AGENDA
SPECIAL CITY COUNCIL MEETING
THURSDAY, JANUARY 7, 2021 - 6:00 PM
CITY HALL COUNCIL CHAMBERS
209 S. WASHINGTON STREET
KAUFMAN, TEXAS 75142
AND VIA VIDEOCONFERENCE/TELECONFERENCE

This meeting will be held using videoconferencing/teleconferencing technology with public access via:
WWW.ZOOM.US/JOIN OR
(888)788-0099 (TOLL FREE)
MEETING/WEBINAR ID: 870 6687 1864
PASSWORD: 158109

PLEDGE OF ALLEGIANCE

CALL MEETING TO ORDER Mayor calls the Meeting to order, states the date and time, state Councilmembers present, and declares a quorum present.**

CITIZENS COMMENTS / REQUEST TO SPEAK ON AGENDA ITEMS (5 MINUTES) Comments about any of the Council agenda items may be taken into consideration at this time or during the agenda item. Comments are limited to five (5) minutes per individual unless additional time is otherwise required by law for translation. Speaking time is not transferable. Citizens may address the City Council on any subject but must first complete a Request to Speak Form so that the Mayor may call your name to speak at the appropriate time on the Agenda. Comments must be directed to the Council as a whole. **When addressing the Council, please step forward to the speaker's podium, state your name and address, and direct your comments to the Mayor and City Council.**

CONSENT AGENDA

1. Consider and take appropriate action on the minutes of the December 14, 2020, Regular City Council Meeting.

2. Consider and take appropriate action to ratify the TIRZ #1 Lift Station Reimbursement Agreement between TIRZ#1, the City of Kaufman, and JWS Land, Ltd., for reimbursement of project expenses related to a lift station as part of the Tractor Supply Corporation development

3. Consider and take appropriate action on change order #2 to the contract between the City and Axis Contracting Inc. on the paving, drainage, sanitary sewer and water improvements for E. Ninth Street, Main Street and Circle Drive.

END OF CONSENT AGENDA

DISCUSSION/ACTION ITEMS

4. Consider and take appropriate action on Ordinance O-01-21, an ordinance of the City of Kaufman, Texas, approving and authorizing the issuance and sale of the City of Kaufman Special Assessment Revenue Bonds, series 2021 (Kaufman Public Improvement District No. 1 Phases 1A and 1B); approving and authorizing an indenture of trust, a bond purchase agreement, limited offering memorandum, a continuing disclosure agreement, and other agreements and documents in connection therewith; making findings with respect to the issuance of such bonds; and providing an effective date

5. Consider and take appropriate action on Resolution R-01-21, a resolution of the City of Kaufman, Texas, adopting the Preliminary Letter of Memorandum for Public Improvement District #1.

6. Consider and take appropriate action on the selection of Traylor & Associates and authorize the City Manager to negotiate and execute a contract with Traylor & Associates to assist the City of Kaufman in preparing an application for the City's proposed program year 2021-2022 Community Development Fund Public Infrastructure Project to the Texas Community Development Block Grant Program (TXCDBG) at the Texas Department of Agriculture – Office of Rural Affairs (TDA), and contingent upon program funding, to assist City in the overall management of City's proposed program.

7. Consider and take appropriate action on the award of bid and contract for the Paving, Drainage, & Landscape/irrigation improvements for Tabor Parkway (CR 151) and authorizing the Mayor or his designee to execute necessary documents.

8. Consider and take appropriate action to authorize the City Manager or his designee to dispose of surplus City assets by auction, sealed bid, or another form of sale.

ANNOUNCEMENTS AND REPORTS FROM CITY MANAGER

9. Receive an update and discussion regarding the following:

    a. Storm Drainage Project Update.

b. Revenue Projection Update.

ADJOURNMENT

I, JESSIE HANKS, CITY SECRETARY, DO HEREBY CERTIFY THAT THIS NOTICE OF MEETING WAS POSTED ON THE WINDOW AT KAUFMAN MUNICIPAL COMPLEX, 209 S. WASHINGTON, KAUFMAN, TEXAS, A PLACE CONVENIENT AND READILY ACCESSIBLE TO THE GENERAL PUBLIC AT ALL TIMES AND SAID NOTICE WAS POSTED AT THE KAUFMAN MUNICIPAL COMPLEX, 209 S. WASHINGTON, KAUFMAN, TEXAS AT 4:30 P.M. ON MONDAY, JANUARY 4, 2021 AND REMAINED SO POSTED CONTINUOUSLY FOR AT LEAST 72 HOURS PRECEDING THE SCHEDULE TIME OF SAID MEETING.

Jessie Hanks

JESSIE HANKS
CITY SECRETARY

THE CITY COUNCIL RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION AT ANY TIME DURING THE COURSE OF THIS MEETING TO DISCUSS ANY OF THE MATTERS LISTED ABOVE, AS AUTHORIZED BY THE TEXAS GOVERNMENT CODE. SECTION 551.071 (CONSULTATION WITH ATTORNEY).

****PURSUANT TO SECTION 551.127, TEXAS GOVERNMENT CODE, ONE OR MORE COUNCILMEMBERS OR EMPLOYEES MAY ATTEND THIS MEETING REMOTELY USING VIDEOCONFERENCING TECHNOLOGY. THE VIDEO AND AUDIO FEED OF THE VIDEOCONFERENCING EQUIPMENT CAN BE VIEWED AND HEARD BY THE PUBLIC BY ACCESSING WWW.ZOOM.US/JOIN OR (888)788-0099 (TOLL FREE) MEETING /WEBINAR ID: 870 6687 1864 PASSWORD: 158109**

THE BUILDING IN WHICH THE ABOVE MEETING WILL BE CONDUCTED IS WHEELCHAIR ACCESSIBLE AND PARKING SPACES FOR THE MOBILITY IMPAIRED ARE AVAILABLE. PERSONS WITH DISABILITIES WHO PLAN TO ATTEND THIS MEETING AND WHO MAY NEED AUXILIARY AIDS OR SERVICES SUCH AS INTERPRETERS FOR PERSONS WHO ARE DEAF OR HEARING IMPAIRED, READERS, OR LARGE PRINT ARE REQUESTED TO CONTACT THE CITY SECRETARY'S OFFICE AT 972-932-2216 AT LEAST TWO (2) WORKING DAYS PRIOR TO THE TIME OF THE MEETING SO THAT APPROPRIATE ARRANGEMENTS CAN BE MADE.

MINUTES OF THE
CITY COUNCIL MEETING
MONDAY, DECEMBER 14, 2020 - 5:30 PM
CITY HALL COUNCIL CHAMBERS
209 S. WASHINGTON STREET
KAUFMAN, TEXAS 75142

PLEDGE OF ALLEGIANCE

CALL MEETING TO ORDER

TIRZ #1: Chairman calls the Meeting to order, states the date and time, state members present, and declares a quorum present.**

Chairman Jordan called the TIRZ #1 meeting to order at 5:35 PM. TIRZ #1 members present were Charles Gillenwater, Barry Ratcliffe, Matt Phillips, and Jeff Jordan. Board member Mike Hunt was absent. Chairman Jordan declared a quorum present. Also present were City Manager Mike Slye, Assistant City Manager Mike Holder, City Attorney Patricia Adams, City Secretary Jessie Hanks, Development Services Director Marcy Ratcliff, and Police Chief Dana Whitaker.

TIRZ #2: Chairman calls the Meeting to order, states the date and time, state members present, and declares a quorum present.**

Chairman Jordan called the TIRZ #2 meeting to order at 5:35 PM. TIRZ #2 members present were Barry Ratcliffe, Jeff Jordan, Patty Patterson, Carole Aga, Matt Phillips, and Jeff Council. Board member Lisa Parker was absent. Chairman Jordan declared a quorum present. Also present were City Manager Mike Slye, Assistant City Manager Mike Holder, City Attorney Patricia Adams, City Secretary Jessie Hanks, Development Services Director Marcy Ratcliff, and Police Chief Dana Whitaker.

CITIZENS COMMENTS / REQUEST TO SPEAK ON AGENDA ITEMS (5 MINUTES) Comments about any of the Council agenda items may be taken into consideration at this time or during the agenda item. Comments are limited to five (5) minutes per individual unless additional time is otherwise required by law for translation. Speaking time is not transferable. Citizens may address the City Council on any subject but must first complete a Request to Speak Form so that the Mayor may call your name to speak at the appropriate time on the Agenda. Comments must be directed to the Council as a whole. **When addressing the Council, please step forward to the speaker's podium, state your name and address, and direct your comments to the Mayor and City Council.**

No comments were given.

TIRZ #1 ITEMS

1. Consider and take appropriate action to make a recommendation to City Council regarding an agreement between the City and Municap, Inc. to provide administration services for Tax Increment Reinvestment Zone #1 and authorizing the Mayor or his designee to execute the agreement.

Mr. Slye gave an overview of the purpose of the agreement with Municap, Inc. to provide administration services for TIRZ #1. He reviewed the costs and how they will be covered. He outlined the scope of work for the agreement.

Board member Gillenwater made a motion to make a recommendation of approval for the agreement with Municap, Inc. The motion was seconded by Vice Chairman Ratcliffe and passed 4/0.

2. Consider and take appropriate action to make a recommendation to City Council regarding TIRZ #1 Lift Station Reimbursement Agreement between TIRZ#1, the City of Kaufman, and JWS Land, Ltd., for reimbursement of project expenses related to a lift station as part of the Tractor Supply Corporation development

Mr. Slye reviewed the project with Council and the purpose for the reimbursement agreement. He informed the board about the agreement with KEDC for a portion of the project.

Board Member Ratcliffe made a motion to recommend approval of the TIRZ #1 Lift Station Reimbursement Agreement. The motion was seconded by Board Member Phillips and passed 4/0.

TIRZ #1 ADJOURNMENT

Chairman Jordan adjourned the TIRZ #1 meeting at 5:43 PM.

TIRZ #2 ITEMS

3. Consider and take appropriate action to make a recommendation to City Council regarding an agreement between the City and Municap, Inc. to provide administration services for Tax Increment Reinvestment Zone #2 and authorizing the Mayor or his designee to execute the agreement.

Board member Council made a motion to make a recommendation of approval for the agreement with Municap, Inc. The motion was seconded by Board Member Ratcliffe and passed 6/0.

TIRZ #2 ADJOURNMENT

Chairman Jordan adjourned the TIRZ #2 meeting at 5:45 PM.

CALL CITY COUNCIL MEETING TO ORDER Mayor calls the Meeting to order, states the date and time, state Councilmembers present, and declares a quorum present.**

Mayor Jordan called the City Council meeting to order at 5:46 PM. Councilmembers present were Jeff Jordan, Carole Aga, Jeff Council, Barry Ratcliffe, Lisa Parker, Matt Phillips, and Patty Patterson. Mayor Jordan declared a quorum present. Also present were City Manager Mike Slye, Assistant City Manager Mike Holder, City Attorney Patricia Adams, City Secretary Jessie Hanks, Development Services Director Marcy Ratcliff, and Police Chief Dana Whitaker.

CONSENT AGENDA

4. Consider and take appropriate action on the minutes of the November 16, 2020, Regular City Council Meeting.

5. Consider and take appropriate action on designating the Kaufman Herald as the Official Newspaper for the City of Kaufman (2021).

6. Consider and take appropriate action on the **Preliminary Plat of Two Furlong Estates**, a tract of land (Property ID 204390) containing approximately 11 acres and proposing a development of 8 lots, located at the southwestern corner of CR 151 and CR 154 in the City of Kaufman's Extraterritorial Jurisdiction (ETJ). (Case No. PP-04-20)

7. Consider and take appropriate action regarding an agreement between the City and Municap, Inc. to provide administration services for Tax Increment Reinvestment Zone #1 and authorizing the Mayor or his designee to execute the agreement.

8. Consider and take appropriate action regarding an agreement between the City and Municap, Inc. to provide administration services for Tax Increment Reinvestment Zone #2 and authorizing the Mayor or his designee to execute the agreement.

9. Consider and take appropriate action to make a recommendation to City Council regarding TIRZ #1 Lift Station Reimbursement Agreement between TIRZ#1, the City of Kaufman, and JWS Land, Ltd., for reimbursement of project expenses related to a lift station as part of the Tractor Supply Corporation development

Councilmember Council made a motion to approve the Consent agenda items 4 through 9 as presented. The motion was seconded by Councilmember Ratcliffe and passed 7/0.

END OF CONSENT AGENDA

PUBLIC HEARING

10. Conduct/Continue a public hearing, consider, and take appropriate action on Ordinance O-38-20, a Ordinance of the City of Kaufman, Texas approving an Amended and Restated Service and Assessment Plan and Amended Assessment Roll for authorized improvements for the Kaufman Public Improvement District No. 1 (providing amendments regarding the levy of Phase 1A and 1B assessment to reflect additional lot sizes); providing for severability and providing an effective date

    a. Presentation.

Mr. Slye presented the amended Service and Assessment Plan for the Public Improvement District No. 1. He reviewed the changes to the plan, the various lot sizes and how this will effect each lot. He outlined the PID annual installments and TIRZ credit. He informed the Council about the neighborhood meeting that was held to review the PID and TIRZ for the residents in the area. There was discussion about how the TIRZ is assessed each property.

    b. PUBLIC HEARING.

Mayor Jordan continued the public hearing at 6:00 PM

There being no speakers, Mayor Jordan closed the public hearing at 6:00 PM

    c. Consider and take appropriate action on Ordinance O-38-20

Councilmember Phillips motion to approve Ordinance O-38-20 as presented. The motion was seconded by Councilmember Council and passed 7/0.

11. Conduct a public hearing, consider and take appropriate action on Ordinance O-37-20 and an Ordinance of the City amending Ordinance No. O-02-07 and Chapter 118, "Zoning" of the Kaufman Code of Ordinances and the Official Zoning Map of the City to authorize a Specific Use Permit - 43 (SUP-43) to permit a Private Club in Conjunction with a Restaurant with the condition that alcohol consumption occur on premises only, as prescribed by definition no. 171, "Private Clubs", of Subsection 33.5, "Definitions", of Section 33, "Use Regulations", of Chapter IV, "Use Regulations", of the City's Comprehensive Zoning Ordinance, on an approximate 0.459-acre tract of land (Property ID 28604) zoned Commercial "C", such property being generally located at 214 East Mulberry Street, on a portion of Block 41, Kaufman Original Town, City of Kaufman, Kaufman County, Texas; providing for rescission and providing a penalty for violation. (Case No. Z-06-20)

    a. Presentation.

Ms. Ratcliff made a presentation for the SUP to allow a private club in conjunction with a restaurant, which will allow the sale of beer and wine. She informed Council this is for a drive in restaurant, not a sit down restaurant. She outlined the TABC requirements for this kind of application. Ms. Ratcliff informed Council there were two letters opposed that were provided in the packet. There were discussions on how the restaurant would serve the alcohol, the legality of allowing this use, and the alcoholic ice cream that is served.

    b. PUBLIC HEARING.

Mayor Jordan opened the public hearing at 6:14 PM

There being no speaker, Mayor Jordan closed the public hearing at 6:14 PM

    c. Consider and take appropriate action on Ordinance O-37-20.

Mayor Pro-Tem Patterson made a motion to approve Ordinance O-37-20. The motion was seconded by Councilmember Parker and passed 7/0.

PLANNING & ZONING ITEMS

12. Consider and take appropriate action on the Site Plan for 1904 E. Highway 175 (Property ID 56874) for the Kaufman County Adoption Center, an approximate 45-acre tract platted as Lot 1, Law Enforcement Center Addition and zoned Highway Commercial. (Case No. SP-07-20)

Mayor Jordan left the meeting at 6:16 PM and turned the meeting over to Mayor Pro-Tem Patterson.

Ms. Ratcliff presented the Site Plan for the proposed Kaufman County Adoption Center, which is located by the Kaufman County Law Enforcement Building.

Councilmember Aga made a motion to approve the Cite Plan for 1904 W. Highway 175. The motion was seconded by Councilmember Parker and passed 6/0.

DISCUSSION/ACTION ITEMS

13. Consider and take appropriate action on a Boundary Line Agreement and a Right-of-Way License Encroachment and Maintenance Agreement between the City of Kaufman and James Janicek on parcel addressed as 400 N. Washington Street (PID 28407), located in the J.B. Cole Survey, Abstract 84, City of Kaufman, Kaufman County Texas for an existing house encroaching 2.8 feet onto the right-of-way of E. Hickory Street; and authorizing the Mayor or his designee to execute necessary documents.

Ms. Ratcliff reviewed the Boundary Line agreement and Right-of-way License Encroachment and Maintenance Agreement and the purpose for the agreements.

Councilmember Council made a motion to approve the Boundary Line agreement and Right-of-way License Encroachment and Maintenance Agreement as presented. The motion was seconded by Councilmember Aga and passed 6/0.

14. Consider and take appropriate action on Ordinance O-36-20, an ordinance of the City of Kaufman, Texas, amending Chapter 70, “Parks and Recreation”, of the City’s Code of Ordinances to add a new article, Article VII, to be entitled, “Civic Center”, to adopt a fee schedule and related policies for rentals of the City of Kaufman Civic Center; and providing an amendment.

Mr. Slye informed Council about the proposed ordinance and the associated fees. There were discussions about the Alcohol and Firearms policies.

Councilmember Aga made a motion to approve Ordinance O-36-20 as presented. The motion was seconded by Councilmember Ratcliffe and passed 6/0.

15. Consider and take appropriate action on Resolution R-32-20, a resolution of the City of Kaufman, Texas, providing general authority to the City Manager or designee to adopt and administer policies and procedures for rental of the Kaufman Civic Center that all renters must agree to abide by; and providing that such policies and procedures, as adopted and amend, are on file with the Office of the City Secretary.

Councilmember Ratcliffe made a motion to approve Resolution R-32-20 as presented. The motion was seconded by Councilmember Council and passed 6/0.

16. Consider and take appropriate action on Resolution R-33-20, a resolution of the City of Kaufman, Texas prohibiting all gatherings at the Kaufman Civic Center of twenty-five (25) or more people without a health and safety plan for the event or gathering approved by the City Manager or designee, and on file with the Office of the City Secretary.

Mr. Slye reviewed this is a temporary policy to limit occupancy for the rental of the Civic Center.

Councilmember Aga made a motion to approve Resolution R-33-20 as presented. The motion was seconded by Councilmember Phillips and passed 6/0.

ANNOUNCEMENTS AND REPORTS FROM CITY MANAGER

17. Receive an update and discussion regarding the following:

    a. Texas Parks & Wildlife Grant Application Update.

b. Transportation Projects Update.

c. NTMWD Scheduled Water Shut Down Update.

d. Special City Council Meeting- Thursday, January 7, 2021

e. First day to file application for a place on the Ballot for the City's General Election, January 13, 2021. Last day to file application - February 12, 2021.

f. Discussion Item Report (DIR)

g. STAR Transit Ridership Report- November 2020

h. Fire Department Monthly Report- November 2020

i. Monthly Calendars Attached

Mr. Slye gave an update on the above-stated items.

EXECUTIVE SESSION

Mayor Pro-Tem Patterson adjourned into Executive Session at 6:42 PM.

18. The City Council will recess into Executive Session pursuant to Texas Government Code for an executive session regarding the following:

    a. Texas Government Code §551.072: Deliberation regarding Real Property, to deliberate the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person: Kaufman Lake; Borders and Long South Pointe Property

    b. Texas Government Code §551.071(1) and (2); Consultation with Attorney To consult with City Attorney on a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act and for Council to seek the advice of its attorney about pending or contemplated litigation: Dannheim development and ETJ regulations

RECONVENE INTO OPEN SESSION In accordance with Texas Government Code, Chapter 551, the City Council will reconvene into Regular Session.

