)	34	0.15	5.10
<b>Total Equivalent Units</b>	<b>427</b>		<b>143.43</b>

**B) Allocation of Assessments to Lots within Improvement Area #1**

The total amount of the Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Amount payable from Assessments, which represents the total Assessment to be allocated on all Parcels within Improvement Area #1, is \$12,500,000 ( $\$9,255,000 + \$3,245,000 = \$12,500,000$ ). As shown in Table D-6, there were originally a total of 106.14 estimated Equivalent Units in Improvement Area #1, resulting in an Assessment per Equivalent Unit of \$117,768.98.

The original Assessment per dwelling unit or acre is calculated as the product of (i) \$117,768.98 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 1 (Lake Front Lot) dwelling unit is \$117,768.98 (i.e.  $\$117,768.98 \times 1.00$ ). The Assessment for a Lot Type 2 (Channel Front Lot) dwelling unit is \$58,884.49 (i.e.  $\$117,768.98 \times 0.50$ ). The Assessment for a Lot Type 3 (Water Feature Lot) dwelling unit is \$50,640.66 (i.e.  $\$117,768.98 \times 0.43$ ). The Assessment for a Lot Type 7 (80 Ft Lot) dwelling unit is \$37,686.07 (i.e.  $\$117,768.98 \times 0.32$ ). The Assessment for a Lot Type 8 (70 Ft Lot) dwelling unit is \$34,153.01 (i.e.  $\$117,768.98 \times 0.29$ ). The Assessment for a Lot Type 9 (60 Ft Lot) dwelling unit is \$28,264.56 (i.e.  $\$117,768.98 \times 0.24$ ). The Assessment for a Lot Type 10 (50 Ft Lot) dwelling unit is \$24,731.49 (i.e.  $\$117,768.98 \times 0.21$ ). Table D-9 sets forth the Assessment per dwelling unit for each applicable Lot Type.

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**Table D-9.1**  
**Original Assessment Per Unit – Improvement Area #1**

<b>Description</b>	<b>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 (Lake Front Lots)	15	\$117,768.98	1.00	\$117,768.98	per unit	\$1,766,534.77
Lot Type 2 (Channel Front Lots)	7	\$117,768.98	0.50	\$58,884.49	per unit	\$412,191.45
Lot Type 3 (Water Feature Lots)	32	\$117,768.98	0.43	\$50,640.66	per unit	\$1,620,501.22
Lot Type 7 (80 Ft Lots)	69	\$117,768.98	0.32	\$37,686.07	per unit	\$2,600,339.17
Lot Type 8 (70 Ft Lots)	85	\$117,768.98	0.29	\$34,153.01	per unit	\$2,903,005.46
Lot Type 9 (60 Ft Lots)	37	\$117,768.98	0.24	\$28,264.56	per unit	\$1,045,788.58
Lot Type 10 (50 Ft Lots)	87	\$117,768.98	0.21	\$24,731.49	per unit	\$2,151,639.34
<b>Total</b>	<b>332</b>					<b>\$12,500,000.00</b>

The Improvement Area #1 Bonds and the Improvement Area #1 Reimbursement Obligation are being refunded by the Improvement Area #1 Refunding and Improvement Bonds. The total amount of the Improvement Area #1 Refunding and Improvement Bonds, which represents the total outstanding Assessment allocated to all Parcels in Improvement Area # 1, is \$9,495,000. Table D-9.2 sets forth the outstanding Assessment per dwelling unit for each of the Lot Types in Improvement Area #1 related to the Improvement Area #1 Improvements.

**Table D-9.2**  
**Outstanding Assessment Per Unit – Improvement Area #1**

<b>Description</b>	<b>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 (Lake Front Lots)	9	\$101,692.19	1.00	\$101,692.19	per unit	\$915,229.73
Lot Type 2 (Channel Front Lots)	6	\$101,692.19	0.50	\$50,846.10	per unit	\$305,076.58
Lot Type 3 (Water Feature Lots)	30	\$101,692.19	0.43	\$43,727.64	per unit	\$1,311,829.28
Lot Type 7 (80 Ft Lots)	60	\$101,692.19	0.32	\$32,541.50	per unit	\$1,952,490.09
Lot Type 8 (70 Ft Lots)	80	\$101,692.19	0.29	\$29,490.74	per unit	\$2,359,258.86
Lot Type 9 (60 Ft Lots)	36	\$101,692.19	0.24	\$24,406.13	per unit	\$878,620.54
Lot Type 10 (50 Ft Lots)	83	\$101,692.19	0.21	\$21,355.36	per unit	\$1,772,494.91
<b>Total</b>	<b>304</b>					<b>\$9,495,000.00</b>

The original projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table D-10.1.

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**Table D-10.1**  
**Original Projected Leverage – Improvement Area #1**

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit <sup>1</sup>	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 1 (Lake Front Lots)	15	\$750,000	\$1,500,000	\$117,768.98	6.37	12.74
Lot Type 2 (Channel Front Lots)	7	\$250,000	\$750,000	\$58,884.49	4.25	12.74
Lot Type 3 (Water Feature Lots)	32	\$175,000	\$650,000	\$50,640.66	3.46	12.84
Lot Type 7 (80 Ft Lots)	69	\$90,000	\$485,000	\$37,686.07	2.39	12.87
Lot Type 8 (70 Ft Lots)	85	\$79,000	\$440,000	\$34,153.01	2.31	12.88
Lot Type 9 (60 Ft Lots)	37	\$68,000	\$360,000	\$28,264.56	2.41	12.74
Lot Type 10 (50 Ft Lots)	87	\$56,000	\$315,000	\$24,731.49	2.26	12.74

The updated projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table D-10.2.

**Table D-10.2**  
**Updated Projected Leverage – Improvement Area #1**

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit <sup>1</sup>	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 1 (Lake Front Lots)	9	\$750,000	\$1,500,000	\$101,692.19	7.38	14.75
Lot Type 2 (Channel Front Lots)	6	\$250,000	\$750,000	\$50,846.10	4.92	14.75
Lot Type 3 (Water Feature Lots)	30	\$175,000	\$650,000	\$43,727.64	4.00	14.86
Lot Type 7 (80 Ft Lots)	60	\$90,000	\$485,000	\$32,541.50	2.77	14.90
Lot Type 8 (70 Ft Lots)	80	\$79,000	\$440,000	\$29,490.74	2.68	14.92
Lot Type 9 (60 Ft Lots)	36	\$68,000	\$360,000	\$24,406.13	2.79	14.75
Lot Type 10 (50 Ft Lots)	83	\$56,000	\$315,000	\$21,355.36	2.62	14.75

The original projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table D-11.1 on the following page.