Mayor Jordan reconvened the regular session at 7:19 PM

19. Consider and take appropriate action, if any, on matters discussed in Executive Session.

Councilmember Phillips motion to authorize the City Manager to execute the Texas Real Estate Commission Contracts for the simultaneous contingent property conveyance between the City and W.R. Properties for the sale of 2.04 acres of land, being a portion of parcel ID 56876 by the City to W.R. Properties and the sale of 202 S. Washington St. by W.R. Properties to the city. The motion was

seconded by Councilmember Aga and passed 6/0.

ADJOURNMENT

There being no further business, Mayor Jordan adjourned the meeting at 7:21PM

JEFF JORDAN
MAYOR

ATTEST:

JESSIE HANKS
CITY SECRETARY

Meeting Date: 1/7/2021 Date: 12/14/2020 **Item #: 2.** **Dept.: Administration**

Action Item

SUBJECT:

Consider and take appropriate action to ratify the TIRZ #1 Lift Station Reimbursement Agreement between TIRZ#1, the City of Kaufman, and JWS Land, Ltd., for reimbursement of project expenses related to a lift station as part of the Tractor Supply Corporation development

BACKGROUND:

This is a standard TIRZ Reimbursement Agreement totalling $72,500 for Wastewater Utility improvements for Tractor Supply construction. KEDC met December 8, 2020 and agreed to pay 50% of the total cost of $145,000. If approved, this project will fall in line behind the other TIRZ agreements to be reimbursed over time.

Author:
Mike Slye, City Manager

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Recommend Approval of the TIRZ #1 Reimbursement Agreement for Tractor Supply wastewater imrpovements.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☒	☐	☐	☒

TIRZ LIFT STATION REIMBURSEMENT AGREEMENT

This **TIRZ #1 LIFT STATION REIMBURSEMENT AGREEMENT** ("Agreement") dated as of _____, ____ is made by and between **REINVESTMENT ZONE NUMBER ONE, CITY OF KAUFMAN, TEXAS** ("TIRZ" or "TIRZ #1"), a tax increment reinvestment zone created by the **CITY OF KAUFMAN, TEXAS** (the "City") pursuant to Chapter 311 of the Texas Tax Code, as amended, acting by and through its governing body, the **TIRZ #1 BOARD OF DIRECTORS** (the "Board"), the City, and **JWS LAND, LTD.**, a Texas Limited Partnership (the "Developer", which together with the TIRZ, Board and City are sometimes herein each referred to as a "Party" and collectively as the "Parties").

RECITALS

WHEREAS, the City, by passage of Ordinance No. 0-27-15, created a tax increment financing district titled Reinvestment Zone Number One, City of Kaufman, Texas, consisting of approximately 675 acres of land within the City's corporate limits (the "Original TIRZ Zone") and committed to participate by allocating 75% of the property taxes levied and collected by the City from the acres within the Original TIRZ Zone;

WHEREAS, the City subsequently passed Ordinance No. 0-27-16 (as amended, the "TIRZ Ordinance") that amended Ordinance No. 0-27-15 by adding approximately 355 acres of land (the "Expanded TIRZ Zone") to the existing Reinvestment Zone Number One to encompass in total approximately 1,030 acres of land, as more fully described in the TIRZ Ordinance (as amended, the "Zone");

WHEREAS, the City, by passage of the TIRZ Ordinance, amended Ordinance No. 0-27-15 by decreasing the City's participation rate to 75% of the maintenance and operations portion of property taxes levied and collected by the City, as more fully described in the TIRZ Ordinance; and

WHEREAS, the City subsequently passed Ordinance No. 0-28-16 (as amended, the "TIRZ Project and Financing Plan") for the Zone; and

WHEREAS, the Parties previously entered into a TIRZ Reimbursement and Development Agreement dated April 24, 2017, regarding the construction of certain public infrastructure improvements (the "Public Improvements TIRZ Agreement"); and

WHEREAS, the Parties subsequently entered into a TIRZ Agreement for Purchase of 4.51 Acres dated December 18, 2017, regarding the sale of certain real property from the Developer to the City (the "TIRZ Purchase Agreement"); and

WHEREAS, the Parties subsequently entered into a TIRZ Residential Development Reimbursement Agreement dated December 18, 2017, regarding the sale of certain real property from the Developer to the City (the "TIRZ Residential Reimbursement Agreement"); and

WHEREAS, the Developer has presented to the Board and City the Plans and Specifications (as defined below) for the construction and installation of a lift station within the

Zone, as more particularly described and/or depicted in **Exhibit "A"** attached hereto and incorporated herein for all purposes (the "Lift Station"); and

WHEREAS, the City and the Board have determined that it is in the best interest of the City to provide funds for the construction and installation of the Lift Station, so long as Lift Station is constructed and installed in accordance with the Plans and Specifications or any approved amendments thereto and subsequently dedicated to the City upon satisfactory completion; and

WHEREAS, the City and the Board have revised and amended the TIRZ Project and Financing Plan to include the Lift Station (as amended, the "Project and Financing Plan"); and

WHEREAS, the Act provides that the TIRZ and the City may enter into agreements as the Board and City consider necessary or convenient to implement the Project and Financing Plan and achieve its purposes; and

WHEREAS, the Developer will construct and install the Lift Station within the TIRZ boundaries in accordance with the Plans and Specifications; and

WHEREAS, the Board has determined that it is in the best interest of the TIRZ and the City and conforms to the Project and Financing Plan to reimburse the Developer in an amount equal to the Reimbursement Amount (as defined below) pursuant to this Agreement.

AGREEMENT

NOW THEREFORE, for and in consideration of the mutual promises, covenants, obligations, and benefits herein set forth, the Board, the City and the Developer contract, covenant and agree as follows:

ARTICLE 1
GENERAL TERMS

1.1 Definitions. The terms "Agreement", "Board", "City", "Developer", "Expanded TIRZ Zone", "Lift Station", "Original TIRZ Zone", "Parties", "Party", "Project and Financing Plan", "Public Improvements TIRZ Agreement", "TIRZ", "TIRZ Ordinance", "TIRZ Project and Financing Plan", "TIRZ Purchase Agreement", "TIRZ Residential Reimbursement Agreement", and "Zone" have the above meanings, and the following terms have the following meanings:

"Act" shall mean the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended.

"Administrative Costs" shall mean the actual third party or out-of-pocket costs of the City and the TIRZ for the administration of the TIRZ incurred after January 1, 2015.

"City Contribution" shall mean the amount of revenue in the TIRZ Fund that is attributable to the City Tax Increment contributed to the TIRZ Fund each year, which should equal 75% of the Tax Increment attributable to the City's maintenance and operations portion of its tax rate.

"Completion" shall mean finished construction and installation by the Developer and acceptance by the City of the Lift Station in accordance with the Plans and Specifications approved by the City.

"County Contribution" shall mean the amount of revenue in the TIRZ Fund that is attributable to the County Tax Increment contributed to the TIRZ each year pursuant to the County Participation Agreement, which should equal 50% of the Tax Increment attributable to the County's maintenance and operations portion of its tax rate.

"County Participation Agreement" shall mean the agreement between the TIRZ, the City of Kaufman and Kaufman County regarding the County's participation in the TIRZ, if any.

"Deadline" shall have the meaning assigned in Section 3.1(A) of this Agreement.

"Effective Date" shall mean the date in the first sentence of this Agreement.

"Plans and Specifications" shall mean the designs, plans and specifications for the Lift Station as approved by the City.

"Project Costs" shall mean the costs of all planning, construction and installation work related to the Lift Station, including, but not limited to, all capital costs and other costs paid or incurred by the Developer in financing, planning, managing, designing, constructing, installing and performing all or any portion of the work necessary to construct and install the Lift Station, or any portions thereof, which have been incurred before the date of this Agreement or are incurred on or after the date of this Agreement. Such Project Costs shall be submitted to the City in accordance with the Project and Financing Plan.

"Reimbursement Amount" shall mean the amount to be reimbursed to Developer, which shall be calculated as follows: Developer shall receive an amount equal to the lesser of (a) fifty percent (50%) of all Project Costs attributable to the Lift Station; or (b) Seventy-Two Thousand Five Hundred Dollars ($72,500.00).

"Report" shall have the meaning assigned in Section 4.2 of this Agreement.

"State" shall mean the State of Texas.

"Tax Increment" means the amount of property taxes levied and collected by a taxing unit each year on the captured appraised value of real property taxable by a taxing unit and located within the TIRZ's boundaries, where the captured appraised value of real property taxable by a taxing unit for a year is the total appraised value of all real property taxable by the taxing unit and located within the TIRZ for that year, less the tax increment base of the taxing unit. The tax increment base of a taxing unit is the total appraised value of all real property taxable by the unit and located in a reinvestment zone for the year in which the zone was designated. For the TIRZ, the base year is 2015.

"TIRZ Fund" means the TIRZ Fund, as established by the City pursuant to the Act, into which the City Contribution and the County Contribution shall be deposited.

1.2 Singular and Plural. Words used herein in the singular, where the context so permits, also include the plural and vice versa. The definitions of words in the singular herein also apply to such words when used in the plural where the context so permits and vice versa.

ARTICLE 2
REPRESENTATIONS

2.1 Representations of TIRZ and City. The TIRZ #1, acting through its Board, and the City hereby represent to the Developer that:

(A) As of the date of this Agreement, the TIRZ #1 and the City are duly authorized, created and existing in good standing under the laws of the State and are duly qualified and authorized to carry on the governmental functions contemplated by this Agreement.

(B) As of the date of this Agreement, the Board and the City have the power, authority and legal right to enter into and perform their obligations set forth in this Agreement and the execution, delivery and performance hereof: (i) have been duly authorized; (ii) will not violate any applicable judgment, order, law or regulation; and (iii) do not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any of their assets under any agreement or instrument to which the TIRZ or the City are a party or by which they or their assets, may be bound or affected.

(C) The execution, delivery and performance of this Agreement by the Board and the City does not require the consent or approval of any person or entity which has not been obtained.

2.2 Representations of the Developer. The Developer hereby represents to the TIRZ #1, its Board, and the City that:

(A) The Developer is a Texas limited partnership duly authorized, created and existing in good standing under the laws of the State of Texas.

(B) The Developer has the power, authority and legal right to enter into and perform its obligations set forth in this Agreement, and the execution, delivery and performance hereof: (i) have been duly authorized; (ii) will not, to the best of its knowledge, violate any judgment, order, law or regulation applicable to the Developer; and (iii) do not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the Developer, under any agreement or instrument to which the Developer is a party or by which the Developer or its assets may be bound or affected.

(C) The execution, delivery and performance of this Agreement by the Developer does not require the consent or approval of any person or entity which has not been obtained.

ARTICLE 3
CONSTRUCTION AND INSTALLATION OF THE LIFT STATION

3.1 Construction and Installation of the Lift Station

(A) The Developer agrees to construct and install the Lift Station in conformance with the City of Kaufman ordinances and all other regulatory requirements, the costs of which qualify as Project Costs, which is in accordance with the Act and the Project and Financing Plan. The Developer obtain Completion of the Lift Station on or before December 31, 2021 (the "Completion Deadline"). The Developer must meet the Completion Deadline in order to be eligible for reimbursement under this Agreement.

(B) The Developer shall promptly pay the Project Costs of the Lift Station as they come due and shall provide such security for this obligation as required by City, including without limitation a payment bond, letter of credit or other security.

(C) All Plans and Specifications shall comply with all applicable City codes and ordinances.

(D) It is understood and agreed that the Developer is acting independently of the City, and the City assumes no responsibilities or liabilities in connection with the Developer's performance to third parties.

ARTICLE 4
REIMBURSEMENT PAYMENT

4.1 Eligible Project Costs. All Project Costs must be an eligible cost under the Act and shall be identified in the Project and Financing Plan, as amended from time to time.

4.2 TIRZ Participation.

(A) Pursuant to the Project and Financing Plan, the Board agrees, subject to the conditions contained in this Agreement, to reimburse the Developer for its actual Project Costs; provided, however, that the Board's obligation to reimburse the Project Costs of constructing and installing the Lift Station shall be limited to the Reimbursement Amount.

(B) It shall be the obligation of the Board and City to reimburse the Developer the Reimbursement Amount as set forth in this Agreement until the expiration of the Term of this Agreement pursuant to **Section 7.10** hereof.

(C) The Developer shall submit documentation to the Board concerning the expenditure of funds for the Lift Station and concerning the Completion of such Lift Station. Such documentation shall be in a form acceptable to the Parties and shall be certified by the Developer and by engineer certification or by similar method acceptable to the City and the Board.

(D) The Board and City shall reimburse the Developer on or before the first (1st) day of each month during the term of the TIRZ beginning in the year that the revenues in the TIRZ Fund are sufficient to reimburse all or any portion of the Project Costs. For any and all Project Costs not reimbursed to Developer on or before the first (1st) day of each applicable month, interest shall accrue on such unreimbursed amounts at the rate of three percent (3%) per annum. Disbursements from the TIRZ Fund shall be made for the following purposes and in the following order of priority unless otherwise approved by the City and Developer:

FIRST, to reimburse the City for Administrative Costs;
SECOND, to reimburse the Developer under the Public Improvements TIRZ Agreement;
THIRD, to pay the Developer under the TIRZ Purchase Agreement; and
FOURTH, to reimburse the Developer under the TIRZ Residential Reimbursement Agreement; and
FIFTH, to reimburse the Developer the Reimbursement Amount under this Agreement.

The City shall maintain the TIRZ Fund as a segregated account which shall not be commingled with any other funds of the City. The TIRZ Fund shall be invested in the same manner as other municipal funds, and all interest earned shall be part of the TIRZ Fund. Reimbursement under this Agreement shall be made solely from the TIRZ Fund and no other municipal funds shall be used to fulfill the TIRZ Fund obligations under this Agreement.

(E) The City shall prepare and submit an annual report in accordance with the Act (the "Report") to the Board and to the Developer detailing: (i) the amount due the Developer for Project Costs, and (ii) the amount of funds that are available to make such payment from the TIRZ Fund. The Developer shall review the Report and notify the Board in writing no later than fifteen (15) days from the receipt of the Report of acceptance of the Report or any deficiency found in the Report. The Board, the City and the Developer shall work cooperatively to mutually resolve any discrepancies or deficiencies in the Report within 30 days of receipt of the Report. During such time, the Developer shall be able to provide evidence demonstrating its compliance with this Agreement. If any discrepancy, deficiency or dispute remains after the expiration of the 30 days, the Parties agree to attend mediation within 90 days in an effort to resolve the dispute.

(F) **Under no circumstance shall the City or the Board be obligated to reimburse Developer, unless there are funds net of the Administrative Costs in the TIRZ Fund to reimburse the Developer for Project Costs.**

(G) If the Developer fails to pay when due any ad valorem taxes owed to the City on any property in the TIRZ that is owned by the Developer, the City shall have the right to offset (or to direct the offset of) the amount of such unpaid ad valorem taxes against any TIRZ Funds payable under this Agreement to the Developer.

(H) Commencing on the Effective Date and continuing until the Developer has received the Reimbursement Amount provided under this Agreement, the City shall not enter into any tax abatement agreements affecting property located within the Zone, described in **Exhibit "B"** and the City and Board shall not approve any project and finance plan, which would create a reimbursement out of TIRZ Fund that has priority over the reimbursement of monies in the TIRZ Fund to the Developer under the terms of this Agreement. Specifically, and without limiting the generality of the foregoing, the following payments, as obligated by the following existing contractual obligations, shall have priority over payment by the Board of all or any portion of the Reimbursement Amount:

1) TIRZ Administrative Costs;
2) Amounts to be reimbursed under the Public Improvements TIRZ Agreement;
3) Amounts to be reimbursed under the TIRZ Purchase Agreement; and
4) Amounts to be reimbursed under the TIRZ Residential Reimbursement Agreement.

ARTICLE 5
EVENTS OF DEFAULT

5.1 Events of Default.

(A) A non-performing Party shall be in "Default" under this Agreement if such Party fails to perform any duty or obligation under this Agreement and such failure is not cured within 30 days after written notice from any other Party specifying the nature and the period of existence thereof and what action, if any, the non-defaulting Parties require or propose to require with respect to curing the default (or if the failure is not reasonably capable of being cured within 30 days, the non-performing Party does not begin to cure within such 30-day period and thereafter continuously and diligently complete a cure at the earliest possible time).

(B) An event of default shall occur under this Agreement if any ad valorem taxes owed to the City become delinquent on any portion of the property in the TIRZ that is owned by the Developer. Upon the occurrence of such default, the City shall notify Developer in writing and the Developer shall: (i) have thirty (30) calendar days to cure such default, or (ii) if Developer has diligently pursued cure of the default but such default is not reasonably curable within thirty (30) calendar days, then such extension of time that the City allows as is necessary to cure such default. If the default has not been fully cured by such time, the City shall have the right to offset any amounts due pursuant to Section 4.2(G) herein or to pursue any remedies under Article 6 herein.

ARTICLE 6
REMEDIES ON DEFAULT

6.1 Remedies. If a Party is in Default under this Agreement, the other Parties shall have available all remedies at law or in equity (including, but not limited to, injunctive relief and specific performance) except as follows: no Default shall: (1) relieve the Board from its obligation to verify

Project Costs for completed portions of the Lift Station that are to be reimbursed from the TIRZ Fund; or (2) relieve the City from its obligation to reimburse from the TIRZ Fund the Reimbursement Amount based on actual Project Costs that are verified by the Board, subject to the City's right of offset as described in Section 4.2(G) herein. In no event shall any City be liable for payments due under this Agreement from any municipal fund or revenue source available to City other than the TIRZ Fund.

ARTICLE 7
GENERAL

7.1 Inspections, Audits. The Developer agrees to keep operating records related to construction of the Lift Station and to any particular Project Cost for four (4) years after receiving reimbursement from the TIRZ Fund for any Project Costs associated with the improvement; or as may be required by the TIRZ, the City, or by State and federal law or regulation. The Developer shall allow the City and/or the Board reasonable access to documents and records in the Developer's possession, custody or control that the City and/or the Board deem necessary to assist the City and/or the Board in determining the Developer's compliance with this Agreement

7.2 Personal Liability of Public Officials. To the extent permitted by State law, no director, officer, employee or agent of the TIRZ, Board, or City shall be personally responsible for any liability arising under or growing out of this Agreement.

7.3 Notices. Any notice required or contemplated by this Agreement shall be in writing and shall be deemed given and received: (1) when delivered (with evidence of delivery) by a nationally recognized delivery service (e.g., FedEx or UPS) to the address shown below whether or not signed for by the individual to whose attention the notice is addressed; or (2) three business days after deposited with the US Postal Service, CERTIRZIED MAIL, RETURN RECEIPT REQUESTED, for delivery to the address shown below whether or not signed for by the individual to whose attention the notice is addressed.

JWS Land, Ltd.
Attn: Kelly Cannell,
5900 S. Lake Forest, Suite 295
McKinney, Texas 75070
Fax: (469) 213-3001

With copy to:
Chris Zillmer
Abernathy, Roeder, Boyd & Hullett, P.C.
1700 Redbud Blvd., Ste. 300
McKinney, Texas 75069
Fax: (214) 544.4044

City Manager
City of Kaufman
Mike Slye
P.O. Box 1168
Kaufman, Texas 75142
Fax: (972) 932.0307

With copy to:
Patricia Adams
Messer, Fort, and McDonald, PLLC
6371 Preston Road, Suite 200
Frisco, Texas 75034
Patricia@txmunicipallaw.com

Each Party may change its address by written notice in accordance with this Section. Any communication addressed and mailed in accordance with this Section shall be deemed to be given when so mailed, any notice so sent by facsimile transmission shall be deemed to be given when such transmission is sent, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, the addressee.