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**Table D-11.1**  
**Estimated Tax Rate Equivalent per unit – Improvement Area #1**

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Projected Average Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 1 (Lake Front Lots)	15	\$750,000	\$1,500,000	\$9,545.57	\$1.27	\$0.64
Lot Type 2 (Channel Front Lots)	7	\$250,000	\$750,000	\$4,772.79	\$1.91	\$0.64
Lot Type 3 (Water Feature Lots)	32	\$175,000	\$650,000	\$4,104.60	\$2.35	\$0.63
Lot Type 7 (80 Ft Lots)	69	\$90,000	\$485,000	\$3,054.58	\$3.39	\$0.63
Lot Type 8 (70 Ft Lots)	85	\$79,000	\$440,000	\$2,768.22	\$3.50	\$0.63
Lot Type 9 (60 Ft Lots)	37	\$68,000	\$360,000	\$2,290.94	\$3.37	\$0.64
Lot Type 10 (50 Ft Lots)	87	\$56,000	\$315,000	\$2,004.57	\$3.58	\$0.64

The updated projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table D-11.2 on the following page.

**Table D-11.2**  
**Estimated Tax Rate Equivalent per unit – Improvement Area #1**

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Projected Average Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 1 (Lake Front Lots)	9	\$750,000	\$1,500,000	\$8,614.07	\$1.15	\$0.57
Lot Type 2 (Channel Front Lots)	6	\$250,000	\$750,000	\$4,307.04	\$1.72	\$0.57
Lot Type 3 (Water Feature Lots)	30	\$175,000	\$650,000	\$3,704.05	\$2.12	\$0.57
Lot Type 7 (80 Ft Lots)	60	\$90,000	\$485,000	\$2,756.50	\$3.06	\$0.57
Lot Type 8 (70 Ft Lots)	80	\$79,000	\$440,000	\$2,498.08	\$3.16	\$0.57
Lot Type 9 (60 Ft Lots)	36	\$68,000	\$360,000	\$2,067.38	\$3.04	\$0.57
Lot Type 10 (50 Ft Lots)	83	\$56,000	\$315,000	\$1,808.96	\$3.23	\$0.57

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as Appendix F, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

### **C) Allocation of Assessments to Lots within Improvement Area #2**

The total amount of the Improvement Area #2 Bonds and the amounts reimbursable under the Improvement Area #2 Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within Improvement Area #2, is \$10,750,000. As shown in Table D-7, there are a total of 91.27 estimated Equivalent Units in Improvement Area #2, resulting in an Assessment per Equivalent Unit of \$117,782.40.

The Assessment per dwelling unit or acre is calculated as the product of (i) \$117,782.40 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 8 (70 Ft Lot) dwelling unit is \$34,156.90 (i.e. \$117,782.40 × 0.29). The Assessment for a Lot Type 10 (50 Ft Lot) dwelling unit is \$24,734.30 (i.e. \$117,782.40 × 0.21). The Assessment for a Lot Type 11 Detached Villa Lot) dwelling unit is \$17,667.36 (i.e. \$117,782.40 × 0.15). The Assessment for a Lot Type 12 (Attached Luxury Villa Lot) dwelling unit is \$15,311.71 (i.e. \$117,782.40 × 0.13). Table D-12 on the following page sets forth the Assessment per dwelling unit for each applicable Lot Type.

**Table D-12**  
**Assessment Per Unit – Improvement Area #2**

Description	No. of Units	Assessment Per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit	Total Assessments
Lot Type 8 (70 Ft Lots)	151	\$117,782.40	0.29	\$34,156.90 per unit	\$5,157,691
Lot Type 10 (50 Ft Lots)	55	\$117,782.40	0.21	\$24,734.30 per unit	\$1,360,387
Lot Type 11 (Detached Luxury Villas)	35	\$117,782.40	0.15	\$17,667.36 per unit	\$618,358
Lot Type 12 (Attached Luxury Villas)	236	\$117,782.40	0.13	\$15,311.71 per unit	\$3,613,564
<b>Total</b>	<b>477</b>				<b>\$10,750,000</b>

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table D-13.

**Table D-13**  
**Projected Leverage – Improvement Area #2**

Description	Planned No. of Units	Estimated Finished Lot Value per unit <sup>1</sup>	Projected Home Value per unit <sup>2</sup>	Assessment per Unit	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 8 (70 Ft Lots)	151	\$94,500	\$400,000	\$34,156.90	2.77	11.71
Lot Type 10 (50 Ft Lots)	55	\$68,750	\$315,000	\$24,734.30	2.78	12.74
Lot Type 11 (Detached Luxury Villas)	35	\$55,000	\$225,000	\$17,667.36	3.11	12.74
Lot Type 12 (Attached Luxury Villas)	236	\$65,000	\$200,000	\$15,311.71	4.25	13.06

<sup>1</sup>Based on contract price for lots under the lot purchase and sale agreement as provided as part of the Developer due diligence response for the Improvement Area #2 Bonds.

<sup>2</sup>Provided by Developer as part of the Developer due diligence response for the Improvement Area #2 Bonds.

The projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table D-14 on the following page.

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**Table D-14**  
**Estimated Tax Rate Equivalent per unit – Improvement Area #2**

Description	Planned No. of Units	Estimated Finished Lot Value per unit <sup>1</sup>	Projected Home Value per unit <sup>2</sup>	Projected Outstanding Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 8 (70 Ft Lots)	151	\$94,500	\$400,000	\$2,359.90	\$2.50	\$0.59
Lot Type 10 (50 Ft Lots)	55	\$68,750	\$315,000	\$1,708.89	\$2.49	\$0.54
Lot Type 11 (Detached Luxury Villas)	35	\$55,000	\$225,000	\$1,220.64	\$2.22	\$0.54
Lot Type 12 (Attached Luxury Villas)	236	\$65,000	\$200,000	\$1,057.88	\$1.63	\$0.53

<sup>1</sup>Based on contract price for lots under the lot purchase and sale agreement as provided as part of the Developer due diligence response for the Improvement Area #2 Bonds.

<sup>2</sup>Provided by Developer as part of the Developer due diligence response for the Improvement Area #2 Bonds.

The Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #2 is shown on the Improvement Area #2 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

#### **D) Allocation of Assessments to Lots within Improvement Area #3**

The average home prices in Improvement Area #3 substantially increased as compared to Improvement Area #1 and Improvement Area #2 according to the estimated average home price information provided by the Developer at the time of levy of Improvement Area #3 Assessments in 2023. The increase in average home prices for Improvement Area #3 was disproportional between the different Lot Types as compared with Improvement Area #1 and Improvement Area #2. As a result, updated Equivalent Unit Factors were calculated as shown in Table D-15 below to allocate the Improvement Area #3 Improvements to Parcels within Improvement Area #3 at the request of the Developer and approval of the Board in 2023.

**Table D-15**  
**Projected Equivalent Unit Factors- Improvement Area #3 Improvements**

Lot Type	Estimated Average Unit Value <sup>1</sup>	Equivalent Unit Factor
Lot Type 4 (120 ft Lots)	\$1,140,000	1.00 per unit
Lot Type 5 (100 Ft Lots)	\$950,000	0.83 per unit
Lot Type 6 (90 Ft Lots)	\$855,000	0.75 per unit
Lot Type 7 (80 Ft Lots)	\$760,000	0.67 per unit
Lot Type 8 (70 Ft Lots)	\$665,000	0.58 per unit
Lot Type 11 (Detached Luxury Villas)	\$395,000	0.35 per unit

<sup>1</sup>Updated Improvement Area #3 home values provided by the Developer in 2023.