7.4 Amendments and Waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is signed by the TIRZ, the Developer, and the City. No course of dealing on the part of any Party, nor any failure or delay by any Party with respect to exercising any right, power or privilege of a Party under this Agreement shall operate as a waiver thereof, except as otherwise provided in this Section.

7.5 Invalidity. In the event that any of the provisions contained in this Agreement shall be held unenforceable in any respect, such unenforceability shall not affect any other provision of this Agreement.

7.6 Successors and Assigns. All covenants and agreements contained by or on behalf of the TIRZ in this Agreement shall bind its successors and assigns and shall inure to the benefit of the Developer and its successors and assigns. This Agreement and the right to reimbursement set forth herein may be assigned, from time to time and in whole or in part, by the Developer to any person or entity. The assignment must be in writing and must obligate the assignee to be bound by this Agreement. A copy of the assignment shall be given to the City within 30 days after its effective date; however, City consent to the assignment is not required. Upon any such assignment and notice to the City, Developer shall NOT be released from performing the duties or obligations that are assigned and that arise after the effective date or the date that the City receives notice of the assignment, whichever later occurs; further, the Developer is NOT released from any liabilities that arose prior to the effective date or date of notice to the City, whichever later occurs, unless the City and the Board agree. The Developer's rights under this Agreement are a personal obligation and do not constitute a covenant running with the land.

7.7 Exhibits: Titles of Articles, Sections and Subsections. The exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail. All titles or headings are only for the convenience of the Parties and shall not be construed to have any effect or meaning as to the agreement between the Parties hereto. Any reference herein to a Section or Subsection shall be considered a reference to such Section or Subsection of this Agreement unless otherwise stated. Any reference herein to an exhibit shall be considered a reference to the applicable exhibit attached hereto unless otherwise stated.

7.8 Construction. This Agreement is a contract made under and shall be construed in accordance with and governed by the laws of the United States of America and the State of Texas, as such laws are now in effect.

7.9 Entire Agreement. This written agreement represents the final agreement between the Parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the Parties. There are no unwritten oral agreements between the Parties.

7.10 Term. This Agreement shall be in force and effect from the date of execution hereof by the City for a term expiring on the earlier of: (1) the date on which the Reimbursement Amount for all phases is paid to the Developer; or (2) the expiration of the TIRZ on December 31, 2045.

7.11 Venue for Performance or Litigation. This Agreement is performable only in Kaufman County, Texas. Venue for any action affecting this Agreement shall lie in Kaufman County.

7.12 Approval by the Parties. Whenever this Agreement requires or permits approval or consent to be hereafter given by any of the Parties, the Parties agree that such approval or consent shall not be unreasonably withheld, conditioned or delayed.

7.13 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

7.14 Severability and Legal Construction. If a court of competent jurisdiction finds any provision of this Agreement to be invalid, illegal, or unenforceable as to any person of circumstance, such finding shall not render that provision invalid, illegal or unenforceable as to any other persons or circumstances. It is the intention and agreement of the Parties to this Agreement that each such illegal, invalid or unenforceable provision shall be amended by the Parties hereto to the extent necessary to make it legal, valid and enforceable while achieving the same object of such provision, or, if that is not possible, by substituting therefore another provision that is legal, valid and enforceable and achieves the same objectives (or, if such provision cannot be amended or a provision substituted therefore in a manner that is legal, valid and enforceable and achieves the same objectives, then such provision shall be amended or a new provision substituted therefore that achieves as closely as possible the same objectives or economic position as the illegal, invalid, or unenforceable provision.)

[EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed.

TIRZ #1 BOARD:

REINVESTMENT ZONE NUMBER ONE, CITY OF KAUFMAN, TEXAS

By:_____
Chair

ATTEST:

_____
Secretary

DEVELOPER:

JWS LAND, LTD., a Texas limited partnership

By: J.W. SCHULER, INC., a Texas corporation
Its General Partner

By: _____
Kelly Cannell, Vice President

CITY:

CITY OF KAUFMAN, TEXAS

By: _____
Jeff Jordan, Mayor

ATTEST:

_____
Jessie Hanks, City Secretary

[SEAL]

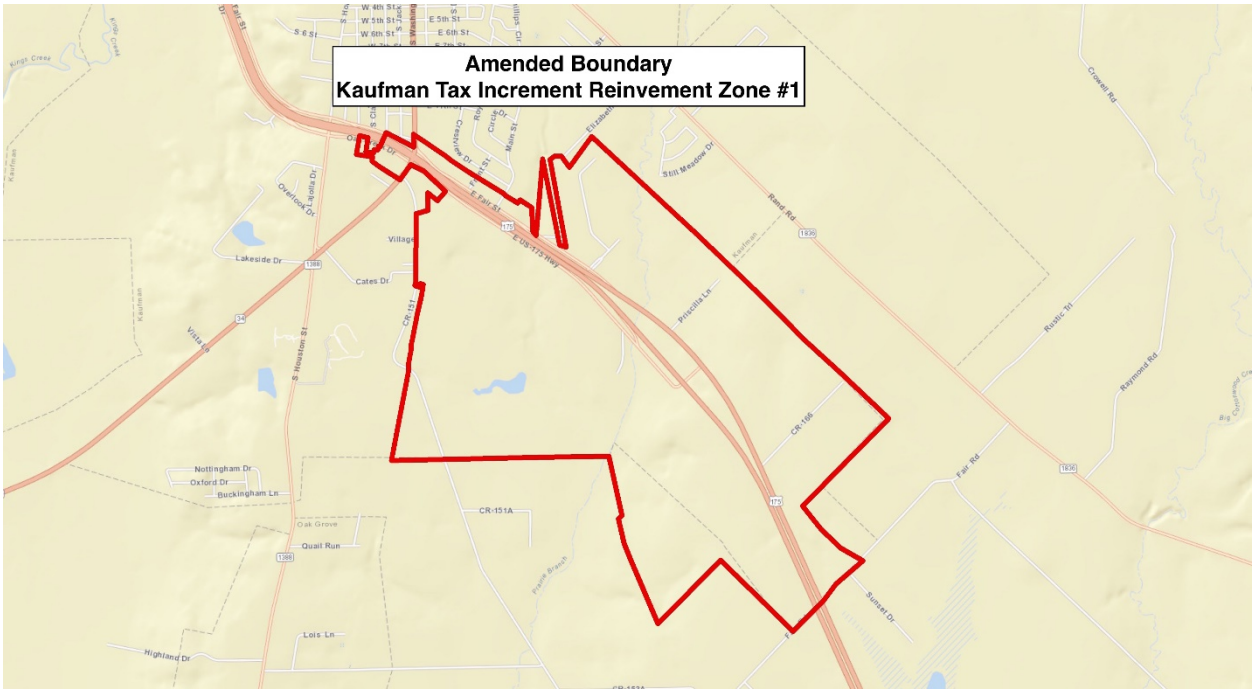
APPROVED AS TO FORM:

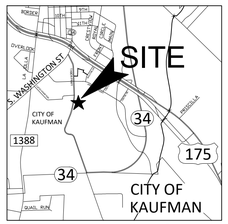
_____
Patricia A. Adams

EXHIBIT "A"
THE LIFT STATION

[INSERT DESCRIPTION AND/OR DEPICTION]

EXHIBIT "B"
THE ZONE





LOCATION MAP
1:3000

LEGEND

EXISTING		PROPOSED
	PROPERTY LINE	
	PAVEMENT	
W	WATER LINE	
S	SAN. SEW. LINE	S
	TELEPHONE LINE	T
G	GAS LINE	G
OHU	OVERHEAD ELEC. LINE	
	UNDERGROUND ELEC. LINE	E
EX 8'X4' RCB	STORM SEWER	SD
	SAN. SEWER MANHOLE	
	STORM INLET	G.I. OR C.I.
	WATER VALVE	
	FIRE HYDRANT	
	WATER METER	
	GAS METER	G
	LIGHT POLE	
	TRANSFORMER	T
	RETAINING WALL	
	GUARD RAIL	
	FIRELANE, ACCESS & UTILITY, ESMT	F.L.A.U.E.
	WATER ESMT	W.E.
	STEEL CASING PIPE	

GRAPHIC SCALE
0 10 20 40
(IN FEET)
1 inch = 20 ft.

EX 24" RCP
EX 18" RCP
EX 8" W
EX FH
SITE BENCHMARK
'X' CUT SET
ELEV.=427.06'
EX 30" RCP
EX 10" PVC
EX 5'X3' RCB
EX HEADWALL
INLET
EX 5'X4' RCB
HEADWALL
EX. TVEC POWER POLE
PROJECT LIMIT
PROPOSED
LOT 2, BLOCK A
TRACTOR SUPPLY
KAUFMAN ADDITION
ZONED: PD
INST. NO. 2019-4039
2701 TABOR PKWY
PROP 4" CONDUIT
PROP 4" GAS
EX 18" RCP
EX. SSMH
2+36.75
2+50
3+00
3+50
4+00
4+28.7
2+21.60
2+00
1+55.63
1+50.19
1+35.34
1+40.78
0+00
0+2.9
0+72.09
<-PROP 8"PVC S.S.~ 0.67%
TRACTOR SUPPLY
LOT 1, BLOCK A
TRACTOR SUPPLY
KAUFMAN ADDITION
ZONED: PD
INST. NO. 2019-4039
2705 TABOR PKWY
TABOR PKWY
(A VARIABLE WIDTH RIGHT-OF-WAY)
PROP 2" GAS
EX 12"W
PROP 15' W.E.
PROP F.L.A.U.E.
PROP 1 1/2"W (DOM
PROP 10' W.E
PROP GAS METER COORD W/ GAS CO.
PROP GAS (BY OTHER)
EX 8'X4' RCB
C.O.

UTILITY NOTES:

1. 8" & 6" WATER PIPE WILL BE C900 PVC WATER PIPE.
2. ALL WORK SHALL BE IN ACCORDANCE WITH THE CITY'S STANDARDS AND SPECIFICATIONS.
3. CONTRACTOR SHALL COORDINATE ALL CONNECTIONS TO PUBLIC MAINS WITH THE CITY.
4. ALL TRENCHING SHALL BE IN ACCORDANCE WITH LATEST OSHA STANDARDS AND SPECIFICATIONS.
5. BUILDING FIRE MAIN, FIRE RISER AND FIRE DEPARTMENT CONNECTION SHALL BE INSTALLED BY A LICENSED FIRE SPRINKLER CONTRACTOR IN THE STATE OF TEXAS.
6. CONTRACTOR SHALL CALL FOR UTILITY LOCATES AT LEAST 48 HRS PRIOR TO BEGINNING CONSTRUCTION.
7. CONTRACTOR SHALL ADJUST ALL UTILITY APPURTENANCES TO FINAL GRADE.
8. WATER AND SEWER CROSSINGS SHALL BE PER THE LATEST TCEQ REQUIREMENTS.
9. REFERENCE MEP PLANS FOR EXACT BUILDING ENTRY POINTS FOR UTILITY SERVICES.
10. CONTRACTOR SHALL NOTIFY ENGINEER OF ANY UTILITY CONFLICTS AS SOON AS POSSIBLE.
11. CONTRACTOR SHALL COORDINATE ALL INSPECTIONS AND TESTING WITH THE CITY.

BENCHMARK:

"X" CUT SET
ELEV= 427.06'

"DANGER" 811 Know what's below. Call before you dig (@ LEAST 72 HRS PRIOR TO DIGGING)

SANITARY

REVISION

NO.	DATE	BY

REMARK:
REVISION CLOUD MAY NOT APPEAR ON ALL DRAWING SHEETS.

SANITARY SEWER PROJECT LIMIT
FOR
TRACTOR SUPPLY
SITUATED AT
TABOR PKWY & PIONEER LN
CITY OF KAUFMAN, TEXAS

OWNER/ DEVELOPER
SCHULER DEVELOPMENT
2116 N. HASKELL AVENUE
DALLAS, TEXAS 75204
(214) 806-9958

09.21.20

ASA ENGINEERING
17819 DAVENPORT ROAD, SUITE 215
DALLAS, TEXAS 75252
(972) 248-8651 FAX (972) 248-8661
TX T.B.P.E. REGISTRATION # F-004924
T.B.P.L.S. FIRM REGISTRATION # 100433
ENGINEER OF RECORD

SCALE: AS SHOWN
DESIGNED: PSS
DRAWN: MP
CHECKED: PSS

PROJECT NO. 22017.KFT

DATE: 09/16/2020

SHEET: C-1

Z:\2020\22017.KFT Kings Fort Development Box Culvert\Current\01 C-1 Site Plan.dwg, 12/10/2020 6:06:24 PM, DWG To PDF.pc3

Meeting Date: 1/7/2021 Date: 1/4/2021 **Item #: 3.** **Dept.: Administration**

Consent Agenda

SUBJECT:

Consider and take appropriate action on change order #2 to the contract between the City and Axis Contracting Inc. on the paving, drainage, sanitary sewer and water improvements for E. Ninth Street, Main Street and Circle Drive.

BACKGROUND:

This is the final reconciliation change order for the Ninth, Main and Circle Project. The amount will be coming out of Contingency.

Author:
Mike Slye, City Manager

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Staff recommends approval of Change Order #2.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☐	☐	☐	☐

CHANGE ORDER NO. 2

Date: January 4, 2021

Project: Paving, Drainage, Sanitary Sewer and Water Improvements for E. Ninth Street, Main Street and Circle Drive

Owner: City of Kaufman

Contractor: Axis Contracting, Inc.
P.O. Box 360715
Dallas, TX 75336

Description of Change in Work Quantities:
Additional waterline improvements along Royal/Ninth street along project limits and quantity overruns on as-built conditions, repairs at 1401 Crestview, 900 Crestview and 513 E. Ninth St.

ADDITIONS

ITEM NO.	DESCRIPTION OF ITEMS	UNIT	UNIT COST BID	Original Quantity	Net Increase Quantity/Cost	Increase in Contract Amount
	UNIT A1 - E. NINTH STREET PAVING IMPROVEMENTS					
A1-12	3" HMAC Type 'D'	SY	$22.00	3,985	376.00	$8,272.00
A1-13	6" Reinforced Concrete Pavement	SY	$88.00	197	14.00	$1,232.00
A1-14	Concrete Curb & Gutter	LF	$38.00	2,330	55.00	$2,090.00
A1-19	4" Concrete Sidewalk/Leadwalk	SF	$8.00	8,050	1,470.00	$11,760.00
A1-20	Concrete Sidewalk Retaining Wall	SF	$50.00	264	61.00	$3,050.00
A1-21	Barrier Free Ramp	SF	$1,875.00	4	2.00	$3,750.00
A1-27	Irrigation Repair	EA	$1,250.00	0	2.00	$2,500.00
	UNIT A2 - MAIN STREET PAVING IMPROVEMENTS					
A2-3	Remove Existing Pavement & Drives	SY	$6.00	7,549	55.00	$330.00
A2-18	4" Concrete Sidewalk / Leadwalk	SF	$8.00	8,790	106.00	$848.00
A2-19	Concrete Sidewalk Retaining Wall	SF	$50.00	625	34.00	$1,700.00
A2-20	Barrier Free Ramp	EA	$1,875.00	4	2.00	$3,750.00
	UNIT C1 - E. NINTH STREET WATER IMPROVEMENTS					
C1-6	8" PVC (C-900, DR18) Water line pipe	LF	$77.00	845	50.00	$3,850.00
C1-10	Ductile Iron Fittings	TON	$12,480.00	1	0.25	$3,120.00
C1-12	1" Water Service Connection	EA	$1,403.00	1	1.00	$1,403.00
C1-14	Trench Safety	LF	$2.00	845	50.00	$100.00
C1-18	Remobilization	LS	$3,000.00	1	1.00	$3,000.00
					Total:	$50,755.00

DELETIONS

ITEM NO.	DESCRIPTION OF ITEMS	UNIT	UNIT COST BID	Original Quantity	Net Decrease Quantity/Cost	Decrease in Contract Amount
E-1	Owner's Contingency	LS	$200,000.00	1	-0.25	($50,755.00)
					Total:	($50,755.00)

ADJUSTMENTS IN CONTRACT PRICE

Original Contract Amount	**$4,503,014.00**
Adjustments to Contract Amount by previous Change Orders	**$0.00**
Total Adjustments per Change Order Number 1	**$0.00**
REVISED CONTRACT AMOUNT	**$4,503,014.00**

ADJUSTMENTS IN CONTRACT TIME

Original Contract Time	**450 calendar days**
Adjustments to Contract Amount by previous Change Orders	**0 calendar days**
Total Adjustments per Change Order Number 2	**0 calendar days**
REVISED CONTRACT TIME	**450 calendar days**

Recommended by Engineer:

Teague Nall and Perkins, Inc. Date: 1/4/2021

Agreed by Contractor:

Axis Contracting, Inc. Date: 1-4-21

Accepted by Owner:

City of Kaufman, Texas Date: _____

Meeting Date: 1/7/2021 Date: 12/21/2020 **Item #: 4.** **Dept.: Administration**

Ordinance

SUBJECT:

Consider and take appropriate action on Ordinance O-01-21, an ordinance of the City of Kaufman, Texas, approving and authorizing the issuance and sale of the City of Kaufman Special Assessment Revenue Bonds, series 2021 (Kaufman Public Improvement District No. 1 Phases 1A and 1B); approving and authorizing an indenture of trust, a bond purchase agreement, limited offering memorandum, a continuing disclosure agreement, and other agreements and documents in connection therewith; making findings with respect to the issuance of such bonds; and providing an effective date

BACKGROUND:

This ordinance approves the issuance of $3.38M PID bonds to be sold on January 25, 2021. These monies will be used to reimburse/pay for public improvements of Georgetown development Phases 1A & 1B. $940K of the bond proceeds will be withheld until the 85th residential permit has been issued in this development.

Author:
Mike Slye, City Manager

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Staff recommends approval of Ordinance O-01-21 as presented.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☐	☐	☐	☐

ORDINANCE NO. O-01-21

AN ORDINANCE APPROVING AND AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF KAUFMAN SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021 (KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1, PHASES 1A AND 1B); APPROVING AND AUTHORIZING AN INDENTURE OF TRUST, A BOND PURCHASE AGREEMENT, LIMITED OFFERING MEMORANDUM, A CONTINUING DISCLOSURE AGREEMENT, AND OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION THEREWITH; MAKING FINDINGS WITH RESPECT TO THE ISSUANCE OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of Kaufman, Texas (the "City"), pursuant to and in accordance with the terms, provisions and requirements of the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code (the "PID Act"), has previously established the Kaufman Public Improvement District No. 1 (the "District"), pursuant to a Resolution adopted by the City Council of the City (the "City Council") on November 3, 2018; and

WHEREAS, pursuant to the PID Act, the City Council published notice and held a public hearing on August 5, 2019, regarding the levy of special assessments within the District, and after the conduct of such public hearing adopted an Ordinance (the "Assessment Ordinance"); and

WHEREAS, in the Assessment Ordinance, the City Council approved and accepted the Service and Assessment Plan (as defined and described in the Assessment Ordinance, the "Original Service and Assessment Plan") relating to the District and levied the Assessments against the Assessed Property within the District, as set forth on the Assessment Roll. Capitalized terms used in this preamble and not otherwise defined shall have the meaning assigned thereto in the Service and Assessment Plan; and

WHEREAS, pursuant to the PID Act, the City Council published notice and held a public hearing on November 23, 2020 and continued such hearing to December 14, 2020 and amended and restated the Service and Assessment Plan to reflect additional lot sizes within the District (the "Amended Service and Assessment Plan" and together with the Original Service and Assessment Plan, the "Service and Assessment Plan"); and

WHEREAS, the City is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purposes of (i) paying or reimbursing the costs of the Authorized Improvements identified in the Service and Assessment Plan, (ii) paying capitalized interest on Bonds, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding a portion of the Delinquency and Prepayment Reserve Account, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuing the Bonds; and

WHEREAS, the City Council has found and determined that it is in the best interests of the citizens of the City to issue its bonds in a single series to be designated "City of Kaufman

Special Assessment Revenue Bonds, Series 2021 (Kaufman Public Improvement District No. 1 Phases 1A and 1B)" (the "Bonds"), such series to be payable solely from and secured by the Assessments levied on the Assessed Property as set forth in the Service and Assessment Plan; and

WHEREAS, the City Council has found and determined to (i) approve the issuance of the Bonds to finance the Authorized Improvements identified in the Service and Assessment Plan on the terms described herein, (ii) approve the form, terms and provisions of the Indenture (as defined herein) securing the City's Bonds authorized hereby, (iii) approve the form, terms and provisions of a Bond Purchase Agreement between the City and the purchasers of the Bonds, (iv) approve a Limited Offering Memorandum, (iv) approve a Continuing Disclosure Agreement relating to the Bonds and the Assessments, and (v) approve an update to the Service and Assessment Plan to reflect the issuance of the Bonds ; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended;

NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KAUFMAN, TEXAS, THAT:

Section 1. **Findings.** The findings and determinations set forth in the preamble hereof are hereby incorporated by reference for all purposes as if set forth in full herein. Terms not otherwise defined in Sections 2 through 6 herein shall have the definitions as set forth in the Indenture (defined herein).

Section 2. **Approval of Issuance of Bonds and Indenture of Trust.** (a) The issuance of the Bonds in the principal amount of $_____ for the purpose of providing funds for (i) paying or reimbursing a portion of the costs of the Authorized Improvements, (ii) paying capitalized interest on the Bonds, (iii) funding the Bond Reserve Account of the Reserve Fund (and defined in the Indenture), (iv) funding a portion of the Delinquency and Prepayment Reserve Account (as defined in the Indenture), (v) paying capitalized interest on the Bonds, (vi) paying a portion of the costs incidental to the organization of the District, and (vii) paying the costs of issuance of the Bonds, are hereby authorized and approved.

(b) The Bonds shall be issued and secured under an indenture of trust, the form, terms and provisions of which are hereby approved in the substantially final form presented at this meeting of that certain Indenture of Trust (the "Indenture"), dated as of January 1, 2021, between the City and Wilmington Trust, National Association, as trustee (the "Trustee"), with such changes as may be necessary or desirable to carry out the intent of this Ordinance and as approved by the Mayor of the City, such approval to be evidenced by the execution and delivery of the Indenture. The Mayor of the City is hereby authorized and directed to execute the Indenture and the City Secretary is hereby authorized and directed to attest such signature of the Mayor.

(c) The Bonds shall be dated, shall mature on the date or dates and in the principal amounts, shall bear interest, shall be subject to redemption and shall have such

other terms and provisions as set forth in the Indenture. The Bonds shall be in substantially the form set forth in the Indenture with such insertions, omissions and modifications as may be required to conform the form of bond to the actual terms of the Bonds. The Bonds shall be payable from and secured solely by the Assessments levied on the Assessed Property for the Authorized Improvements (as defined in the Indenture), as set forth in the Service and Assessment Plan and other assets of the "Trust Estate" (as defined in the Indenture) pledged to such Bonds, and shall never be payable from ad valorem taxes.

Section 3. **Sale of Bonds: Approval of Bond Purchase Agreement.** The Bonds shall be sold to FMSbonds, Inc. (the "Underwriter") at the price and on the terms and provisions set forth in that certain Bond Purchase Agreement (the "Bond Purchase Agreement"), dated the date hereof, between the City and the Underwriter. The form, terms and provisions of the Bond Purchase Agreement are hereby authorized and approved and the Mayor of the City is hereby authorized and directed to execute and deliver the Bond Purchase Agreement. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable.

Section 4. **Limited Offering Memorandum**. The form and substance of the Preliminary Limited Offering Memorandum for the Bonds and any addenda, supplement or amendment thereto presented to and considered by the City Council are hereby in all respects approved and adopted. The City hereby authorizes the preparation of a final Limited Offering Memorandum reflecting the terms of the Bond Purchase Agreement and other relevant information. The Limited Offering Memorandum as thus approved and delivered, with such appropriate variations as shall be approved by the City Manager and the Underwriter, may be used by the Underwriter in the offering and sale of the Bonds, and the Preliminary Limited Offering Memorandum is hereby deemed final as of its date (except for the omission of pricing and related information) within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The City Secretary is hereby authorized and directed to include and maintain a copy of the Preliminary Limited Offering Memorandum and Limited Offering Memorandum and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Preliminary Limited Offering Memorandum in the offering of the Bonds is hereby ratified, approved and continued. Notwithstanding the execution, approval and delivery of such Preliminary Limited Offering Memorandum and Limited Offering Memorandum by the Mayor, the Mayor and this City Council are not responsible for and proclaim no specific knowledge of the information contained in the Preliminary Limited Offering Memorandum and Limited Offering Memorandum pertaining to development, the Developer (as defined in the Limited Offering Memorandum) or its financial ability, the homebuilders, the landowners, or the appraisal of the property in the District performed by Integra Realty Resources - DFW.

Section 5. **Continuing Disclosure Agreement.** The form, terms and provisions of that certain Continuing Disclosure Agreement (the "Continuing Disclosure Agreement" dated as of January 1, 2021 among the City, HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc. and MuniCap, Inc. is hereby authorized and approved in substantially final form presented at this meeting and the Mayor of the City is hereby authorized and directed to execute and deliver such Continuing Disclosure Agreement with such changes as may be required to carry out the purpose of this Ordinance and approved by the Mayor, such approval to be evidenced by the execution thereof, the Mayor's signature on the Agreement may be attested by the City Secretary.

Section 6. **Approval of Update to Service and Assessment Plan.** The update to the Service and Assessment Plan reflecting the issuance of the Bonds, was authorized and approved in the form presented at the December 14, 2020 City Council meeting.

Section 7. **Additional Actions.** The Mayor, the City Manager and each other officer, employee and agent of the City are hereby authorized and directed to take any and all actions on behalf of the City necessary or desirable to carry out the intent and purposes of this Ordinance and to issue the Bonds in accordance with the terms of this Ordinance, including the making of modifications to this Ordinance and the Indenture as necessary to obtain approval of the Bonds by the Attorney General of the State, the Mayor, the City Manager and each other officer, employee and agent of the City are hereby authorized and directed to execute and deliver any and all certificates, agreements, notices, instruction letters, requisitions, and other documents which may be necessary or advisable in connection with the sale, issuance and delivery of the Bonds and the carrying out of the purposes and intent of this Ordinance. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount not to exceed $9,500).

Section 8. **Effective Date.** This Ordinance shall take effect immediately upon its adoption by the City Council of the City.

FINALLY PASSED, APPROVED AND EFFECTIVE this 7th day of January, 2021.

[Signature Page Follows]

BY:

_____
JEFF JORDAN MAYOR,
CITY OF KAUFMAN, TEXAS

ATTEST:

_____
JESSIE HANKS, CITY SECRETARY,
CITY OF KAUFMAN, TEXAS

APPROVED AS TO FORM:

_____
PATRICIA A. ADAMS, CITY ATTORNEY,
CITY OF KAUFMAN, TEXAS

INDENTURE OF TRUST

By and Between

CITY OF KAUFMAN, TEXAS

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee

DATED AS OF January 15, 2021

SECURING

CITY OF KAUFMAN, TEXAS

KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021 (PHASE 1A AND 1B)

TABLE OF CONTENTS

Page

ARTICLE 1 DEFINITIONS, FINDINGS AND INTERPRETATION 4
Section 1.1 Definitions....4
Section 1.2 Findings....12
Section 1.3 Table of Contents, Titles and Headings....12
Section 1.4 Interpretation....12

ARTICLE 2 THE BONDS 13
Section 2.2 Security for the Bonds 13
Section 2.3 Limited Obligations 13
Section 2.4 Authorization for Indenture 13
Section 2.5 Contract with Owners and Trustee 13

ARTICLE 3 AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS 14
Section 3.1 Authorization 14
Section 3.2 Date, Denomination, Maturities, Numbers and Interest 14
Section 3.3 Conditions Precedent to Delivery of Bonds....15
Section 3.4 Medium, Method and Place of Payment....15
Section 3.5 Execution and Registration of Bonds 16
Section 3.6 Ownership....17
Section 3.7 Registration, Transfer and Exchange....17
Section 3.8 Cancellation 18
Section 3.9 Temporary Bonds....18
Section 3.10 Replacement Bonds 19
Section 3.11 Book-Entry Only System....20
Section 3.12 Successor Securities Depository: Transfer Outside Book-Entry-Only System....21
Section 3.13 Payments to Cede & Co....21

ARTICLE 4 REDEMPTION OF BONDS BEFORE MATURITY....21
Section 4.1 Limitation on Redemption....21
Section 4.2 Mandatory Sinking Fund Redemption....21
Section 4.3 Optional Redemption....22
Section 4.4 Extraordinary Optional Redemption....23
Section 4.5 Partial Redemption....23
Section 4.6 Notice of Redemption to Owners 24
Section 4.7 Payment Upon Redemption....24
Section 4.8 Effect of Redemption....25

ARTICLE 5 FORM OF THE BONDS....25
Section 5.1 Form Generally....25
Section 5.2 CUSIP Registration....25
Section 5.3 Legal Opinion 26

ARTICLE 6 FUNDS AND ACCOUNTS 26
Section 6.1 Establishment of Funds and Accounts....26

TABLE OF CONTENTS
(continued)

Page

Section 6.2 Initial Deposits to Funds and Accounts 27
Section 6.3 Pledged Revenue Fund 28
Section 6.4 Bond Fund....29
Section 6.5 Project Fund....30
Section 6.6 Redemption Fund....31
Section 6.7 Bond Reserve Account 32
Section 6.8 Delinquency and Prepayment Reserve Account....33
Section 6.9 Rebate Fund 34
Section 6.10 Administrative Fund 34
Section 6.11 Investment of Funds....35
Section 6.12 Investment Income....36
Section 6.13 Security of Funds 36

ARTICLE 7 COVENANTS 37
Section 7.1 Confirmation of Phase 1A and 1B Assessments....37
Section 7.2 Collection and Enforcement of Phase 1A and 1B Assessments 37
Section 7.3 Against Encumbrances....37
Section 7.4 Records, Accounts, Accounting Reports 37

ARTICLE 8 FEDERAL INCOME TAX MATTERS 38
Section 8.1 General....38
Section 8.2 No Private Activity Bonds....38
Section 8.3 No Federal Guaranty....38
Section 8.4 No Hedge Bonds....38
Section 8.5 No-Arbitrage....38
Section 8.6 Arbitrage Rebate 39
Section 8.7 Information Reporting 39
Section 8.8 Record Retention 39
Section 8.9 Registration....39
Section 8.10 Favorable Opinion of Bond Counsel 39
Section 8.11 Continuing Obligation 39

ARTICLE 9 LIABILITY OF CITY....39

ARTICLE 10 THE TRUSTEE 41
Section 10.1 Trustee as Registrar and Paying Agent....41
Section 10.2 Trustee Entitled to Indemnity 41
Section 10.3 Responsibilities of the Trustee....41
Section 10.4 Property Held in Trust 45
Section 10.5 Trustee Protected in Relying on Certain Documents....45
Section 10.6 Compensation 46
Section 10.7 Permitted Acts....47
Section 10.8 Resignation of Trustee 47
Section 10.9 Removal of Trustee....47
Section 10.10 Successor Trustee....47

TABLE OF CONTENTS
(continued)

Page

Section 10.11 Transfer of Rights and Property to Successor Trustee....48
Section 10.12 Merger, Conversion or Consolidation of Trustee....49
Section 10.13 Trustee to File Continuation Statements....49
Section 10.14 Accounts, Periodic Reports and Certificates....49
Section 10.15 Construction of Indenture....49

ARTICLE 11 MODIFICATION OR AMENDMENT OF THIS INDENTURE....49
Section 11.1 Amendments Permitted....49
Section 11.2 Owners' Meetings....50
Section 11.3 Procedure for Amendment with Written Consent of Owners....50
Section 11.4 Effect of Supplemental Indenture....51
Section 11.5 Endorsement or Replacement of Bonds Issued After Amendments....51
Section 11.6 Amendatory Endorsement of Bonds....52
Section 11.7 Execution of Supplemental Indenture....52

ARTICLE 12 DEFAULT AND REMEDIES....52
Section 12.1 Events of Default....52
Section 12.2 Immediate Remedies for Default....52
Section 12.3 Restriction on Owner's Action....53
Section 12.4 Application of Revenues and Other Moneys After Default....54
Section 12.5 Effect of Waiver....55
Section 12.6 Evidence of Ownership of Bonds....55
Section 12.7 Waiver of Default....56
Section 12.8 No Acceleration....56
Section 12.9 Mailing of Notice....56
Section 12.10 Exclusion of Bonds....56

ARTICLE 13 GENERAL COVENANTS AND REPRESENTATIONS....56
Section 13.1 Representations as to Pledged Revenues....56
Section 13.2 General....57

ARTICLE 14 SPECIAL COVENANTS....57
Section 14.1 Further Assurances; Due Performance....57
Section 14.2 Additional Obligations; Other Obligations or Other Liens....57
Section 14.3 Books of Record....58

ARTICLE 15 PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE....58
Section 15.1 Trust Irrevocable....58
Section 15.2 Satisfaction of Indenture....58
Section 15.3 Bonds Deemed Paid....59

ARTICLE 16 MISCELLANEOUS....59
Section 16.1 Benefits of Indenture Limited to Parties....59
Section 16.2 Successor is Deemed Included in All References to Predecessor....60

Page

Section 16.3 Execution of Documents and Proof of Ownership by Owners.....60
Section 16.4 Waiver of Personal Liability.....60
Section 16.5 Notices to and Demands on City and Trustee.....60
Section 16.6 Partial Invalidity.....62
Section 16.7 Applicable Laws.....62
Section 16.8 Payment on Business Day.....62
Section 16.9 Counterparts.....63
Section 16.10 Anti-boycott Verification.....63
Section 16.11 Iran, Sudan and Foreign Terrorist Organizations.....63
Section 16.12 Form 1295 Exemption.....63

EXHIBIT A - Form of Bond

EXHIBIT B – Form of Certificate for Payment

EXHIBIT C – Form of Closing Disbursement Request

INDENTURE OF TRUST

This Indenture of Trust, dated as of January 15, 2021 is by and between the City of Kaufman, Texas (the "City"), and Wilmington Trust, National Association a national banking association, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article 1.

WHEREAS, on August 20, 2018, a petition was submitted and filed with the City Secretary of the City a petition (the "*Petition*") requesting the establishment of a public improvement district pursuant to Chapter 372, Texas Local Government Code, as amended, (the "PID Act") to be known as Kaufman Public Improvement District No. 1 (the "District" or "PID"); and

WHEREAS, the Petition contained the signatures of the owners of taxable real property representing more than 50% of the area of all the appraised value of taxable real property liable for assessment within the District, as determined by the then current ad valorem tax rolls of the Kaufman Central Appraisal District, and the signature of the property owners who owned taxable real property that constituted more than 50% of the area of all taxable property within the District liable for assessment; and

WHEREAS, on August 5, 2018, the City Council accepted the Petition and called a public hearing for September 3, 2018, on the creation of the District and the advisability of the improvements; and

WHEREAS, on September 24, 2018, after due notice, the City Council of the City (the "City Council") opened a public hearing in the manner required by law on the advisability of the public improvements and services described in the petition as required by Section 372.009 of the PID Act and continued the public hearing to November 13, 2018; and,

WHEREAS, on November 13, 2018, the City Council reconvened the public hearing and made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. R-27-18 (the "Authorization Resolution") adopted by a majority of the members of the City Council, authorized and created the District in accordance with its finding as to the advisability of the Authorized Improvements; and

WHEREAS, on November 22, 2018, the City published the Authorization Resolution in The Kaufman Herald, a newspaper of general circulation in the City; and

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

WHEREAS, on June 17, 2019, the City Council adopted Resolution R-12-19 determining the total costs of the Phases 1A and 1B Improvements, calling for a public hearing to consider the levying of assessments against the property within Phases 1A and 1B of the district (the "1A and 1B Assessments"), authorizing and directing the filing of a proposed Phase 1A and 1B Assessment Roll, authorizing and directing the publication of notice of a public hearing to consider the levy of the 1A and 1B Assessments; and

WHEREAS, on June 20, 2019, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of a public hearing (the "Assessment Hearing") in The Kaufman Herald, a newspaper of general circulation in the City, to consider the proposed Assessment Roll and the Service and Assessment Plan and the levy of the 1A and 1B Assessments on property in the District; and

WHEREAS, the City Council, pursuant to Section 372.016(c) of the PID Act, mailed notice of the Assessment Hearing to consider the proposed Assessment Roll and the Service and Assessment Plan and the levy of 1A and 1B Assessments on property within the District (as defined herein) of the District to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council convened the Assessment Hearing on July 22, 2019 and at such public hearing all persons who appeared, or requested to appear, in person or through a representative acting on their behalf, were given the opportunity to contend for or contest the proposed Assessment Roll and the 1A and 1B Assessments, and to offer testimony pertinent to any issue presented on the amount of the 1A and 1B Assessments, the allocation of Improvement Costs, the purposes of the 1A and 1B Assessments, the special benefits of the 1A and 1B Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the 1A and 1B Assessments; and

WHEREAS, on July 22, 2019, the City Council continued the Assessment Hearing to August 5, 2019 and reconvened the Assessment Hearing on August 5, 2019; and

WHEREAS, at the Assessment Hearing, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of 1A and 1B Improvement Costs (as defined herein), the Assessment Roll, and the levy of the 1A and 1B Assessments; and

WHEREAS, on August 5, 2019, the City Council closed the Assessment Hearing, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the City, the City approved and accepted the Service and Assessment Plan in conformity with the requirements of the PID Act and adopted the Assessment Ordinance and therein approved the Assessment Roll and levied the 1A and 1B Assessments; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the 1A and 1B Assessments for the purpose of (i) paying or reimbursing a portion of the costs of the Authorized Improvements, (ii) funding a reserve fund for payment of principal and interest on the revenue bonds, (iii) funding a portion of the Delinquency and Prepayment Reserve Account, (iv) paying a portion of the costs incidental to the organization of the District, and (v) paying costs of issuance; and

WHEREAS, the City Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled "City of Kaufman, Texas, Special Assessment Revenue Bonds, (Kaufman Public Improvement District No. 1 Phase 1A and 1B)" (the "Bonds"), such Bonds being payable solely from the Pledged Revenues (defined herein) and other funds pledged under this

Indenture to the payment of the Bonds and for the purposes set forth in the preamble of this Indenture; and

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

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

FIRST GRANTING CLAUSE

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

SECOND GRANTING CLAUSE

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

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

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

PROVIDED, HOWEVER, that if and to the extent Phase 1A and 1B Assessments have been prepaid, the lien on real property associated with such Phase 1A and 1B Assessment prepayment shall be released from the Trust Estate and shall no longer constitute a part of the Trust Estate;

PROVIDED, FURTHER, HOWEVER, if the City or its assigns shall well and truly pay, or cause to be paid, the principal or Redemption Price of and the interest on all the Bonds at the times and in the manner stated in the Bonds, according to the true intent and meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect;

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

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

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

ARTICLE 1

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.1 Definitions.