Table D-16 on the following page shows the total Equivalent Unit factors for Improvement Area #3 to be used for allocation of Improvement Area #3 Assessments, related to the Improvement Area #3 Improvements, to the Assessed Property within Improvement Area #3.

**Table D-16**  
**Total Equivalent Unit Factors- Improvement Area #3 Improvements**

<b>Lot Type</b>	<b>No. of units</b>	<b>Equivalent Unit Factor</b>	<b>Total Equivalent Units<sup>1</sup></b>
Lot Type 4 (120 ft Lots)	49	1.00	49.00
Lot Type 5 (100 Ft Lots)	129	0.83	107.50
Lot Type 6 (90 Ft Lots)	83	0.75	62.25
Lot Type 7 (80 Ft Lots)	107	0.67	71.33
Lot Type 8 (70 Ft Lots)	25	0.58	14.58
Lot Type 11 (Detached Luxury Villas)	34	0.35	11.78
<b>Total Equivalent Units</b>	<b>427</b>		<b>316.45</b>

The total amount reimbursable under the Omnibus Reimbursement Agreement, which represents the total Assessment to be allocated on all Parcels within Improvement Area #3 is \$17,270,000. As shown in Table D-16, there are a total of 316.45 Equivalent Units in Improvement Area #3, resulting in an Assessment per Equivalent Unit of \$54,574.64.

The original Assessment per dwelling unit or acre is calculated as the product of (i) \$54,574.64 multiplied by (ii) the applicable Equivalent Unit value for each Lot Type. For example, the Assessment for a Lot Type 4 (120 Ft Lot) dwelling unit is \$54,574.64 (i.e.  $\$54,574.64 \times 1.00$ ). The Assessment for a Lot Type 5 (100 Ft Lot) dwelling unit is \$45,478.86 (i.e.  $\$54,574.64 \times 0.83$ ). The Assessment for a Lot Type 6 (90 Ft Lot) dwelling unit is \$40,930.98 (i.e.  $\$54,574.64 \times 0.75$ ), and so on. Table D-17 sets forth the original Assessment per dwelling unit for each Lot Type in Improvement Area #1 on the following page.

**Table D-17**  
**Assessment Per Unit – Improvement Area #3**

<b>Description</b>	<b>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 4 (120 ft Lots)	49	\$54,574.64	1.00	\$54,574.64	per unit	\$2,674,157
Lot Type 5 (100 Ft Lots)	129	\$54,574.64	0.83	\$45,478.86	per unit	\$5,866,773
Lot Type 6 (90 Ft Lots)	83	\$54,574.64	0.75	\$40,930.98	per unit	\$3,397,271
Lot Type 7 (80 Ft Lots)	107	\$54,574.64	0.67	\$36,383.09	per unit	\$3,892,991
Lot Type 8 (70 Ft Lots)	25	\$54,574.64	0.58	\$31,835.20	per unit	\$795,880
Lot Type 11 (Detached Luxury Villas)	34	\$54,574.64	0.35	\$18,909.63	per unit	\$642,928
<b>Total</b>	<b>427</b>					<b>\$17,270,000</b>

The original projected leverage calculated based on the estimated land values, finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Assessment levy for each unit is shown in Table D-18 below.

**Table D-18**  
**Projected Leverage – Improvement Area #3 - Original**

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,140,000	\$54,574.64	4.18	20.89
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$950,000	\$45,478.86	4.18	20.89
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$855,000	\$40,930.98	4.18	20.89
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$760,000	\$36,383.09	4.18	20.89
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$665,000	\$31,835.20	4.18	20.89
Lot Type 11 (Detached Luxury Villas)	34	\$64,600	\$395,000	\$18,909.63	3.42	20.89

The original projected tax rate equivalent per unit calculated based on the estimated finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Assessment levy for each unit is shown in Table D-19 below.

**Table D-19**  
**Estimated Tax Rate Equivalent per unit – Improvement Area #3 - Original**

Description	Planned No. of Units	Estimated Finished Lot Value per unit <sup>1</sup>	Projected Home Value per unit <sup>2</sup>	Projected Average Outstanding Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,140,000	\$4,250.89	\$1.86	\$0.37
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$950,000	\$3,542.41	\$1.86	\$0.37
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$855,000	\$3,188.17	\$1.86	\$0.37
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$760,000	\$2,833.93	\$1.86	\$0.37
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$665,000	\$2,479.69	\$1.86	\$0.37
Lot Type 11 (Detached Luxury Villas)	34	\$64,600	\$395,000	\$1,472.90	\$2.28	\$0.37

The projected leverage calculated based on the estimated land values, finished lot values and updated average home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024 for each unit is shown in Table D-20 on the following page.

**Table D-20**  
**Projected Leverage – Improvement Area #3 - Updated**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Average Home Value per unit<sup>1</sup></b>		<b>Assessment per Unit<sup>1</sup></b>	<b>Leverage (Lot Value)</b>	<b>Leverage (Home Value)</b>
			<b>Home Value per unit<sup>1</sup></b>	<b>Assessment per Unit<sup>1</sup></b>			
Lot Type 4 (120 Ft Lots)	49	\$228,000	\$1,150,000	\$54,574.64	4.18	21.07	
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$855,000	\$45,478.86	4.18	18.80	
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$767,500	\$40,930.98	4.18	18.75	
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$680,000	\$36,383.09	4.18	18.69	
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$582,500	\$31,835.20	4.18	18.30	
Lot Type 11 (Detached Luxury Villas)	34	\$125,000	\$550,000	\$18,909.63	6.61	29.09	

<sup>1</sup> Projected Home Values shown in Table D-20 for each Lot Type in Improvement Area #3 are the average of the range of current home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024. For Lot Type 4 (120 Ft Lots) the projected home value is the average of \$800,000 to \$1,500,000 as provided by the Developer [i.e.,  $(\$800,000 + \$1,500,000) \div 2 = \$1,150,000$ ]. For Lot Type 5 (100 Ft Lots) the projected home value is the average of \$760,000 [i.e.,  $(\$760,000 + \$950,000) \div 2 = \$855,000$ ]. For Lot Type 6 (90 FT Lots) the projected home value is the average of \$685,000 to \$850,000 [i.e.,  $(\$685,000 + \$850,000) \div 2 = \$767,500$ ]. For Lot Type 7(80 Ft Lots) the projected home value is the average of \$600,000 to \$760,000 [i.e.,  $(\$600,000 + \$760,000) \div 2 = \$680,000$ ]. For Lot Type 8(70 Ft Lots) the projected home value is the average of \$500,000 to \$665,000 [i.e.,  $(\$500,000 + \$665,000) \div 2 = \$582,500$ ]. For Lot Type 11 (Detached Luxury Villas) the projected home value is the average of \$450,000 to \$650,000 [i.e.,  $(\$450,000 + \$650,000) \div 2 = \$550,000$ ].

The revised projected tax rate equivalent per unit calculated based on the estimated finished lot values and average home values provided by the Developer at the time of Improvement Area #3 Bond issuance in 2024 for each unit is shown in Table D-21 below.

**Table D-21**  
**Estimated Tax Rate Equivalent per unit – Improvement Area #3 - Updated**

<b>Description</b>	<b>Planned No. of Units</b>	<b>Estimated Finished Lot Value per unit</b>	<b>Projected Average Home Value per unit<sup>1</sup></b>		<b>Outstanding Annual Installment per unit</b>	<b>Tax Rate Equivalent (per \$100 Lot Value)</b>	<b>Tax Rate Equivalent (per \$100 Home Value)</b>
			<b>Home Value per unit<sup>1</sup></b>	<b>Assessment per Unit<sup>1</sup></b>			
Lot Type 4 (120 ft Lots)	49	\$228,000	\$1,150,000	\$4,020.05	\$1.76	\$0.35	
Lot Type 5 (100 Ft Lots)	129	\$190,000	\$855,000	\$3,350.04	\$1.76	\$0.39	
Lot Type 6 (90 Ft Lots)	83	\$171,000	\$767,500	\$3,015.04	\$1.76	\$0.39	
Lot Type 7 (80 Ft Lots)	107	\$152,000	\$680,000	\$2,680.03	\$1.76	\$0.39	
Lot Type 8 (70 Ft Lots)	25	\$133,000	\$582,500	\$2,345.03	\$1.76	\$0.40	
Lot Type 11 (Detached Luxury Villas)	34	\$125,000	\$550,000	\$1,392.91	\$1.11	\$0.25	

<sup>1</sup> See Table D-20 above.

The Assessments and Annual Installments for each Parcel or Lot located within Improvement Area #3 is shown on the Improvement Area #3 Assessment Roll, attached as Appendix H, and no

Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

**APPENDIX E**  
**HOMEBUYER DISCLOSURE**

AFTER RECORDING RETURN TO:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_]<sup>1</sup>

NOTICE OF OBLIGATION TO PAY MUNICIPAL MANAGEMENT DISTRICT ASSESSMENT  
TO  
CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1,  
HEATH, TEXAS  
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE \_\_\_\_\_ PRINCIPAL ASSESSMENT: \$\_\_\_\_\_

As the purchaser of the real property described above, you are obligated to pay assessments to the **Club Municipal Management District No. 1** (the "District"), Heath, Texas for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the District created under Chapter 3902, Texas Special District Local Laws Code and Subchapter A, Chapter 372, Local Government Code. The City of Heath, Texas has no responsibility with regard to the levy and collection of the assessments.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the District. The exact amount of each annual installment will be approved each year by the District Board in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the District.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

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<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 [Rockwall/Kaufman] County.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

---

SIGNATURE  
PURCHASER

OF

---

SIGNATURE  
PURCHASER

OF

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 5.0143, 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  
PURCHASER

OF

---

SIGNATURE  
PURCHASER

OF

STATE OF TEXAS §  
§  
COUNTY OF [ROCKWALL/KAUFMAN] §

The foregoing instrument was acknowledged before me by \_\_\_\_\_ and \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this \_\_\_\_\_, 20\_\_.

Notary Public, State of Texas]<sup>3</sup>

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<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 [Rockwall/Kaufman] 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 [ROCKWALL/KAUFMAN] §

The foregoing instrument was acknowledged before me by \_\_\_\_\_ and \_\_\_\_\_, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this \_\_\_\_\_, 20\_\_.

Notary Public, State of Texas]<sup>4</sup>

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<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 [Rockwall/Kaufman] County.

**APPENDIX F**  
**IMPROVEMENT AREA #1 ASSESSMENT ROLL**

**Appendix F**  
**Improvement Area #1 Assessment Roll**

Parcel	All Parcels
<b>Original Equivalent Units</b>	<b>106.14</b>
<b>Equivalent Units (Net of Prepayments)</b>	<b>93.98</b>
<b>Original Assessment</b>	<b>\$12,500,000</b>
<b>Refunding Par</b>	<b>\$9,495,000</b>

Year <sup>1</sup>	Principal & Interest <sup>1</sup>	Principal & Interest <sup>2</sup>	Administrative Expenses <sup>3</sup>	Additional Interest Reserve	Available Credits	Capitalized Interest	Total Annual Installment
9/30/2016	\$157,332	\$55,164	\$40,000	\$0	\$0	\$0	\$252,496
9/30/2017	\$583,913	\$160,447	\$40,400	\$46,275	\$0	\$0	\$831,035
9/30/2018	\$692,352	\$244,732	\$129,880	\$46,151	\$0	\$0	\$1,113,115
9/30/2019	\$691,025	\$248,844	\$80,896	\$45,601	(\$20,781)	\$0	\$1,045,585
9/30/2020	\$689,817	\$268,838	\$105,206	\$45,058	(\$14,441)	\$0	\$1,094,478
9/30/2021	\$694,075	\$357,895	\$190,246	\$44,029	(\$14,441)	\$0	\$1,271,804
9/30/2022	\$666,103	\$258,902	\$86,000	\$42,283	(\$22,257)	\$0	\$1,031,031
9/30/2023	\$658,282	\$229,094	\$86,000	\$40,815	\$0	\$0	\$1,014,191
9/30/2024	\$650,363	\$229,815	\$43,314	\$40,425	\$0	\$0	\$963,917
9/30/2025	\$636,050	\$228,439	\$80,000	\$36,894	(\$15,000)	\$0	\$966,383
9/30/2026	\$811,969	\$0	\$73,000	\$0	\$0	\$0	\$884,969
9/30/2027	\$730,350	\$0	\$74,460	\$0	\$0	\$0	\$804,810
9/30/2028	\$728,150	\$0	\$75,949	\$0	\$0	\$0	\$804,099
9/30/2029	\$726,350	\$0	\$77,468	\$0	\$0	\$0	\$803,818
9/30/2030	\$724,900	\$0	\$79,018	\$0	\$0	\$0	\$803,918
9/30/2031	\$722,750	\$0	\$80,598	\$0	\$0	\$0	\$803,348
9/30/2032	\$721,900	\$0	\$82,210	\$0	\$0	\$0	\$804,110
9/30/2033	\$720,250	\$0	\$83,854	\$0	\$0	\$0	\$804,104
9/30/2034	\$717,800	\$0	\$85,531	\$0	\$0	\$0	\$803,331
9/30/2035	\$716,550	\$0	\$87,242	\$0	\$0	\$0	\$803,792
9/30/2036	\$715,400	\$0	\$88,987	\$0	\$0	\$0	\$804,387
9/30/2037	\$713,300	\$0	\$90,766	\$0	\$0	\$0	\$804,066
9/30/2038	\$711,250	\$0	\$92,582	\$0	\$0	\$0	\$803,832
9/30/2039	\$710,200	\$0	\$94,433	\$0	\$0	\$0	\$804,633
9/30/2040	\$708,050	\$0	\$96,322	\$0	\$0	\$0	\$804,372
9/30/2041	\$704,800	\$0	\$98,248	\$0	\$0	\$0	\$803,048
9/30/2042	\$703,450	\$0	\$100,213	\$0	\$0	\$0	\$803,663
9/30/2043	\$701,850	\$0	\$102,218	\$0	\$0	\$0	\$804,068
9/30/2044	\$698,950	\$0	\$104,262	\$0	\$0	\$0	\$803,212
9/30/2045	\$697,750	\$0	\$106,347	\$0	\$0	\$0	\$804,097
9/30/2046	\$695,100	\$0	\$108,474	(\$73,035)	\$0	\$0	\$730,539
<b>Total</b>	<b>\$21,200,381</b>	<b>\$2,282,170</b>	<b>\$2,764,124</b>	<b>\$314,496</b>	<b>(\$86,920)</b>	<b>\$0</b>	<b>\$26,474,250</b>

<sup>1</sup> Represents the principal and interest for the Improvement Area #1 Bonds.