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

"Account" means any of the accounts established pursuant to Section 5.1 of this Indenture.

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

"Additional Interest" means the 0.50% additional interest charged on the Assessments pursuant to Section 372.018 of the PID Act and described in Section V of the Service and Assessment Plan.

"Additional Interest Revenues" means the revenues generated from the collection of the Additional Interest.

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

"Administrative Fund" means that Fund established by Section 6.1 and administered pursuant to Section 5.10 hereof.

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

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

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the 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, collectively, with respect to each Phase 1A and 1B Assessed Property, each annual payment of the Assessments as shown on the Assessment Roll attached to the Service and Assessment Plan as Exhibit D to the Service and Assessment Plan and related to the Bonds and the Phase 1A and 1B Improvements, including (i) principal; (ii) interest (iii) Administrative Expenses and (iv) Additional Interest collected pursuant to Section V of the Service and Assessment Plan and deposited to the Delinquency and Prepayment Reserve Account as described in Section 6.8 herein.

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

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

"Assessment Hearing" has the meaning set forth in the recitals.

"Assessment Ordinance" means Ordinance No. O-08-19 adopted by the City Council on August 5, 2019, that levied the Assessments on the Phase 1A and 1B Assessed Property.

"Assessment Roll" means the Phase 1A and 1B Assessment Roll attached in Appendix D to the Service and Assessment Plan as updated, modified or amended from time to time in accordance with procedures set forth in the Service and Assessment Plan and in the PID Act (including updates prepared in connection with the issuance of the Bonds or in connection with any Annual Service Plan Update), showing the total amount of the Assessment against each Phase 1A and 1B Assessed Property.

"Authorized Denomination" means [$25,000] and any integral multiple of $5,000 in excess of [$25,000], or a smaller denomination, if any, resulting from a partial redemption of Bonds as determined in accordance with Section 4.5 hereof or as a result of any partial defeasance of the Bonds.

"Authorized Improvements" means the improvements authorized by the PID Act which (1) will benefit all property assessed within the District, as set forth in the Service and Assessment Plan, (2) are defined as "Authorized Improvements" in the Service and Assessment Plan, and (3) are more particularly described in Appendix B of the Service and Assessment Plan.

"Authorized Officer" means (i) the City Manager of the City, (ii) an Assistant City Manager of the City designated by the City Manager of the City for such purpose, or (iii) the Director of Finance of the City.

"Bonds" means the City of Kaufman, Texas Special Assessment Revenue bonds, (Kaufman Public Improvement District No. 1 Phase 1A and 1B) issued by the City pursuant to this Indenture and payable from and secured in whole or in part by the Phase 1A and 1B Assessments including any Refunding Bonds and any Bonds issued in exchange or replacement thereof as permitted by this Indenture.

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

"Bond Fund" means the Fund established pursuant to Section 6.1 and administered as provided in Section 6.2.

"Bond Ordinance" means Ordinance No. _____ adopted by the City Council on _____, 2021 authorizing the Indenture.

"Bond Reserve Account" means the Account within the Reserve Fund established pursuant to Section 5.1 and administered as provided in Section 6.5.

"Bond Reserve Account Requirement" means the least of: (i) Maximum Annual Debt Service on the Bonds as of the date of issuance of the Bonds, (ii) 125% of average Annual Debt Service on the Bonds as of the date of issuance, or (iii) 10% of the stated principal amount of the Bonds as of the date of issuance; provided, however that subsequent to the date of issuance of the Bonds, such Bond Reserve Account Requirement shall be recalculated for compliance with the above upon (a) any transfers made pursuant to Section 6.6(c), (b) a mandatory sinking fund redemption pursuant to the terms of a this Indenture, (c) an optional redemption pursuant to the terms of this Indenture or (d) an extraordinary optional redemption pursuant to the terms of a this Indenture

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

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

"Certificate for Payment" means a certificate substantially in the form of Exhibit B attached hereto approved by the Developer and the City Representative executed by a Person approved by the City Representative, delivered to the City Representative and the Trustee specifying the amount of work performed with respect to the Phase 1A and 1B Improvements and the Actual Costs thereof, and requesting payment for such costs from money on deposit in the Project Fund as further described in Section 6.3 herein.

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

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

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

"Closing Disbursement Request" means a certificate substantially in the form of Exhibit C attached hereto, approved by the Developer and the City Representative, delivered to the Trustee specifying the amounts to be paid on the Closing Date for the costs of establishing the District, as further described in Section 6.3 herein.

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

"Costs of Issuance Account" means the Account within the Project Fund established pursuant to Section 6.1.

"Construction, Funding and Acquisition Agreement" means that certain agreement dated August 5, 2019 between the Developer and the City pertaining to the development of the PID.

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

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

"Delinquency and Prepayment Reserve Requirement" means an amount equal to 5.5% of the principal amount of the Outstanding Bonds which may be funded from Bond proceeds and revenues received from the payment of Assessments, deposited to the Pledged Revenue Fund.

"Delinquent Collection Costs" means the costs related to the foreclosure on an Phase 1A and 1B Assessed Property and the costs of collection of a delinquent Assessment, including penalties and reasonable attorney's fees actually paid, but excluding amounts representing Delinquent Penalties and Interest.

"Delinquent Penalties and Interest" means any delinquent interest and delinquent penalty interest collected on a delinquent Assessment.

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

"Developer" means Georgetown KF, Ltd., a Texas limited partnership, and its respective successors and assigns.

"Development Agreement" means the Georgetown at Kings Fort Development Agreement, as amended, between the City and the Developer relating to the Bonds, effective as of November 13, 2018, as amended, which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Authorized Improvements within the District, the issuance of bonds, the reimbursement of costs to the Developer from the proceeds of the Bonds for funds advanced by the Developer and used to pay costs of Authorized Improvements and other matters related thereto.

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

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

"Foreclosure Proceeds" means the proceeds, including Delinquent Penalties and Interest, received by the City from the enforcement of the Assessments against any Phase 1A and 1B

Assessed Property, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

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

"Improvement Account" means the Account within the Project Fund established pursuant to Section 6.1.

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

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

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being March 15 and September 15 of each year, commencing September 15, 2021.

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

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

"Minor Amount Redemption" means a redemption of Bonds pursuant to Section 4.4 of a principal amount of Bonds redeemed that is less than ten percent (10%) of the Outstanding principal amount of the Bonds.

"Outstanding" means, as of any particular date when used with reference to the Bonds, all Bonds authenticated and delivered under this Indenture except (i) any Bond that has been canceled by the Trustee (or has been delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for which the payment of the principal or Redemption Price of and interest on such Bond shall have been made as provided in Article 4, and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Section 3.10 herein.

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

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

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

"Phase 1A and 1B" means the property to be developed within the District identified as Phase #1A and Phase #1B and depicted in the Service and Assessment Plan.

"Phase 1A and 1B Assessed Property" means all property within Phase 1A and 1B of the District and shown in the Assessment Roll against which an Assessment relating to the Phase 1A and 1B Improvements is levied in accordance with the Service and Assessment Plan.

"Phase 1A and 1B Improvements" means the Authorized Improvements within Phase 1A and 1B being financed by the issuance of Bonds.

"Phase 1A and 1B Improvement Costs" means the Actual Costs, as defined in the Service and Assessment Plan (excluding Administrative Expenses), of the Authorized Improvements benefitting Phase 1A and 1B of the District.

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

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

"Pledged Revenue Fund" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.2 hereof.

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

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

"Principal and Interest Account" means the Account within the Bond Fund established pursuant to Section 6.1.

"Project Fund" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.3 herein.

"Purchaser" means the initial purchaser of the Bonds.

"Rebate Fund" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.7 herein.

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

"Redemption Fund" means that Fund established in Section 6.1 and administered pursuant to Section 6.4 of this Indenture.

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

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

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

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

"Reimbursement Agreement" means that agreement between the City and the Developer dated August 5, 2019 relating to the reimbursement of Phase 1A and 1B Improvement Costs from Assessments.

"Reserve Account" means that account established pursuant to Section 5.1 and administered in Section 6.5 herein.

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

"Sinking Fund Installment" means the amount of money to redeem or pay at maturity the principal of 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.

"Substantial Amount Redemption" means a redemption of Bonds pursuant to Section 4.4 of a principal amount of Bonds redeemed that is greater than or equal to ten percent (10%) of the Outstanding principal amount of the Bonds.

"Supplemental Indenture" means an indenture which has been duly executed by the Trustee and the City Representative pursuant to an ordinance adopted by the City Council and which

indenture amends or supplements this Indenture, but only if and to the extent that such indenture is specifically authorized hereunder.

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

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

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

Section 1.2 Findings.

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

Section 1.3 Table of Contents, Titles and Headings.

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

Section 1.4 Interpretation.

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

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

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

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

ARTICLE 2

THE BONDS

Section 2.2 Security for the Bonds.

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

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

Section 2.3 Limited Obligations.

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

Section 2.4 Authorization for Indenture.

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

Section 2.5 Contract with Owners and Trustee.

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

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

ARTICLE 3

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.1 Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act. The Bonds shall be issued in the aggregate principal amount of $_____ for the purpose of (i) paying or reimbursing a portion of the Phase 1A and 1B Improvement Costs, (ii) funding the Bond Reserve Account of the Reserve Fund, (iii) funding a portion of the Delinquency and Prepayment Reserve Account, (iv) funding capitalized interest on the Bonds, (v) paying a portion of the costs incidental to the organization of the District, and (vi) paying the costs of issuance of the Bonds.

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

(a) The Bonds shall be dated January 15, 2021 (the "Bond Date") and shall be issued in Authorized Denominations. The Bonds shall be in fully registered form, without coupons, and shall be numbered separately from R-1 upward, except the Initial Bond, which shall be numbered T-1.

(b) Interest shall accrue and be paid on each Bond from the later of the date of initial delivery of the Bonds or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on March 15 and September 15 of each year, commencing September 15, 2021 computed on the basis of a 360-day year of twelve 30-day months.

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

Term Bonds

Year	Principal Amount	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 4

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

Section 3.3 Conditions Precedent to Delivery of Bonds.

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

(a) a copy of the executed Assessment Ordinance;

(b) a copy of the executed Bond Ordinance;

(c) a copy of this Indenture executed by the Trustee and the City;

(d) an executed General Certificate;

(e) an executed opinion of Bond Counsel; and

(f) approving opinion of the Attorney General of the State and the State Comptroller's registration certificate.

Section 3.4 Medium, Method and Place of Payment.

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

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

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

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

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

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for two (2) years after the applicable payment or redemption date shall be applied to the next payment or payments on such Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

Section 3.5 Execution and Registration of Bonds.

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

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

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

valid and binding obligation of the City, and has been registered by the Comptroller of Public Accounts of the State of Texas, including the provisions of Title 6 of the Texas Property Code, as amended.

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

Section 3.6 Ownership.

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

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

Section 3.7 Registration, Transfer and Exchange.

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

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

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

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

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

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

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

Section 3.8 Cancellation.

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

Section 3.9 Temporary Bonds.

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

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

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

Section 3.10 Replacement Bonds.

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

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

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

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

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

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

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

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

issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

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

Section 3.11 Book-Entry Only System.

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

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

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

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

Section 3.13 Payments to Cede & Co.

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

ARTICLE 4

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1 Limitation on Redemption.

The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article 4.

Section 4.2 Mandatory Sinking Fund Redemption.

(a) The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

$_____ Term Bonds maturing September 15, 20__

Redemption Date	Sinking Fund Installment Amount
September 15, 20__	

September 15, 20__
September 15, 20__*

*maturity

$_____ Term Bonds maturing September 15, 20__

Redemption Date	Sinking Fund Installment Amount
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__*	

*maturity

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.6.

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

Section 4.3 Optional Redemption.

(a) The City reserves the option to redeem Bonds in whole or any part, before their respective scheduled maturity dates, on September 15, 20__, or on any date thereafter such redemption date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of the Bonds called for redemption plus accrued and unpaid interest to the date fixed for redemption.

(b) The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

Section 4.4 Extraordinary Optional Redemption.

(a) Notwithstanding any provision in this Indenture to the contrary, but subject to the provisions of Section 4.6(d), the City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in Section 6.7(h)) or any other transfers to the Redemption Fund under the terms of this Indenture, including from transfers of Foreclosure Proceeds and transfers pursuant to Section 6.5(d). The City direction for such redemption shall include details with regard to a corresponding reduction in the Bond Reserve Account Requirement, as contemplated by the definition thereof.

(c) Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary optional redemption pursuant to this Section 4.4 unless it has at least $5,000 available in the Redemption Fund with which to redeem the Bonds.

Section 4.5 Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Sections 4.2, 4.3, or 4.4, Bonds shall be redeemed in minimum principal amounts of $1,000 or any integral thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by $1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than $1,000, may be issued.

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

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

(d) If less than all of the Bonds are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Bonds or portion of a Bond, as applicable, to be redeemed shall be selected in the following manner:

(e) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds; and

(f) with respect to a Minor Amount Redemption, the Outstanding Bonds or Bonds, as applicable, shall be redeemed either in inverse order of maturity or on a pro rata basis, as directed in a City Certificate.

(g) Upon surrender of any Bond for redemption in part, the Trustee in accordance with Section 3.7 of this Indenture, shall authenticate and deliver an exchange Bond or Bonds in an

aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

Section 4.6 Notice of Redemption to Owners.

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

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

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

(d) The City reserves the right, in the case of an optional or extraordinary optional redemption pursuant to Sections 4.3 or 4.4 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Section 4.7 Payment Upon Redemption.

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

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

Section 4.8 Effect of Redemption.

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

ARTICLE 5

FORM OF THE BONDS

Section 5.1 Form Generally.

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

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

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

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

Section 5.2 CUSIP Registration.

The City may secure identification numbers through the 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, none of the City, the Trustee, or the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. The City prohibits any Bond to be issued in a denomination of less than an Authorized Denomination and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than an Authorized Denomination and any attempt to accomplish either of

the foregoing shall be void and of no effect. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Bonds and that neither the City nor the Trustee shall be liable for any inaccuracies of such numbers.

Section 5.3 Legal Opinion.

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

ARTICLE 6

FUNDS AND ACCOUNTS

Section 6.1 Establishment of Funds and Accounts.

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

(1) Pledged Revenue Fund;

(2) Bond Fund;

(3) Project Fund;

(4) Reserve Fund;

(5) Redemption Fund;

(6) Rebate Fund; and

(7) Administrative Fund.

(b) Creation of Accounts.

(1) The following Accounts are hereby created within the Pledged Revenue Fund:

(A) Bond Pledged Revenue Account; and

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

(A) Principal and Interest Account.

(B) Capitalized Interest Account.

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

(A) Phase 1A and 1B Improvement Account;

(B) Costs of Issuance Account; and

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

(A) Bond Reserve Account; and

(B) Delinquency and Prepayment Reserve Account.

(5) The following account is hereby created and established within the Rebate Fund:

(A) Rebate Account

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

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

Section 6.2 Initial Deposits to Funds and Accounts.

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

(1) to the Bond Reserve Account: $_____;

(2) to the Costs of Issuance Account: $_____;

(3) to the Administrative Fund: $_____;

(4) to the Principal and Interest Account of the Bond Fund: $_____

(5) to the Delinquency and Prepayment Reserve Account: $_____;

(6) to the Capitalized Interest Account $_____; and

(7) to the Phase 1A and 1B Improvement Account of the Project Fund: $_____.

Section 6.3 Pledged Revenue Fund.

(a) On or before February 1 (provided that Pledged Revenues have been received by the City, or if not, then as soon available) while the Bonds are Outstanding, beginning February 1, 2021, the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited pursuant to Section 6.10 hereof) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in Section 6.3(e), the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority:

(1) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due in the next Bond Year, as described in Section 6.3(b),

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

(3) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, and

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

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

(c) The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to Section 6.3(e) as Additional Interest, Prepayments or Foreclosure Proceeds.. For the avoidance of doubt, all portions of the Annual Installment collected as Additional Interest shall be deposited pursuant only to (1), (2) and (3) above.

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

(e) If, after the foregoing transfers and any transfer from the Reserve Fund as provided in Section 6.7 herein, there are insufficient funds to make the payments provided in paragraph (b)

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

(f) Notwithstanding Section 6.3(a) above:

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

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Phase 1A and 1B Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Administrative Expenses (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

(g) After satisfaction of the requirements to (i) provide for the payment of the principal and interest on the Bonds and (ii) to fund any deficiency that may exist in the Reserve Fund (including the funding of the Delinquency and Prepayment Reserve Account), the City may direct the Trustee by City Certificate to apply Phase 1B and 1B Assessments for any lawful purposes permitted by the PID Act for which Phase 1B and 1B Assessments may be paid.

(h) Phase 1B and 1B Assessments representing Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited first to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Account Reserve Requirement is met and then to the Administrative Fund.

(i) Any Phase 1B and 1B Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Phase 1B and 1B Assessments may be used under the PID Act and such payments shall be applied in accordance with written direction from a City Representative to the Trustee.

Section 6.4 Bond Fund.

(a) No later than on each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds.

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

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

Date	**Amount**
March 1, 2021	
September 1, 2021	

(a) Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred shall be transferred, at the direction of the City, to the Phase 1A and 1B Improvement Account of the Project Fund, or to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5 Project Fund.

(a) Money on deposit in the Phase 1A and 1B Improvement Account, and Costs of Issuance Account of 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 one or more City Certificates. Moneys disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request.

(c) Except as otherwise provided herein, money on deposit in the Phase 1A and 1B Improvement Account of the Project Fund, shall be used solely to pay the costs of the Phase 1A and 1B Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Phase 1B and 1B Improvement Costs, the Trustee shall make payment from the Phase 1A and 1B Improvement Account of the Project Fund. Except as provided in Sections 6.5(d), 6.5(e), 6.5(g) and 6.5(h), money on deposit in the Phase 1B and 1B Improvement Account shall be used solely to pay the Phase 1A and 1B Improvement Costs as set forth in the applicable Certificate for Payment.

(d) Funds on deposit in the Phase 1A and 1B Improvement Account of the Project Fund in the amount of $940,000 shall be retained in the Project Fund and shall not be expended or used to pay the costs of the Phase 1A and 1B Improvements pursuant to a reviewed and approved Certificate for Payment until all of the following have occurred, as certified by the Developer to the City and the Trustee:

(1) All of the Phase 1A and 1B Improvements have been constructed or installed and accepted by the City;

(2) All of the lots in Phase 1B are under contract with a third-party builder; and

(3) 85 building permits have been issued by the City for Phase 1A and 1B.

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

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

(g) Upon the filing of a City Certificate stating that all Phase 1A and 1B Improvements have been completed and that all Phase 1A and 1B Improvements Costs have been paid, or that any such costs are not required to be paid from the Phase 1A and 1B Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Phase 1A and 1B Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee and shall close the Phase 1A and 1B Improvement Account of the Project Fund.

(h) Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Section 6.6 Redemption Fund.

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

(b) The Trustee shall cause to be deposited to the Redemption Fund from Prepayments and Foreclosure Proceeds, an amount sufficient to redeem Bonds as provided in Section 4.4 on the dates specified for redemption as provided in Section 4.4. If after such transfer, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

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

Section 6.7 Bond Reserve Account.

(a) The City agrees with the Owners of the Bonds to accumulate, and when accumulated, maintain in the Bond Reserve Account, an amount equal to not less than the Bond Reserve Account Requirement. Subject to subsection (c) below, all amounts deposited in the Bond Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund in the event of any deficiency in such Principal and Interest Account on any Interest Payment Date or any date on which principal of the Bonds is due.

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

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

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

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

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

(g) If the amount held in the Bond Reserve Account, together with the amounts held in the Pledged Revenue Fund and the Principal and Interest Account and Redemption Fund, is sufficient to pay the principal amount of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Bonds as of such Interest Payment Date, the

moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds as of such Interest Payment Date.

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

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

(j) The cumulative amount of any Bond proceeds (including investment earnings on such proceeds) that are transferred to the Administrative Fund pursuant to the provisions of 6.7(c) and subsequently used for the payment of operating costs directly relating to the Phase 1A and 1B Improvements will not exceed 5% of sale proceeds of the Bonds. The Trustee shall have no liability or responsibility for compliance with this section so long as it follows the written instructions from the City.

(k)

Section 6.8 Delinquency and Prepayment Reserve Account.

(a) In addition to the initial deposit to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to Section 6.2, Additional Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to Section 6.3 herein until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement,

(ii) the Administrative Fund for payment of Administrative Expenses (in compliance with Section 6.13(d) herein), or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to Section 4.3. The excess amounts transferred from the Delinquency and Prepayment Reserve Account of the Reserve Fund to the Administrative Expense Fund will be presumed to have been transferred, first, from sources other than Bond proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Redemption Fund and provide the City with written notification of the transfer. The Trustee shall incur no liability for the accuracy or validity of the transfer if compliant with this section.

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

Section 6.9 Rebate Account.

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

(b) In order to assure that the amount required to be rebated to the federal government is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made as directed by the City in a written direction and in accordance with the Code, Tax Certificate and Section 8.6 hereof. The Trustee may conclusively rely on such written instructions as set forth in this section and shall not be responsible for any loss or liability resulting from the investment of funds hereunder.

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

(d) If, on the date of each calculation made Article 8 the amount on deposit in the Rebate Fund exceeds the amount required to be rebated to the federal government, the City may direct the Trustee, pursuant to a City Certificate, to transfer the amount in excess of the amount required to be rebated to the federal government to the Bond Fund.

Section 6.10 Administrative Fund.

(a) The City shall deposit or cause to be deposited to the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs. The City or the Administrator, on behalf of the City, shall direct the Trustee pursuant to the City

Certificate with respect to the portions of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs to be deposited pursuant to this section.

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

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

Section 6.11 Investment of Funds.

(a) Money in any Fund established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee at least two (2) Business Days in advance of the making of such investment in time deposits, other bank deposit products, or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times set forth in this Indenture. Such investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default. In the absence of investment instructions from the City, the Trustee shall hold monies held by it uninvested and shall have no obligation to invest or reinvest such monies.

(b) Obligations purchased as an investment of moneys in any Fund shall be deemed to be part of such Fund or Account, subject, however, to the requirements of this Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in this Indenture any moneys are required to be transferred by the City to

the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment and may receive compensation in connection with any investment if authorized by the City Representative in writing. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments and may conclusively rely on the City's written instructions as to the directed investments.

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

(e) The Trustee will furnish the City monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder; and, the Trustee is not required to provide brokerage confirmations unless the Trustee receives a written request from the City. No monthly cash transaction statement need to be furnished if no activity occurred during such month.

(f) The Trustee may conclusively rely on City Certificates pursuant to Section 6.11(a) that such an investment will comply with the City's investment policy and with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

Section 6.12 Investment Income.

(a) Interest and income derived from investment of the Project Fund shall be deposited to the credit of the Principal and Interest Account of the Bond Fund.

(b) Interest and income derived from investment of the Bond Fund shall be credited to the Principal and Interest Account of the Bond Fund.

(c) Interest and income derived from investment of the Bond Reserve Account and Delinquency and Prepayment Reserve Account of the Reserve Fund shall be credited to such Accounts.

Section 6.13 Security of Funds.

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

ARTICLE 7

COVENANTS

Section 7.1 Confirmation of Phase 1A and 1B Assessments.

The City hereby confirms, covenants, and agrees that, in the Assessment Ordinance, it has levied the Phase 1B and 1B Assessments against the respective Phase 1A and 1B Assessed Property from which the Pledged Revenues will be collected and received.

Section 7.2 Collection and Enforcement of Phase 1A and 1B Assessments.

(a) For so long as any Bonds are Outstanding, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Phase 1A and 1B 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 Phase 1A and 1B Assessments.

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

Section 7.3 Against Encumbrances.

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

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

Section 7.4 Records, Accounts, Accounting Reports.

The City hereby covenants and agrees that so long as any of the Bonds or Outstanding Bonds or any interest thereon remain outstanding and unpaid and the obligation to the Developer to reimburse it for funds it has contributed to pay Phase 1A and 1B Improvement Costs remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Phase 1A and 1B Assessments. The Trustee and holder or holders of

any Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds during the City's regular business hours and on a mutually agreeable date not later than thirty (30) days after the City receives such request.

ARTICLE 8

FEDERAL INCOME TAX MATTERS

Section 8.1 General.

The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause the interest on any issue of Bonds to be includable in gross income for federal income tax purposes. In furtherance thereof, the City covenants to comply with sections 103 and 141 through 150 of the Code and the provisions set forth in the Federal Tax Certificate executed by the City in connection with each issue of Bonds.

Section 8.2 No Private Activity Bonds.

The City covenants that it will use the proceeds of each issue of the Bonds (including investment income) and the property financed, directly or indirectly, with such proceeds so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code. Furthermore, the City will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes an issue of the Bonds to be "private activity bonds" unless it takes a remedial action permitted by section 1.141-12 of the Regulations. The City covenants and agrees that the levied Assessments will meet the requirements for the "tax assessment loan exception" within the meaning of Section 1.141-5(d) of the Regulations on the date the Bonds are delivered and will ensure that the Assessments continue to meet such requirements.

Section 8.3 No Federal Guaranty.

The City covenants not to take any action or omit to take any action that, if taken or omitted, would cause an issue of Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

Section 8.4 No Hedge Bonds.

The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause an issue of Bonds to be "hedge bonds" within the meaning of Section 149(g) of the Code.

Section 8.5 No-Arbitrage.

The City covenants that it will make use of the proceeds of each issue of Bonds (including investment income) and regulate the investment of such proceeds of each such issues of Bonds so that such issue will not be "arbitrage bonds" within the meaning of section 148(a) of the Code.

Section 8.6 Arbitrage Rebate.

The City covenants that, if the City does not qualify for an exception to the requirements of section 148(f) of the Code, the City will comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds each issue of Bonds, be rebated to the United States.

Section 8.7 Information Reporting.

The City covenants to file or cause to be filed with the Secretary of the Treasury an information statement concerning each issue of Bonds in accordance with section 149(e) of the Code.

Section 8.8 Record Retention.

The City covenants to retain all material records relating to the expenditure of the proceeds (including investment income) of the Bonds and the use of the property financed, directly or indirectly, thereby until three years after the last Bond is redeemed or paid at maturity (or such other period as provided by subsequent guidance issued by the Department of the Treasury) in a manner that ensures their complete access throughout such retention period.

Section 8.9 Registration.

If an issue of Bonds are "registration-required bonds" under section 149(a)(2) of the Code, such issue will be issued in registered form.

Section 8.10 Favorable Opinion of Bond Counsel.

Notwithstanding the foregoing, the City will not be required to comply with any of the federal tax covenants set forth above if the City has received a Favorable Opinion of Bond Counsel.

Section 8.11 Continuing Obligation.

Notwithstanding any other provision of this Indenture, the City's obligations under the federal tax covenants set forth above will survive the defeasance and discharge of an issue of Bonds for as long as such matters are relevant to the excludability of interest on such issue Bonds from gross income for federal income tax purposes.

ARTICLE 9

LIABILITY OF CITY

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

or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or event of default thereunder.

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

No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved by the City in connection with the issuance, sale, delivery, or administration of the Bonds (collectively, the "Bond Documents"), shall require the City to expend or risk its own general funds or revenues or other funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, the sole source of payment of obligations incurred by the City under the Bond Documents being limited to the Pledged Revenues.

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

The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

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

ARTICLE 10

THE TRUSTEE

Section 10.1 Trustee as Registrar and Paying Agent.

The Trustee is hereby designated and agrees to act as Paying Agent/Registrar for and with respect to the Bonds.

Section 10.2 Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to 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 pursuant to a written instrument by the Owners of the Bonds to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or exercise any such rights and powers as Trustee, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund or the Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 10.3 Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(1) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Indenture, and no duties or obligations shall be implied to the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to

examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified in writing, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subparagraph shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(1) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(2) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the controlling Owners relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

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

Whether or not therein expressly so provided, every provision of this Indenture or any other Bond Document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 10.

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

undertake any other action unless specifically authorized pursuant to a written direction provided by the City or pursuant to this Indenture.

(e) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture.

(f) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Phase 1B and 1B Improvements. The Trustee shall have no liability for any action taken, or errors in judgment made in good faith by it or any of its officers, agents or employees unless it shall have been negligent in employing such agent or in ascertaining the pertinent facts.

(g) The Trustee (i) may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees (but shall be answerable therefor only in accordance with the standard specified above), and (ii) shall be entitled to the advice of counsel concerning all matters of trusts hereof and duties hereunder.

(h) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

(1) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(2) any instrument or document of further assurance or collateral assignment,

(3) the filing of any financing statements, amendments thereto or continuation statements,

(4) insurance of the Phase 1A and 1B Improvements or collection of insurance money,

(5) the validity of the execution by the City of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(6) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(i) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds authenticated or delivered hereunder.

(j) The Trustee may request, conclusively rely on and shall be protected, in the absence of bad faith or negligence on its part, in acting upon any notice, request, direction, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the direction, request, authority or

consent of any Person who is the Owner of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(k) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default, except Events of Default described in Section 12.1(1), unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or by the Owners of more than 50% of the aggregate outstanding principal amount of Bonds. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above.

(l) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(m) Any resolution by the City, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

(n) The Trustee shall be entitled to file proofs of claim in bankruptcy. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute administrative expenses in bankruptcy.

(o) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for trustee and paying agent/registrar services shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(p) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(q) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

(s) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Phase 1B and 1B Improvements or any real property or improvements related thereto or for any diminution in value of the same as a result of any contamination by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee shall not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of the Phase 1B and 1B Improvements or any real property or improvements related thereto or with respect to compliance thereof under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(t)

Section 10.4 Property Held in Trust.

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

Section 10.5 Trustee Protected in Relying on Certain Documents.

The Trustee may request and rely upon any order, notice, opinion, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant to be qualified in relation to the subject matter or selected by the City in accordance with this Indenture, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

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

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any Person of notice of the provisions hereof except as expressly required in Section 10.13 herein.

Section 10.6 Compensation.

From time to time, the Trustee shall determine and the Trustee shall provide the City Representative with an invoice setting forth the reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by a specific agreement, if any, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. Unless written objection is made invoice received by the City within ten (10) days of its delivery to the City, the Trustee shall transfer from the Administrative Fund the amount set forth thereon. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from lawfully available funds under the Indenture (other than funds designated by the City for arbitrage rebate purposes) in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

In the event that the Trustee renders any service not contemplated in this Agreement, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Agreement or the subject matter hereof, then the Trustee shall be compensated for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event.

In the event that the Trustee renders any service not contemplated in this Agreement, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Agreement or the subject matter hereof, then the Trustee shall be compensated for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event; provided, however, that all such payments to the Trustee shall be only from funds available in the Administrative Fund..

Section 10.7 Permitted Acts.

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

Section 10.8 Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than thirty (30) days' written notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the earlier of the appointment of a successor as provided in Section 9.10 or the appointment of a successor trustee by a court of competent jurisdiction pursuant to Section 9.10 hereof and the acceptance of such appointment by such successor.

Section 10.9 Removal of Trustee.

The Trustee may be removed at any time upon at least thirty (30) days prior written notice by (i) the Owners of at least a majority of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the City, or (ii) so long as the City is not in default under this Indenture, the City. Copies of each such instrument shall be delivered by the City to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the City or the Owners of not less than 10% of the aggregate outstanding principal of the Bonds.

Section 10.10 Successor Trustee.

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

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least twenty-five percent (25%) of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor trustee, with notification thereof being given to the predecessor Trustee and the City.

Until such successor trustee shall have been appointed by the Owners of the Bonds, the City shall forthwith (and in no event in excess of thirty (30) days after such vacancy occurs) appoint a trustee to act hereunder. Copies of any instrument of the City providing for any such appointment shall be delivered by the City to the trustee so appointed. The City shall mail notice of any such appointment to each Owner of any Outstanding Bonds within thirty (30) days after such appointment. Any appointment of a successor trustee made by the City immediately and without further act shall be superseded and revoked by an appointment subsequently made by the requisite Owners of Bonds.

If in a proper case no appointment of a successor trustee shall be made within thirty (30) days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

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

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

Section 10.11 Transfer of Rights and Property to Successor Trustee.

Any successor trustee appointed under the provisions of Section 10.10 shall execute, acknowledge, and deliver to its predecessor and the City an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the City or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and, upon the receipt of payment of any outstanding charges, shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing from the City be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the City.

Section 10.12 Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be merged or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 10.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 10.13 Trustee to File Continuation Statements.

If necessary, the Trustee shall file or cause to be filed, such continuation statements as are delivered to the Trustee by the City, or on behalf of the City, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. The Trustee shall only be responsible for making such filings upon direction from the City.

Section 10.14 Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the City, and the Owner or Owners of not less than 10% in aggregate outstanding principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

Section 10.15 Construction of Indenture.

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

ARTICLE 11

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 11.1 Amendments Permitted.

This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of the Owners of at a majority of the aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond

or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by Applicable Laws or this Indenture), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its prior written consent.

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

(1) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(2) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds; and

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

Section 11.2 Owners' Meetings.

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

Section 11.3 Procedure for Amendment with Written Consent of Owners.

The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 11.1 herein, to take effect when and as provided in this Section. The City shall provide written direction to the Trustee to provide a copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, be mailed by the Trustee first class mail to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if

accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 12.6 herein. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 11.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of ninety (90) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such ninety-day period.

Section 11.4 Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article 10, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the City, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 11.5 Endorsement or Replacement of Bonds Issued After Amendments.

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article 11 shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Designated Payment/Transfer Office of the Trustee, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 11.6 Amendatory Endorsement of Bonds.

The provisions of this Article 11 shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

Section 11.7 Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an opinion of counsel addressed and delivered to the Trustee and the City stating that the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture and any Applicable Laws. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture or otherwise.

ARTICLE 12

DEFAULT AND REMEDIES

Section 12.1 Events of Default.

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

(1) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;

(2) The failure of the City to enforce the collection of the Phase 1A and 1B Assessments including the prosecution of foreclosure proceedings;

(3) The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; and

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

Section 12.2 Immediate Remedies for Default.

(a) Subject to Article 8, upon the happening and continuance of any of the Events of Default described in Section 12.1, the Owners of at least 25% aggregate outstanding principal amount of the Bonds then Outstanding, may proceed against the City for the purpose of protecting

and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

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

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

(d) Whenever moneys are to be applied pursuant to this Article 12, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms, as the Trustee may deem appropriate, and as may be required by Applicable Laws and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request.

Section 12.3 Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee written evidence of indemnity as provided in Section 9.2 herein, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no

direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article 9, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

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

Section 12.4 Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 12.2 hereof, shall be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

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

SECOND: To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment

thereof ratably, according to the amounts of principal due and to the registered owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 12.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 12.1, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

(c) The restoration of the City to its prior position after any and all defaults have been cured, as provided in Section 12.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 12.5 Effect of Waiver.

No delay or omission of the Trustee, or any Owner, to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 12.6 Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(1) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(2) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bonds in respect of anything done or suffered to be done by the City or the Trustee in accordance therewith.

Section 12.7 Waiver of Default.

With the written consent of at least a majority in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

Section 12.8 No Acceleration.

In the event of the occurrence of an Event of Default under Section 12.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 12.9 Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first class postage prepaid, only to each Owner at the address appearing upon the Register.

Section 12.10 Exclusion of Bonds.

Bonds owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture.

ARTICLE 13

GENERAL COVENANTS AND REPRESENTATIONS

Section 13.1 Representations as to Pledged Revenues.

(a) The City represents and warrants that Applicable Laws authorize the City to issue the Bonds, to execute and deliver this Indenture and to pledge the Pledged Revenues in the manner and to the extent provided in this Indenture, and that the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The City shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) Subject to available funds, the City will take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Phase 1A and 1B Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

(d) To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of the City to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. Notwithstanding the foregoing, if the City is unable in every year to send notice of the Annual Installment on the same statement as ad valorem taxes, the City shall send or shall cause to be sent, a separate notice of the Annual Installment in a timely fashion such that the Annual Installment can be collected in the same time frame as ad valorem taxes.

Section 13.2 General.

The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of this Indenture.

ARTICLE 14

SPECIAL COVENANTS

Section 14.1 Further Assurances; Due Performance.

(a) At any and all times the City will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The City will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 14.2 Additional Obligations; Other Obligations or Other Liens.

(a) The City reserves the right, subject to the provisions contained in this Section 14.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on the Trust Estate and are not payable from Pledged Revenues.

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

(c) Other than Refunding Bonds issued to refund all or a portion of the Bonds, the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with this Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds and Accounts; provided, however, that nothing in this Section shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

Section 14.3 Books of Record.

(a) The City shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the City, which relate to the Pledged Revenues, the Pledged Funds and Accounts, and the Bonds.

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 14.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

ARTICLE 15

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 15.1 Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article 14.

Section 15.2 Satisfaction of Indenture.

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the City may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person

entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 15.3 Bonds Deemed Paid.

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

ARTICLE 16

MISCELLANEOUS

Section 16.1 Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the City, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Trustee. This

Agreement and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

Section 16.2 Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 16.3 Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Trustee in good faith and in accordance therewith.

Section 16.4 Waiver of Personal Liability.

No member of the City Council of the City, or any officer, agent, or employee of the City, shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Section 16.5 Notices to and Demands on City and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any City Certificate or Certificate for payment shall be in writing and shall be delivered by hand, mailed by first class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the City:	City of Kaufman, Texas 709 S. Washington Kaufman, Texas 75142 Attn: City Manager Telephone: (830) 598-8741
With a copy to:	
And:	Bracewell LLP Attn: Julie Partain 1445 Ross Ave. Suite 3800 Dallas, Texas 75202 Email: julie.partain@bracewell.com (214) 758-1606
And:	
If to the Trustee, also acting in the capacity of Paying Agent/Registrar:	Wilmington Trust, N.A. Issuer Administrative Services 15950 North Dallas Parkway, Ste. 550 Dallas, Texas 75248 (972) 383-3154 (214) 862-8441 Email: dlsmith@wilmingtontrust.com

Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five (5) Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Outstanding.

(c) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: email, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such

Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 16.6 Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The City hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 16.7 Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas.

Section 16.8 Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 16.9 Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original.

Section 16.10 Anti-boycott Verification.

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 Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. 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 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.

Section 16.11 Iran, Sudan and Foreign Terrorist Organizations.