<sup>2</sup> Represents the principal and interest for the Improvement Area #1 Reimbursement Agreement.

<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>Nonregular principal payments include prepayments received during the year.

**APPENDIX G**  
**IMPROVEMENT AREA #2 ASSESSMENT ROLL**

**Appendix G**  
**Improvement Area #2 Assessment Roll**

<b>Parcel</b>	<b>All Parcels</b>
<b>Original Equivalent Units</b>	<b>91.27</b>
<b>Equivalent Units (Net of Prepayments)</b>	<b>90.69</b>
<b>Original Assessment</b>	<b>\$10,750,000</b>
<b>Outstanding Assessment (Net of Prepayments)</b>	<b>\$10,276,174</b>

<b>Year<sup>1</sup></b>	<b>Principal<sup>1</sup></b>	<b>Interest<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>Available Credits</b>	<b>Total Annual Installment</b>
9/30/2021	\$0	\$0	\$0	\$677,250	\$69,000	\$0		\$746,250
9/30/2022	\$160,000	\$219,815	\$0	\$245,953	\$77,000	\$46,150		\$748,918
9/30/2023	\$215,000	\$313,806	\$30,512	\$53,426	\$79,000	\$45,350		\$737,094
9/30/2024	\$216,000	\$301,220	\$31,635	\$77,944	\$79,000	\$43,239	(\$6,752)	\$742,286
9/30/2025	\$216,000	\$294,818	\$32,799	\$49,614	\$79,000	\$42,018	(\$5,000)	\$709,249
9/30/2026	\$223,000	\$288,902	\$34,006	\$48,334	\$73,000	\$40,861	(\$10,391)	\$697,712
9/30/2027	\$235,000	\$291,555	\$35,257	\$48,680	\$86,595	\$40,900		\$737,987
9/30/2028	\$241,000	\$284,505	\$36,555	\$47,383	\$88,326	\$39,725		\$737,494
9/30/2029	\$248,000	\$277,275	\$37,900	\$46,037	\$90,093	\$38,520		\$737,825
9/30/2030	\$255,000	\$269,835	\$39,295	\$44,642	\$91,895	\$37,280		\$737,947
9/30/2031	\$262,000	\$262,185	\$40,741	\$43,196	\$93,733	\$36,005		\$737,860
9/30/2032	\$269,000	\$254,325	\$42,241	\$41,697	\$95,607	\$34,695		\$737,565
9/30/2033	\$278,000	\$245,583	\$43,795	\$40,142	\$97,520	\$33,350		\$738,390
9/30/2034	\$286,000	\$236,548	\$45,407	\$38,531	\$99,470	\$31,960		\$737,916
9/30/2035	\$295,000	\$227,253	\$47,078	\$36,859	\$101,459	\$30,530		\$738,179
9/30/2036	\$304,000	\$217,665	\$48,811	\$35,127	\$103,489	\$29,055		\$738,147
9/30/2037	\$313,000	\$207,785	\$50,607	\$33,330	\$105,558	\$27,535		\$737,815
9/30/2038	\$323,000	\$197,613	\$52,470	\$31,468	\$107,669	\$25,970		\$738,190
9/30/2039	\$333,000	\$187,115	\$54,401	\$29,537	\$109,823	\$24,355		\$738,231
9/30/2040	\$343,000	\$176,293	\$56,403	\$27,535	\$112,019	\$22,690		\$737,940
9/30/2041	\$354,000	\$165,145	\$58,478	\$25,459	\$114,260	\$20,975		\$738,317
9/30/2042	\$365,000	\$153,640	\$60,631	\$23,307	\$116,545	\$19,205		\$738,328
9/30/2043	\$379,000	\$139,040	\$62,862	\$21,076	\$118,876	\$17,380		\$738,234
9/30/2044	\$393,000	\$123,880	\$65,175	\$18,762	\$121,253	\$15,485		\$737,555
9/30/2045	\$409,000	\$108,160	\$67,574	\$16,364	\$123,678	\$13,520		\$738,296
9/30/2046	\$425,000	\$91,800	\$70,061	\$13,877	\$126,152	\$11,475		\$738,365
9/30/2047	\$441,000	\$74,800	\$72,639	\$11,298	\$128,675	\$9,350		\$737,762
9/30/2048	\$458,000	\$57,160	\$75,313	\$8,625	\$131,249	\$7,145		\$737,492
9/30/2049	\$476,000	\$38,840	\$78,084	\$5,853	\$133,873	\$4,855		\$737,505
9/30/2050	\$495,000	\$19,800	\$80,958	\$2,979	\$136,551	\$2,475		\$737,763
<b>Total</b>	<b>\$9,210,000</b>	<b>\$5,726,361</b>	<b>\$1,451,688</b>	<b>\$1,844,285</b>	<b>\$3,090,368</b>	<b>\$792,053</b>	<b>(\$22,143)</b>	<b>\$22,092,612</b>

<sup>1</sup>Represents the principal and interest for the Improvement Area #2 Bonds. The interest is calculated using an interest rate of 2.50% in years 1 through 5 (2022-2026), 3.00% in years 6 through 10 (2027-2031), 3.250% in years 11 through 20 (2032-2041), and 4.00% in years 21 through 29 (2042-2050).

<sup>2</sup>Represents the principal and interest paid under the Improvement Area #2 Reimbursement Agreement. The interest is calculated using an interest rate of 3.680%.

<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.

**APPENDIX H**  
**IMPROVEMENT AREA #3 ASSESSMENT ROLL**

**Appendix H**  
**Improvement Area #3 Assessment Roll**

<b>Parcel</b>		<b>All Parcels</b>
<b>2024 Updated Equivalent Units<sup>1</sup></b>		<b>316.45</b>
<b>Assessment</b>		<b>\$17,270,000</b>

<b>Year<sup>2</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<sup>4</sup></b>	<b>Available Credits</b>	<b>Total Annual Installment</b>
9/30/2025	\$0	\$624,552	\$0	\$0		\$624,552
9/30/2026	\$288,000	\$892,218	\$78,000	\$0	(\$3,895)	\$1,254,323
9/30/2027	\$299,000	\$879,617	\$93,636	\$0		\$1,272,253
9/30/2028	\$310,000	\$866,536	\$95,509	\$0		\$1,272,044
9/30/2029	\$322,000	\$852,973	\$97,419	\$0		\$1,272,392
9/30/2030	\$334,000	\$838,886	\$99,367	\$0		\$1,272,253
9/30/2031	\$346,000	\$824,273	\$101,355	\$0		\$1,271,628
9/30/2032	\$360,000	\$809,136	\$103,382	\$0		\$1,272,517
9/30/2033	\$376,000	\$790,776	\$105,449	\$0		\$1,272,225
9/30/2034	\$393,000	\$771,600	\$107,558	\$0		\$1,272,158
9/30/2035	\$411,000	\$751,557	\$109,709	\$0		\$1,272,266
9/30/2036	\$430,000	\$730,596	\$111,904	\$0		\$1,272,499
9/30/2037	\$449,000	\$708,666	\$114,142	\$0		\$1,271,808
9/30/2038	\$470,000	\$685,767	\$116,425	\$0		\$1,272,191
9/30/2039	\$492,000	\$661,797	\$118,753	\$0		\$1,272,550
9/30/2040	\$514,000	\$636,705	\$121,128	\$0		\$1,271,833
9/30/2041	\$538,000	\$610,491	\$123,551	\$0		\$1,272,041
9/30/2042	\$563,000	\$583,053	\$126,022	\$0		\$1,272,074
9/30/2043	\$589,000	\$554,340	\$128,542	\$0		\$1,271,882
9/30/2044	\$617,000	\$524,301	\$131,113	\$0		\$1,272,414
9/30/2045	\$646,000	\$492,834	\$133,735	\$0		\$1,272,569
9/30/2046	\$678,000	\$458,111	\$136,410	\$0		\$1,272,521
9/30/2047	\$711,000	\$421,669	\$139,138	\$0		\$1,271,807
9/30/2048	\$747,000	\$383,453	\$141,921	\$0		\$1,272,373
9/30/2049	\$784,000	\$343,301	\$144,759	\$0		\$1,272,061
9/30/2050	\$823,000	\$301,161	\$147,655	\$0		\$1,271,816
9/30/2051	\$864,000	\$256,925	\$150,608	\$0		\$1,271,533
9/30/2052	\$908,000	\$210,485	\$153,620	\$0		\$1,272,105
9/30/2053	\$954,000	\$161,680	\$156,692	\$0		\$1,272,372
9/30/2054	\$1,002,000	\$110,403	\$159,826	\$0		\$1,272,229
9/30/2055	\$1,052,000	\$56,545	\$163,023	\$0		\$1,271,568
<b>Total</b>	<b>\$17,270,000</b>	<b>\$17,794,407</b>	<b>\$3,710,351</b>	<b>\$0</b>	<b>(\$3,895)</b>	<b>\$38,770,857</b>

<sup>1</sup>See Appendix D Table D-19 for calculation of Updated Equivalent Unit Factors for Improvement Area #3.

<sup>2</sup>Represents the principal and interest paid under the Improvement Area #3 Bonds. The interest is calculated using a 4.38% interest rate for years 2026-2031, a 5.10% interest rate for years 2032-2044 and an interest rate of 5.38% for years 2045-2055.

<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>Additional Interest Reserve will only be collected as needed following the issuance of the Improvement Area #3 Bonds and will be updated in each Annual Service Plan Update.

**APPENDIX C**  
**FORM OF OPINION OF BOND COUNSEL**

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*An opinion in substantially the following form will be delivered by Winstead PC, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

*The opinion will be issued on firm letterhead.*

\_\_\_\_\_, 2026

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS,  
SERIES 2026 (IMPROVEMENT AREA #1 PROJECT)  
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

We have acted as "Bond Counsel" to Club Municipal Management District No. 1 (the "District") in connection with the issuance of the bonds described above (the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of the District and the adequacy of the "Trust Estate", described in the Indenture defined below, for payment of the Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the "Board of Directors"); an order of the Board of Directors authorizing the Bonds adopted on February 5, 2026 (the "Order"); the Indenture of Trust dated as of February 1, 2026 between the District and Wilmington Trust, National Association (the "Indenture"); the Bond Purchase Agreement dated February 5, 2026 between the underwriter named therein and the District; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a "Federal Tax Certificate"), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. T-1 and Bond No. TCA-1.

Based on said examination and in accordance with customary legal practice, it is our opinion that:

1. The District is a validly existing municipal management district of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.

2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity and bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.
4. The Trust Estate (as described in the Indenture) consisting primarily of Assessments levied against assessable properties in Improvement Area #1 in the District in accordance with a Service and Assessment Plan for the District necessary to pay the interest on and principal of the Bonds have been pledged irrevocably for such purpose.
5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's financial advisor, and the underwriter of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

The District reserves the right, subject to the restrictions set forth in the Indenture, and without obtaining the consent of the registered owners of the Bonds, to issue "Refunding Bonds" to refund the Bonds to the extent authorized by state law.

The registered owners of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation or from any source whatsoever other than the source specified in the Indenture.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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**APPENDIX D**  
**FORM OF DISTRICT DISCLOSURE AGREEMENT**

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**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING  
AND IMPROVEMENT BONDS, SERIES 2026  
(IMPROVEMENT AREA #1 PROJECT)**

**CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER**

This Continuing Disclosure Agreement of the Issuer dated as of February 1, 2026 (this "Disclosure Agreement") is executed and delivered by and between the Club Municipal Management District No. 1 (the "Issuer"), MuniCap, Inc. (the "Administrator"), and MuniCap, Inc. (the "Dissemination Agent"), with respect to the Issuer's "Special Assessment Revenue Refunding and Improvement Bonds, Series 2026 (Improvement Area #1 Project)" (the "Bonds"). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this 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 February 1, 2026, between the Issuer and the Trustee relating to the Bonds (the "Indenture"), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Administrative Expenses" shall have the meaning assigned to such term in the Indenture.

"Administrator" shall mean MuniCap, Inc., or an officer or employee of the District, or third party designee of the District who is not an officer or employee thereof, identified in any indenture of trust relating to the Bonds, the District's Service and Assessment Plan, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District.

"Annual Financial Information" shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

"Annual Installment" shall have the meaning assigned to such term in the Indenture.

"Annual Issuer Report" shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Assessments" shall mean the "Assessments" as defined in the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday, or legal holiday in the State of Texas observed as such by the Issuer or the Trustee.

“Disclosure Representative” shall mean the President of the Board of Directors of the Issuer or his or her designee, or such other officer or employee as the Issuer may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean MuniCap, Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the calendar year from October 1 through September 30.

“Improvement Area #1” shall have the meaning given to it in the Service and Assessment Plan.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Outstanding” shall have the meaning given to it in the Indenture.

“Owner(s)” shall mean the registered owner(s) of any Bonds, as shown on the register maintained by the Trustee.

“Participating Underwriter” means FMSbonds, Inc. and its successors and assigns.

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

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Trust Estate” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall mean Wilmington Trust, National Association., or any successor trustee pursuant to the Indenture.

### Section 3. Provision of Annual Issuer Reports.

(a) The Issuer shall cause and hereby directs the Administrator to compile and prepare the Annual Issuer Report. The Administrator shall provide such Annual Issuer Report to the Issuer and the

Dissemination Agent no later than 10 Business Days before the expiration of six months after the end of each Fiscal Year, commencing with the Fiscal Year ended September 30, 2025.

(b) The Issuer shall cause and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, commencing with the Fiscal Year ended September 30, 2026, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer, if prepared and available, may be submitted separately from the Annual Financial Information, and later than the date required in this paragraph for the filing of the Annual Issuer Report if audited financial statements are not available by such date; provided further, however, that the Annual Issuer Report must be submitted not later than six months after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended September 30, 2026. The Issuer will provide the audited financial statements in connection with the requirements of the Rule; notwithstanding such requirements, the Bonds are special obligations of the Issuer payable solely from the Pledged Revenues and other funds comprising the Trust Estate, as and to the extent provided for and defined in the Indenture. The Bonds do not give rise to a charge against the general credit or taxing power of the Issuer and are payable solely from the sources identified in the Indenture.

The Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:

(1) determine the filing address or other filing location of the MSRB each year within ten (10) Business Days prior to filing the Annual Issuer Report on the date required in Section 4;

(2) file the Annual Issuer Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Issuer or the Dissemination Agent upon receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof;

(3) file audited financial statements of the Issuer pursuant to Section 4(b) herein; and

(4) if the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

Section 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file, the following:

(a) Within six months after the end of each Fiscal Year the following Annual Financial Information (any or all of which may be unaudited):

- (i) Tables setting forth the following information, as of the end of such Fiscal Year:
  - (A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;
  - (B) The amounts in the funds and accounts securing the Bonds; and
- (ii) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.
- (iii) Updates to the information in the Service and Assessment Plan as most recently amended or supplemented (a “SAP Update”), including any changes to the methodology for levying the Assessments in Improvement Area #1 of the District.
- (iv) The aggregate taxable assessed valuation for parcels or lots within Improvement Area #1 of the District based on the most recent certified tax roll available to the Issuer.
- (v) Listing of any property or property owners in Improvement Area #1 of the District representing more than twenty percent (20%) of the levy of Assessments, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments within Improvement Area #1 of the District, all as of the October 1 billing date for the Fiscal Year.
- (vi) Collection and delinquency history of the Assessments within Improvement Area #1 of the District for the past five Fiscal Years, in the following format:

#### **Collection and Delinquent History of Assessments in Improvement Area #1 of the District**

Collected in Fiscal Year <u>Ending 9/30</u>	Assessment <u>Billed</u>	Parcels <u>Levied</u>	Delinquent Amount <u>as of 3/1</u>	Delinquent Percentage <u>as of 3/1</u>	Delinquent Amount <u>as of 9/1</u>	Delinquent Percentage <u>as of 9/1</u>	Total Assessments <u>Collected<sup>(1)</sup></u>
20__	\$		—	—	—	—	\$

<sup>(1)</sup> Collected as of \_\_\_\_\_, 20\_\_. Includes \$ \_\_\_\_\_ attributable to Prepayments.

- (vii) Total amount of Prepayments collected, as of the March 1 of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year).
- (viii) The amount of delinquent Assessments by Fiscal Year:
  - (A) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);
  - (B) which are currently subject to foreclosure proceedings which have not been concluded;

- (C) which have been reduced to judgment but not collected;
- (D) which have been reduced to judgment and collected; and
- (E) the result of any foreclosure sales of assessed property within Improvement Area #1 of the District if the assessed property represents more than one percent (1%) of the total amount of Assessments.

(ix) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer's audited financial statements during such Fiscal Year.

(b) If not provided with the financial information provided under subsection 4(a) above, if prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If audited financial statements are not included with the financial information provided under subsection 4(a) above, unaudited financial statements shall be included with such financial information within twelve months of the end of the Issuer's fiscal year.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated MuniCap, Inc. as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of Owners, if material.
8. Bond calls, if material.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the obligated person, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For these purposes, “financial obligation” means (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. The Issuer intends the words used in numbers (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

For these purposes, any event described in the immediately preceding number (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB; provided, however, the Issuer shall deliver such written notice to the Dissemination Agent within eight (8) business days of the occurrence of such Listed Event in order for the Dissemination Agent to timely file such notice in a timely manner with the MSRB through EMMA. The Dissemination Agent shall file such notice no later than the second Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided that the Dissemination Agent shall not be liable for the filing of notice of any Listed Event more than ten (10) Business Days after the occurrence of such Listed Event if notice of such Listed Event is received from the Issuer more than ten (10) Business Days after the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB's ten (10) business day filing requirement.

Additionally, the Dissemination Agent shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide annual audited financial statements or Annual Financial Information as required under this Disclosure Agreement. The form for submitting such notice is attached hereto as Exhibit A.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which written direction from the Issuer to the Dissemination Agent shall within eight (8) business days after the occurrence of the Listed Event or failure to file and date of such filing provided by the Issuer shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of all disclosures. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within two (2) Business Days of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed in writing by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than 2 Business Days following the day on which it receives such written instructions. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in

damages or in tort to the Issuer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8, 10, 13, 14 or 15 of subsection (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after the occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

Section 6. Termination of Reporting Obligations. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(a).

Section 7. Dissemination Agent. The Dissemination Agent agrees to perform the duties set forth in this Agreement. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time with thirty (30) days' notice to the Issuer. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder is set forth in Section 2.

Section 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Issuer Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Issuer Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may and the Trustee may (and, at the request of any Participating Underwriter or the Owners of more than fifty percent (50%) aggregate principal amount of Outstanding Bonds in accordance with the Indenture, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator. The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically

set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees, and agents, but only with funds to be provided from Assessments collected for Administrative Expenses from the property owners in Improvement Area #1 of the District against any loss, expense and liabilities which the Administrator may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability arising under this Disclosure Agreement, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Issuer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Dissemination Agent, which it is expressly entitled to be paid under this Section 11, are Administrative Expenses.

The Administrator shall not have any responsibility for the (1) accuracy of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, or (2) the untimeliness of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, except where such untimeliness is attributable to the actions or inactions of the Administrator. The Administrator shall have only such duties as are specifically set forth in Sections 3 and 4 of this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided from Assessments collected for Administrative Expenses from the property owners in Improvement Area #1 of the District against any loss, expense and liabilities which the Administrator may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability under this Disclosure Agreement, resulting from information provided to the Administrator by the Issuer, but excluding (i) liabilities due to the Administrator's negligence or willful misconduct, and (ii) liabilities from claims made by the Issuer against the Administrator; provided, however, that nothing herein shall be construed to require the Issuer to indemnify or hold harmless the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties, or the failure of any third party to provide information to the Administrator as and when required under this Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to

imply that the Administrator is an “obligated person” under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The Issuer, the Administrator, and the Dissemination Agent agree that the legal expenses of the Administrator, which it is expressly entitled to be paid under this Section 11, are Administrative Expenses.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NEITHER THE DISSEMINATION AGENT NOR THE ADMINISTRATOR ARE UNDER ANY OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments are set forth in Exhibit C which is solely intended to illustrate the general procedures expected to generally be followed in enforcing the payment of delinquent Assessments.

Section 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, the Administrator or the Dissemination Agent in other than that person's official capacity.

Section 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision,

covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 15. Sovereign Immunity. The Dissemination Agent agrees that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their services rendered in accordance with this Disclosure Agreement constitute 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 Assessments collected from the property owners in Improvement Area #1 of the District, for its fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

The Administrator and Dissemination Agent have entered into an agreement with the Issuer, which agreement governs the administration of Improvement Area #1, including the payment of the fees and expenses of the Administrator for their services rendered in regard to this Disclosure Agreement. Services provided under this Disclosure Agreement are pursuant to said agreement with the Issuer.

Section 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 20. Statutory Verifications. The Dissemination Agent and Administrator each respectively makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Disclosure Agreement. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Dissemination Agent or Administrator, as applicable, within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Disclosure Agreement shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Disclosure Agreement, notwithstanding anything in this Disclosure Agreement to the contrary.

(a) Not a Sanctioned Company. The Dissemination Agent and Administrator each respectively represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the Dissemination Agent,

Administrator and each of their respective parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) No Boycott of Israel. The Dissemination Agent and Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.

(c) No Discrimination Against Firearm Entities. The Dissemination Agent and Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Disclosure Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.

(d) No Boycott of Energy Companies. The Dissemination Agent and Administrator each respectively hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Disclosure Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

Section 21. Forms 1295. Submitted by the Administrator herewith is a completed Form 1295 in connection with the execution of this Agreement generated by the Texas Ethics Commission’s (the “TEC”) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the “Form 1295”). The District hereby confirms receipt of the Form 1295 from the Administrator, and the District agrees to acknowledge such form with the TEC through its electronic filing application not later than the 30th day after the receipt of such form. The Administrator and the District understand and agree that, with the exception of information identifying the District and the contract identification number, neither the District nor its consultant is responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Administrator; and, neither the District nor its consultant has verified such information.

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**CLUB MUNICIPAL MANAGEMENT  
DISTRICT NO. 1**

By: \_\_\_\_\_  
President, Board of Directors

**DISSEMINATION AGENT:  
MUNICAP, INC.**

By: \_\_\_\_\_  
Authorized Officer

**ADMINISTRATOR:  
MUNICAP, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT A

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL ISSUER REPORT

Name of Issuer: Club Municipal Management District No. 1

Name of Bond Issue: Special Assessment Revenue Refunding and Improvement Bonds, Series 2026

(Improvement Area #1 Project)

Date of Delivery: \_\_\_\_\_

NOTICE IS HEREBY GIVEN that the Club Municipal Management District No. 1, has not provided [an Annual Issuer Report][annual audited financial statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated February 1, 2026, between the Issuer, MuniCap, Inc. as Administrator and MuniCap, Inc., as Dissemination Agent. The Issuer anticipates that [the Annual Issuer Report][annual audited financial statements] will be filed by \_\_\_\_\_.

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

MUNICAP, INC., on behalf of the Club  
Municipal Management District No. 1  
(as Dissemination Agent)

By: \_\_\_\_\_  
Title: \_\_\_\_\_

cc: Club Municipal Management District No. 1

## EXHIBIT B

**CLUB MUNICIPAL MANAGEMENT DISTRICT NO. 1  
SPECIAL ASSESSMENT REVENUE REFUNDING AND IMPROVEMENT BONDS,  
SERIES 2026  
(IMPROVEMENT AREA #1 PROJECT)**

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**ANNUAL ISSUER REPORT\***

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Delivery Date: \_\_\_\_\_, 20\_\_\_\_

CUSIP NOSs: [insert CUSIP NOs.]

**BONDS OUTSTANDING**

<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>	<u>Outstanding Interest Amount</u>
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**INVESTMENTS**

<u>Fund/ Account Name</u>	<u>Investment Description</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
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\*Excluding Audited Financial Statements of the Issuer

**BALANCE OF FUNDS AND ACCOUNTS SECURING THE BONDS**

Bonds (Principal Balance)	_____
Funds and Accounts [list]	_____
<b>TOTAL ASSETS</b>	_____

**Form of Accounting**  Cash  Accrual  Modified Accrual

**ITEMS REQUIRED BY SECTIONS 4(a)(ii) – (vii)**

[Insert a line item for each applicable listing]

**SECTION 4(a)(viii) COLLECTION AND DELINQUENCY HISTORY OF THE ASSESSMENTS WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT FOR THE PAST FIVE FISCAL YEARS, IN THE FOLLOWING FORMAT:**

**Collection and Delinquent History of Assessments in Improvement Area #1 of the District**

Collected in Fiscal Year <u>Ending 9/30</u>	Assessment <u>Billed</u>	Parcels <u>Levied</u>	Delinquent Amount <u>as of 3/1</u>	Delinquent Percentage <u>as of 3/1</u>	Delinquent Amount <u>as of 9/1</u>	Delinquent Percentage <u>as of 9/1</u>	Total Assessments <u>Collected<sup>(1)</sup></u>
20__	\$			—	—		\$

<sup>(1)</sup> Collected as of \_\_\_\_\_, 20\_\_. Includes \$ \_\_\_\_\_ attributable to Prepayments.

**ITEMS REQUIRED BY SECTIONS 4(a)(ix) – (xi)**

**[Insert a line item for each applicable listing]**

## EXHIBIT C

### BASIC TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES<sup>1</sup>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments delinquent if not received
February 15	15	Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.
		Issuer and/or Administrator should be aware of actual and specific delinquencies
		Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payment on March 1. <b>If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified.</b>
		Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment.
		At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the District Attorney or an appropriate designee, will begin process to cure deficiency. <b>For properties delinquent by more than one year or if the delinquency exceeds \$10,000, the matter will be referred for commencement of foreclosure.</b>
		<b>If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.</b>
March 1	28/29	Trustee pays bond interest payments to bondholders.
		Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

<sup>1</sup> Illustration of sequencing and thresholds of events only. Actual actions may differ from this timeline.

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
		Issuer to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or Fund for debt service.
		<b>Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.</b>
		Issuer determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments.
March 20	47/48	<b>Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies in the form of the Annual Issuer Report or otherwise.</b>
		<b>If any property owner with ownership of property responsible for more than \$10,000 of the Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with District Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Assessments.</b>
April 15	74/75	<b>Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity.</b>
		If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
May 1	89/90	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the bondholders under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
May 15	103/104	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than June 1 (day 120/121).
<b>June 1</b>	<b>120/121</b>	<b>Foreclosure action to be filed with the court.</b>

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
<b>June 15</b>	<b>134/135</b>	<b>Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status.</b> Dissemination Agent notifies bondholders.
July 1	150/151	If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

**APPENDIX E**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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