The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, 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 each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. 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 16.12 Form 1295 Exemption. The Trustee represents that it is a wholly owned subsidiary of M&T Bank Corporation, a publicly traded business entity, and therefore this Agreement is exempt from Section 2252.908, Texas Government Code, as amended.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the City and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

CITY OF KAUFMAN, TEXAS

By: _____
Mayor

ATTEST:

_____
City Secretary

[CITY SEAL]

WILMINGTON TRUST, NATIONAL ASSOCIATION, AS TRUSTEE

By: _____
Authorized Officer

EXHIBIT A

(a) Form of Bond.

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

THE TRANSFER OF THIS BOND IS SUBJECT TO THE TERMS AND RESTRICTIONS DESCRIBED HEREIN.

REGISTERED
No. _____

REGISTERED
$_____

United States of America
State of Texas

CITY OF KAUFMAN, TEXAS
SPECIAL ASSESSMENT REVENUE BOND,
(KAUFMAN PUBLIC IMPROVEMENT
DISTRICT NO. 1 PHASE 1A AND 1B)

INTEREST RATE	MATURITY DATE	DATE OF DELIVERY	CUSIP NUMBER
_____%	September 15, ____	_____, 2021	_____ ___

The City of Kaufman, Texas (the "City"), for value received, hereby promises to pay, solely from the Trust Estate, to

_____

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually commencing on March 15, 2021, and on each March 15 and September 15 thereafter until maturity or prior redemption.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office"), of _____, a national banking 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, 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 thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five (5) Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated _____, 2021 and issued in the aggregate principal amount of $_____ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of _____, 2021 (the "Indenture"), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Phase 1A and 1B Improvements Costs, (ii) funding a debt service reserve fund for payment of principal and interest on the Bonds, (iii) funding a portion of the Delinquency and Prepayment Reserve Account, (iv) paying a portion of the costs incidental to the organization of the District, and (v) paying the costs of issuance of the Bonds.

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

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the City to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in denominations of [$100,000], or any integral multiple of $5,000 in excess thereof ("Authorized Denominations"), subject to the partial redemption provisions of the Indenture authorizing redemptions of less than $100,000 in denominations of $5,000 and any multiple of $5,000 in excess thereof.

The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a Redemption Price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article 6 of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

$_____Term Bond maturing September 15, 20__

Redemption Date	Amount
September 15, 20__	
September 15, 20__	
September 15, 20__*	

*maturity

$_____Term Bond maturing September 15, 20__

Redemption Date	Amount
September 15, 20__	
September 15, 20__	
September 15, 20__*	

*maturity

At least forty-five (45) days prior to each sinking fund redemption date, the Trustee shall select for redemption by lot, or by any other customary method that results in a random selection,

a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least forty-five (45) days prior to the sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption and not previously credited to a sinking fund redemption.

The City reserves the right and option to redeem Bonds 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 City, at a price of par plus accrued and unpaid interest to the date of redemption:

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

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

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

securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

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

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

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

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

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

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

City Secretary, City of Kaufman, Texas

Mayor, City of Kaufman, Texas

[City Seal]

(b) Form of Comptroller's Registration Certificate.

1. The following Registration Certificate of Comptroller of Public Accounts shall appear on each Initial Bond:

a. REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO._____
THE STATE OF TEXAS	§	

2. 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.

3. WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

a. CERTIFICATE OF TRUSTEE

4. It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

_____, as Trustee

By: _____

Authorized Signatory

DATED: _____

(d) Form of Assignment.

a. ASSIGNMENT

5. _____ FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee):

_____

6. _____

7. _____

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

Date: _____

Signature Guaranteed By:

_____

_____
Authorized Signatory

_____

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

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

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

(ii) 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:

Years Principal Installments Interest Rates"

a. (Information to be inserted from Section 3.2(c) hereof); and

(iii) the Initial Bond shall be numbered T-1.

EXHIBIT B

FORM OF PAYMENT CERTIFICATE

PAYMENT CERTIFICATE NO. ___

Reference is made to that certain Indenture of Trust by and between the City and the Trustee dated as of January 15, 2021 (the "Indenture") relating to the "City of Kaufman, Texas, Special Assessment Revenue Bonds, (Kaufman Public Improvement District No. 1 Phase 1A amd 1B Project)" (the " Bonds"). Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture.

The undersigned is an agent for _____., a Texas limited partnership (the "Developer") and requests payment to the Developer (or to the person designated by the Developer) from:

_____ the Phase 1A and 1B Improvement Account of the Project Fund

from _____, N.A., (the "Trustee"), in the amount of _____ ($_____) for labor, materials, fees, and/or other general costs related to the creation, acquisition, or construction of certain Phase 1B and 1B Improvements providing a special benefit to property within the Kaufman Public Improvement District No. 1.

In connection with the above referenced payment, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certificate for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

2. The itemized payment requested for the below referenced Phase 1A and 1B Improvements has not been the subject of any prior payment request submitted for the same work to the City or, if previously requested, no disbursement was made with respect thereto.

3. The itemized amounts listed for the Phase 1A and 1B Improvements below is a true and accurate representation of the Phase 1A and 1B Improvements associated with the creation, acquisition, or construction of said Phase 1A and 1B Improvements and such costs (i) are in compliance with the Development Agreement, and (ii) are consistent with and within the cost identified for such Phase 1B and 1B Improvements as set forth in the Service and Assessment Plan.

4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Indenture, and the Service and Assessment Plan.

5. The Developer has timely paid all ad valorem taxes and Annual Installments of Phase 1A and 1B Assessments it owes or an entity the Developer controls owes, located in the Kaufman

Public Improvement District No. 1 and has no outstanding delinquencies for such Phase 1B and 1B Assessments.

6. All conditions set forth in the Indenture and the Development Agreement for the payment hereby requested have been satisfied.

7. The work with respect to Phase 1A and 1B Improvements referenced below (or its completed segment) has been completed, and the City has inspected such Phase 1A and 1B Improvements (or its completed segment).

8. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

9. No more than ninety percent (90%) of the budgeted or contracted costs for the P Phase 1A and 1B Improvements identified may be paid until the work with respect to such Phase 1A and 1B Improvements (or segment) has been completed and the City has accepted such Phase 1A and 1B Improvements (or segment).

10. The amount of this request when combined with all previous Certificates for Payment submitted by the Developer, [check one] (i) _____ does not exceed an amount that would leave $940,000 remaining in the Phase 1A and 1B Improvement Account of the Project Fund or (ii) _____ the Developer hereby certifies the following:

(1) All of the Phase 1A and 1B Improvements have been construction or installed and accepted by the City;

(2) All of the lots in Phase 1B are under contract with a third-party builder; and

(3) 85 building permits have been issued by the City for Phase 1A and 1B.

Payments requested are as follows:

Payee / Description of Phase 1A and 1B **Improvement**	**Total Cost of** Phase 1A and 1B **Improvement**	**Budgeted Cost of** Phase 1A and 1B **Improvement**	**Amount requested be paid from the** Phase 1A and 1B **Improvement Account**

Attached hereto are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments. Also attached hereto are "bills paid" affidavits and supporting documentation in the standard form for City construction projects.

Pursuant to the Development Agreement, after receiving this payment request, the City has inspected the Phase 1A and 1B Improvements (or completed segment) and confirmed that said work has been completed in accordance with approved plans and all applicable governmental laws, rules, and regulations.

Payments requested hereunder shall be made as directed below:

a. X amount to Person or Account Y for Z goods or services.

b. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

_____., a Texas limited partnership

By: _____

Name: _____

Title: _____

APPROVAL OF REQUEST

The City is in receipt of the attached Certificate for Payment, acknowledges the Certificate for Payment, and finds the Certificate for Payment to be in order. After reviewing the Certificate for Payment, the City approves the Certificate for Payment and authorizes and directs payment of the amounts set forth below by Trustee from the Project Fund to the Developer or other person designated by the Developer as listed and directed on such Certificate for Payment. The City's approval of the Certificate for Payment shall not have the effect of estopping or preventing the City from asserting claims under the Development Agreement, the Reimbursement Agreement, the Indenture, the Service and Assessment Plan, or any other agreement between the parties or that there is a defect in the Phase 1B and 1B Improvements.

Amount of Payment Certificate Request	Amount to be Paid by Trustee from Phase 1A and 1B Improvement Account
$_____	$_____

CITY OF KAUFMAN, TEXAS

By:_____
Name: _____
Title: _____

Date: _____

EXHIBIT C

FORM OF CLOSING DISBURSEMENT REQUEST

The undersigned is an agent for _____, (the "Developer") and requests payment from:

[the Cost of Issuance Account of the Project Fund][the Phase 1A and 1B Improvement Account of the Project Fund] from _____, (the "Trustee") in the amount of _____DOLLARS ($_____) for costs incurred in the establishment, administration, and operation of the Kaufman Public Improvement District (the "District"), as follows:

Closing Costs Description	**Cost**	**PID Allocated Cost**
TOTAL		

In connection to the above referenced payments, the Developer represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the City.

3. The amount listed for the below itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with and within the costs as set forth in the Service and Assessment Plan.

4. The Developer is in compliance with the terms and provisions of the Development Agreement, the Indenture, and the Service and Assessment Plan.

5. All conditions set forth in the Indenture for the payment hereby requested have been satisfied.

6. The Developer agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete said review.

Payments requested hereunder shall be made as directed below:

c. X amount to Person or Account Y for Z goods or services.

d. Payment instructions

I hereby declare that the above representations and warranties are true and correct.

_____.

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST

The City is in receipt of the attached Closing Disbursement Request, acknowledges the Closing Disbursement Request, and finds the Closing Disbursement Request to be in order. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request to the extent set forth below and authorizes and directs payment by Trustee in such amounts and from the accounts listed below, to the Developer or other person designated by the Developer herein.

Closing Costs	Amount to be Paid by Trustee from Cost of Issuance Account	Amount to be paid by Trustee from Phase 1A and 1B Improvement Account
$_____	$_____	$_____

CITY OF KAUFMAN, TEXAS

By:_____
Name: _____
Title: _____

Date: _____

Meeting Date: 1/7/2021 Date: 10/6/2020 **Item #: 5.** **Dept.: Administration**

Action Item

SUBJECT:

Consider and take appropriate action on Resolution R-01-21, a resolution of the City of Kaufman, Texas, adopting the Preliminary Letter of Memorandum for Public Improvement District #1.

BACKGROUND:

The Preliminary Letter of Memorandum (PLOM) is the precursor to the Official Statement required to issue PID Bonds. The initial offering is to issue $3.38M in PID bonds to finance the public improvements of phases 1A & 1B of Georgetown residential development.

The PLOM has been vetted by all legal stakeholders in this process.

Author:
Mike Slye, City Manager

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Recommend approval of Resolution R-31-20 adopting the Preliminary Letter of Memorandum for Public Improvement District #1.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☐	☐	☐	☐

RESOLUTION NO. R-01-21

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KAUFMAN, TEXAS APPROVING THE DISTRIBUTION OF A PRELIMINARY LIMITED OFFERING MEMORANDUM FOR ITS KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1 SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021 (PHASE 1A AND 1B)

WHEREAS, the City of Kaufman, Texas (the "City") is authorized by law to issue its Kaufman Public Improvement District No. 1 Special Assessment Revenue Bonds, Series 2021 (Phase 1A and 1B) (the "Bonds") as set forth below; and

WHEREAS, the City Council of the City has found and determined that it is in the best interests of the City to authorize preliminary action relating to the issuance of such obligations; and

WHEREAS, the meeting at which this resolution is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KAUFMAN, TEXAS:

SECTION 1. THAT the City's Financial Advisor, Hilltop Securities, Inc., Bond Counsel, Bracewell LLP, and appropriate staff of the City are hereby authorized and directed to take such action as is necessary to prepare for the sale and issuance of the Bonds to be issued for the purpose of reimbursing or constructing certain public improvements within the Kaufman Public Improvement District No. 1, including paying the costs of issuing the bonds and funding certain reserve funds.

SECTION 2. THAT the form of the Preliminary Limited Offering Memorandum with respect to such Bonds in substantially the form and substance presented at this meeting, is hereby approved, with such changes as may be approved by the City Manager, the City's Financial Advisor and Bond Counsel prior to the distribution of such document to the bond market and that the City Manager is authorized to release such document for printing.

SECTION 3. THAT this resolution shall take effect from and after its final date of passage, and it is accordingly so ordered.

PASSED AND APPROVED BY THE CITY COUNCIL OF KAUFMAN, TEXAS, this 7th day of January, 2021.

_____
JEFF JORDAN
MAYOR

ATTEST:

_____
JESSIE HANKS
CITY SECRETARY

APPROVED AS TO FORM:

_____
PATRICIA A. ADAMS
CITY ATTORNEY

NEW ISSUE **NOT RATED**

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED DECEMBER 15, 2020

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

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

$2,440,000*
CITY OF KAUFMAN, TEXAS,
(a municipal corporation of the State of Texas located in Kaufman County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021
(KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1 PHASES #1A-1B PROJECT)

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

Dated Date: January 1, 2021 **Due: September 15, as shown on the inside cover**
Interest to Accrue from Date of Delivery

The City of Kaufman, Texas, Special Assessment Revenue Bonds, Series 2021 (Kaufman Public Improvement District No. 1 Phases #1A-1B Project) (the "Bonds"), are being issued by the City of Kaufman, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of $25,000 of principal amount and any integral multiple of $5,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 15 and September 15, commencing March 15, 2021, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance expected to be adopted by the City Council of the City (the "City Council") on [BPA DATE], 2021, and an Indenture of Trust, dated as of January 1, 2021 (the "Indenture"), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying or reimbursing a portion of the costs of the "Phases #1A-1B Improvements," which consist of certain public improvements, that will benefit only Phases #1A-1B of the Kaufman Public Improvement District No. 1 (the "District"), (ii) funding a debt service reserve fund for the payment of principal of and interest on the Bonds, (iii) funding a portion of a Delinquency and Prepayment Reserve Account, (iv) paying a portion of the costs incidental to the organization of the District, and (v) paying the costs of issuance of the Bonds. See "THE PHASES #1A-1B IMPROVEMENTS" and "APPENDIX A — Form of Indenture." Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

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

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

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

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

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

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Bracewell LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, and for the Developer by its counsel, Miklos Cinclair, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2021.

FMSbonds, Inc.

* *Preliminary; subject to change.*

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws hereunder.

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

CUSIP Prefix: _____[(a)]

$2,440,000*
CITY OF KAUFMAN, TEXAS,
(a municipal corporation of the State of Texas located in Kaufman County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021
(KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1 PHASES #1A-1B PROJECT)

$_____ ____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP Suffix: ____ [(a) (c)]

$_____ ____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP Suffix: ____ [(a) (c)]

$_____ ____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP Suffix: ____ [(a) (b) (c)]

---

* *Preliminary; subject to change.*

(a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

(b) The Bonds maturing on September 15, 20__ are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 20__, at a Redemption price equal to the principal amount of Bonds or portion thereof to be called for redemption plus accrued and unpaid interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

CITY OF KAUFMAN, TEXAS
CITY COUNCIL

Name	Position	Term Expires
Jeff Jordan	Mayor	May 2021
Patty Patterson	Mayor Pro-Tem	May 2021
Jeff Council	Councilmember	May 2022
Lisa Anthony Parker	Councilmember	May 2022
Carole Aga	Councilmember	May 2021
Barry Ratcliffe	Councilmember	May 2022
Matthew Phillips	Councilmember	May 2021

CITY MANAGER
Michael Slye

DIRECTOR OF FINANCE
Mary Wennerstrom

ADMINISTRATOR
MuniCap, Inc.

FINANCIAL ADVISOR TO THE CITY
Hilltop Securities Inc.

BOND COUNSEL
Bracewell LLP

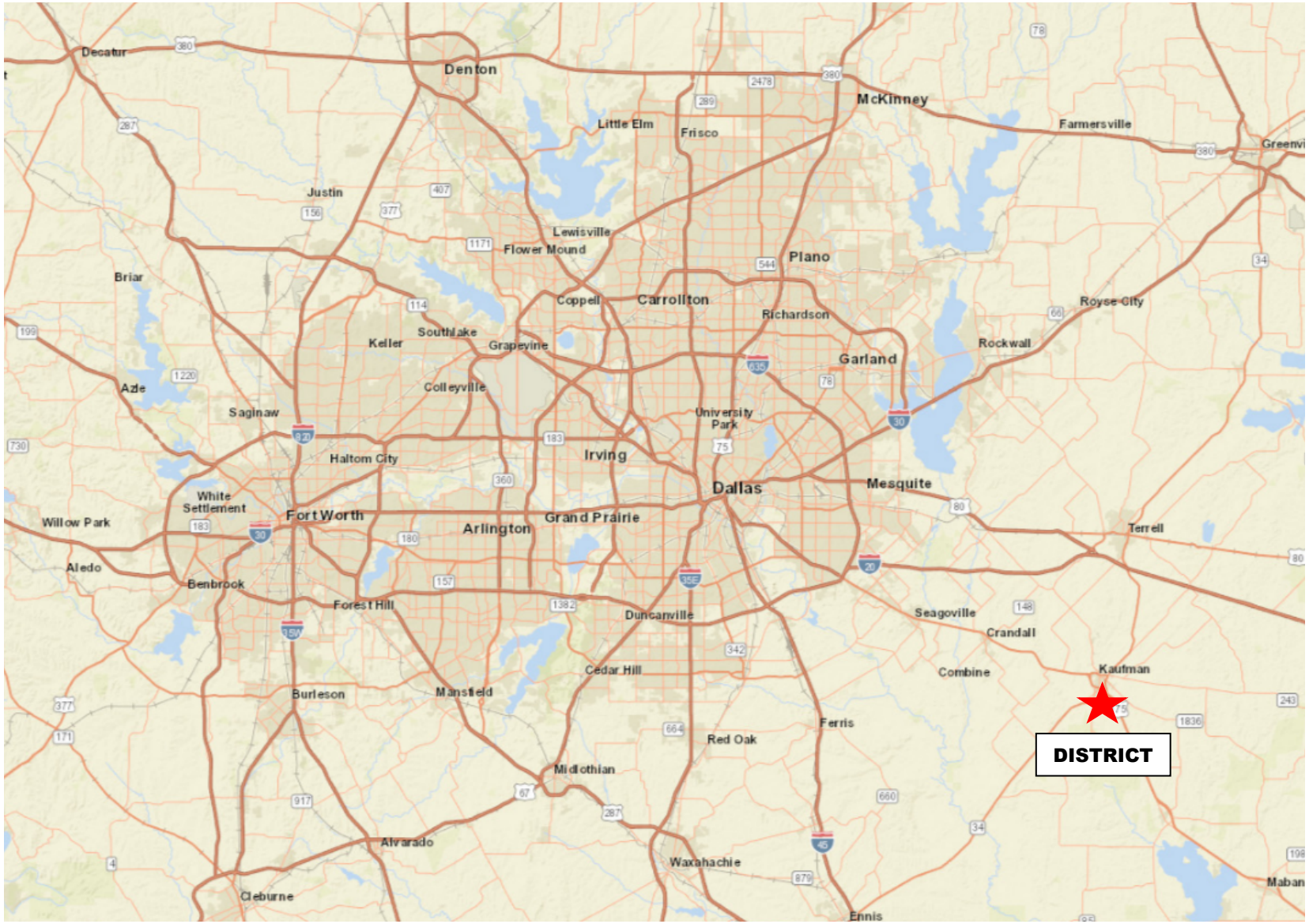
UNDERWRITER'S COUNSEL
Winstead PC

For additional information regarding the City, please contact:

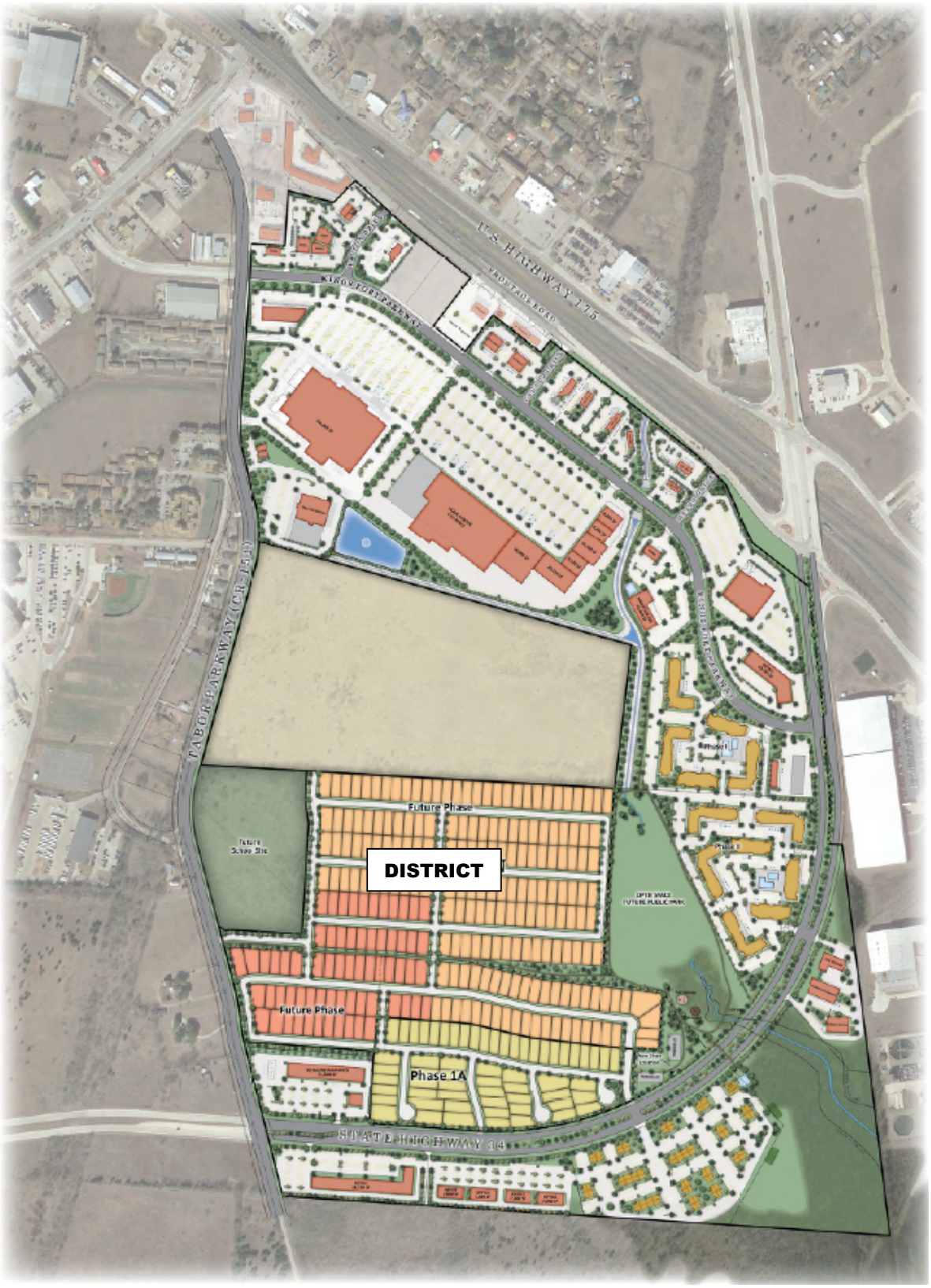
Michael Slye
City Manager
City of Kaufman, Texas
209 S. Washington Street
Kaufman, Texas 75142
(972) 932-2216
mslye@kaufman.org

Nick Bulaich
Hilltop Securities Inc.
777 Main Street
Suite 1525
Fort Worth, Texas 76120
(817) 332-9710
nick.bulaich@hilltopsecurities.com

REGIONAL LOCATION MAP OF THE DISTRICT



AREA LOCATION MAP



MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES

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

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

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

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

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

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

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

EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

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

TABLE OF CONTENTS

INTRODUCTION 2

PLAN OF FINANCE....3
- The District 3
- Status of Development and Plan of Finance 3
- The Bonds....4
- Phased PID Bonds 4

DESCRIPTION OF THE BONDS 5
- General Description 5
- Redemption Provisions....5

BOOK-ENTRY ONLY SYSTEM....7

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS....10

SECURITY FOR THE BONDS....11
- General....11
- Pledged Revenues....12
- TIRZ Revenues May Reduce Assessments....12
- Collection and Deposit of Assessments....14
- Unconditional Levy of Assessments 14
- Perfected Security Interest....15
- Pledged Revenue Fund 15
- Bond Fund 16
- Project Fund....17
- Bond Reserve Account of the Reserve Fund....18
- Delinquency and Prepayment Reserve Account of the Reserve Fund 19
- Administrative Fund 19
- Defeasance....20
- Events of Default 21
- Remedies in Event of Default....21
- Restriction on Owner's Actions....21
- Application of Revenues and Other Moneys After Event of Default 22
- Investment or Deposit of Funds....23
- Against Encumbrances 23
- Additional Parity Bonds; Other Obligations and Liens....23

SOURCES AND USES OF FUNDS....25

DEBT SERVICE REQUIREMENTS....26

OVERLAPPING TAXES AND DEBT....27

ASSESSMENT PROCEDURES 28
- General....28
- Assessment Methodology 28
- Collection and Enforcement of Assessment Amounts....31
- Assessment Amounts....32
- Prepayment of Assessments 34
- Priority of Lien 34
- Foreclosure Proceedings....34

THE CITY 35
- Background....35
- City Government 35
- Major Employers 36
- Historical Employment in Kaufman County 37
- Surrounding Economic Activity 37

THE DISTRICT....38
- General....38
- Powers and Authority 38

THE PHASES #1A-1B IMPROVEMENTS 38
- General....38
- Ownership and Maintenance of Phases #1A-1B Improvements 39

THE DEVELOPMENT 39
- Overview....40
- The Development Agreement and the TIRZ Agreements 40
- Development Plan and Status of Development....41
- Merchant Builder Lot Purchase and Sale Agreements in the District 43
- Expected Build-Out of the District 44
- Phased PID Bonds 45
- Zoning....45
- Amenities....45
- Education 45
- Existing Mineral Rights, Easements and Other Third Party Property Rights 46
- Environmental....46
- Flood Designation....46
- Utilities 46

THE DEVELOPER 46
- General....47
- Description of the Developer....47
- Executive Biographies 47
- History and Financing of the District 48

THE ADMINISTRATOR....49

APPRAISAL OF PROPERTY WITHIN PHASES #1A-1B OF THE DISTRICT....49
- The Appraisal....49

BONDHOLDERS' RISKS 50
- Assessment Limitations 51
- Competition; Economic Conditions Affecting the Real Estate Market 52
- TIRZ Annual Credit Amount and Marketing of the Development....52
- Loss of Tax Exemption....53

Bankruptcy....53
Direct and Overlapping Indebtedness, Assessments and Taxes....53
Depletion of Bond Reserve Account and Delinquency and Prepayment Reserve Account of Reserve Fund....53
Hazardous Substance....53
Regulation....54
Bondholders' Remedies and Bankruptcy....54
No Acceleration....55
Bankruptcy Limitation to Bondholders' Rights....55
Management and Ownership....56
General Risks of Real Estate Investment and Development....56
Dependence Upon Developer....56
Potential Future Changes in State Law Regarding Public Improvement Districts....57
Use of Appraisal....57
Exercise of Third Party Property Rights....57
Infectious Disease Outbreak – COVID-19....57
Risk from Weather Events....59
Judicial Foreclosures....59
No Credit Rating....59
Limited Secondary Market for the Bonds....60

TAX MATTERS....60
Tax Exemption....60
Collateral Tax Consequences....61
Tax Accounting Treatment of Original Issue Premium....61
Tax Accounting Treatment of Original Issue Discount....61
Tax Legislative Changes....62

LEGAL MATTERS....62
Legal Proceedings....62
Legal Opinions....62
Litigation — The City....63
Litigation — The Developer....63

SUITABILITY FOR INVESTMENT....64

ENFORCEABILITY OF REMEDIES....64

NO RATING....64

CONTINUING DISCLOSURE....64
The City....64
The Developer....65

UNDERWRITING....65

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE....65

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS....66

INVESTMENTS....66

INFORMATION RELATING TO THE TRUSTEE68

SOURCES OF INFORMATION....69
General....69
Source of Certain Information....69
Experts....69
Updating of Limited Offering Memorandum....70

FORWARD-LOOKING STATEMENTS....70

AUTHORIZATION AND APPROVAL....70

APPENDIX A Form of Indenture
APPENDIX B Form of Service and Assessment Plan
APPENDIX C Form of Opinion of Bond Counsel
APPENDIX D-1 Form of City Disclosure Agreement
APPENDIX D-2 Form of Developer Disclosure Agreement
APPENDIX E Appraisal of Property Within Phases #1A-1B of the District
APPENDIX F Form of Construction, Funding and Acquisition Agreement

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

PRELIMINARY LIMITED OFFERING MEMORANDUM

**$2,440,000*
CITY OF KAUFMAN, TEXAS,
(a municipal corporation of the State of Texas located in Kaufman County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2021
(KAUFMAN PUBLIC IMPROVEMENT DISTRICT NO. 1 PHASES #1A-1B PROJECT)**

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Kaufman, Texas (the "City"), of its $2,440,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2021 (Kaufman Public Improvement District No. 1 Phases #1A-1B 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, REDEMPTION PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE "SUITABILITY FOR INVESTMENT" and "BONDHOLDERS' RISKS."

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), the ordinance authorizing the issuance of the Bonds expected to be enacted by the City Council of the City (the "City Council") on [BPA DATE], 2021 (the "Bond Ordinance"), and an Indenture of Trust, dated as of [INDENTURE DATE, 2021 (the "Indenture"), entered into by and between the City and Wilmington Trust, National Association, as trustee (the "Trustee"). The Bonds will be secured by assessments levied against Assessed Property located in Phases #1A-1B (the "Assessments") of the Kaufman Public Improvement District No. 1 (the "District") for the Phases #1A-1B Improvements (as defined herein) pursuant to a separate ordinance enacted by the City Council on August 5, 2019 (the "Assessment Ordinance"). The City created the District pursuant to a resolution adopted by the City Council on November 13, 2018 (the "Creation Resolution").

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

Set forth herein are brief descriptions of the City, the District, the Administrator (as defined herein), the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the TIRZ Creation Ordinance (as defined herein), the Georgetown at Kings Fort Development Agreement between the City and Georgetown KF, Ltd. effective as of November 13, 2018, as amended (the "Development Agreement"), The Kaufman Public Improvement District No. 1 Phases #1A & 1B Reimbursement Agreement between Georgetown KF, Ltd. and the City effective as of August 5, 2019 (the "Reimbursement Agreement"), Georgetown KF, Ltd., a Texas limited partnership (the "Developer"), and MuniCap, Inc. (the "Administrator"), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas, 75034, Phone: (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears in APPENDIX B. The information provided under this caption "INTRODUCTION" is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

* *Preliminary; subject to change.*

PLAN OF FINANCE

The District

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries and extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for public improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Phases #1A-1B Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District. The District is not a separate political entity from the City but rather reflects an area within the City that City Council has designated and within which the City is authorized to levy assessments for public improvements.

Status of Development and Plan of Finance

The District is composed of approximately 85.5 acres which are being developed in phases as a master-planned residential development. The Developer's plans consist of the development of the District in phases which began with the development of the infrastructure to serve the 28.4 acres in the initial phases of development, which consist of the areas identified as "Phase #1A" and "Phase #1B" of the District as shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v (collectively, "Phases #1A-1B") and is to be followed by the development of the infrastructure to serve the remaining 57.1 acres in the subsequent two phases, individually Phase #2A and Phase #2B (collectively, the "Future Phases"). See "THE DEVELOPMENT — Development Plan and Status of Development". The boundaries of the District and each of the planned phases are shown in the "MAP SHOWING BOUNDARIES OF THE DISTRICT AND PHASES" on page v. The City will use the proceeds of the Bonds to fund a portion of the costs of improvements consisting of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that will benefit Phases #1A and 1B of the District (the "Phases #1A-1B Improvements"). Development of the District is expected to be completed within four years. See "THE DEVELOPMENT — Development Plan and Status of Development".

Development of the infrastructure to serve the 59 residential lots within Phase #1A (the "Phase #1A Improvements") was completed in January 2020, and the Phase #1A Improvements were accepted by the City in January 2020. Engineering has begun on the infrastructure to serve the 66 residential lots within Phase #1B (the "Phase #1B Improvements") and construction of such Phase #1B Improvements began in October 2020. The Developer has entered into lot purchase and sale agreements for all 125 lots in Phase #1A and Phase #1B with Bloomfield Homes, L.P. ("Bloomfield"). See "THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements." As of December 3, 2020, Bloomfield had taken down all 59 lots in Phase #1A of the District and closed homes on 23 of such lots with end users. Home sales in Phase #1A of the District began in February 2020, and the average sale price of such homes in Phase #1A of the District is $275,598. The Developer owns all 14.957 acres of land in Phase #1B of the District, which are expected to be developed into 66 lots. No lots have been completed by the Developer or taken down by Bloomfield in Phase #1B of the District. See "THE DEVELOPMENT — Development Plan and Status of Development".

The City will pay a portion of the project costs for the Phases #1A-1B Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phase #1B Improvements and be reimbursed in accordance with the Indenture and the Kaufman Public Improvement District No. 1 Phases #1A & 1B Improvements Construction, Funding, and Acquisition Agreement (the "Construction, Funding, and Acquisition Agreement"). See "THE PHASES #1A-1B IMPROVEMENTS – General," "THE DEVELOPMENT – Development Plan and Status of Development", and APPENDIX F – Form of Construction, Funding and Acquisition Agreement. A portion of such costs in the amount of $_____[*] is expected to be paid with proceeds of the Bonds. See "SOURCES AND USES OF FUNDS".

[*] *Preliminary; subject to change.*

The Bonds

Proceeds of the Bonds will be used primarily to finance (i) a portion of the costs of the Phases #1A-1B Improvements, (ii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iii) funding a portion of a Delinquency and Prepayment Reserve Account, (iv) paying a portion of the costs incidental to the organization of the District, and (v) paying the costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount shall be transferred to the Principal and Interest Account of the Bond Fund (as defined herein) to pay interest on the Bonds. See "THE PHASES #1A-1B IMPROVEMENTS," "APPENDIX A – Form of Indenture" and "SOURCES AND USES OF FUNDS."

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments levied against Assessed Property (as defined in the Service and Assessment Plan) within Phases #1A-1B of the District, all to the extent and upon the conditions described herein and in the Indenture. See "SECURITY FOR THE BONDS," "ASSESSMENT PROCEDURES," "APPENDIX A - Form of Indenture" and "APPENDIX B - Form of Service and Assessment Plan."

The City has entered into the Reimbursement Agreement pursuant to which it will finance a portion of the costs of the Phases #1A-1B Improvements not paid with proceeds of the Bonds. The Bonds and the Reimbursement Agreement are both secured by the Assessments; however, the payment of debt service on the Bonds from the Assessments is superior in right to payment of obligations under the Phases #1A & 1B Reimbursement Agreement. A portion of the City's obligations under the Reimbursement Agreement may be financed through the issuance of additional bonds by the City (the "Additional Parity Bonds") and secured by Assessments previously securing the Reimbursement Agreement. See "SECURITY FOR THE BONDS – Additional Parity Bonds; Other Obligations or Other Liens" for a description of certain conditions precedent to the issuance of Additional Parity Bonds.

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

Phased PID Bonds

The City expects to issue one or more series of area bonds (collectively, the "Phased PID Bonds") to finance the cost of local improvements benefitting Phases #2A and 2B of the District or portions thereof. The estimated costs of the local improvements benefiting Phases #2A and 2B of the District will be determined as Phases #2A and 2B are developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phases #2A and 2B and financed by each new series of Phased PID Bonds. Such Phased PID Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within Phase #2. The Developer anticipates that the first series of Phased PID Bonds will be issued in approximately three years. See "THE DEVELOPMENT – Phased PID Bonds".

The Bonds (including any Additional Parity Bonds) and any Phased PID Bonds issued by the City are separate and distinct issues of securities secured by separate assessments. Any Additional Parity Bonds issued by the City will likewise be separate and distinct issues of securities and will be secured by the portion of the Assessments currently securing the Reimbursement Agreement. Any future Additional Parity Bonds or Phased PID Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 15 and September 15, commencing March 15, 2021 (each an "Interest Payment Date"), until maturity or prior redemption. Wilmington Trust, National Association, is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of $25,000 of principal and any integral multiple of $5,000 in excess thereof ("Authorized Denominations"). No physical delivery of the Bonds will be made to the beneficial owners thereof. Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), and purchases of beneficial interests in the Bonds will be made in book-entry only form. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" and "SUITABILITY FOR INVESTMENT."

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem Bonds in whole or in part, before their respective scheduled maturity dates, on September 15, 20__ or on any date thereafter, such redemption date or dates to be fixed by the City, at a Redemption Price equal to the principal amount of the Bonds called for redemption plus accrued and unpaid interest to the date fixed for redemption.

The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent/Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

Extraordinary Optional Redemption. Pursuant to the Indenture, the City reserves the right and option to redeem Bonds before their respective scheduled maturity date, in whole or in part, on any business day, at a redemption price of 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued and unpaid interest to the date of redemption, from amounts on deposit in the Redemption Fund as a result of Prepayments of assessments by property owners ("Prepayments"), or any other transfers to the Redemption Fund, as set forth in the Indenture. See "ASSESSMENT PROCEDURES — Prepayment of Assessments" for the definition and description of Prepayments. See "APPENDIX A – FORM OF INDENTURE."

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption, from moneys available for such purpose in the Principal and Interest Account Bond Fund pursuant to the Indenture, on the dates and in the respective Sinking Fund Installments as set forth in the following schedules:

$_____ Term Bonds Maturing September 15, 20__

Redemption Date	Sinking Fund Installment
September 15, 20__	$
September 15, 20__	
September 15, 20__†	

$_____ Term Bonds Maturing September 15, 20__

Redemption Date	Sinking Fund

	Installment
September 15, 20__	$
September 15, 20__	
September 15, 20__†	

† Stated maturity.

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

The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued unpaid and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation, or (ii) shall have been redeemed pursuant to the optional or extraordinary optional redemption provisions in the Indenture and not previously credited to a mandatory sinking fund redemption .

Notice of Redemption. Notice of any redemption shall be given by the Trustee at least thirty (30) days prior to the redemption date by giving written notice to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. Notice of redemption having been given and not otherwise rescinded, as provided in the Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the redemption price of such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption relating to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemptions of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds within a maturity to be redeemed will not be governed by the Bond Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility

to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see "BOOK-ENTRY ONLY SYSTEM" herein).

Additional Provisions with Respect to Redemption.

The following defined terms apply to this subsection:

"Minor Amount Redemption" means an extraordinary optional redemption of Bonds pursuant to the Indenture of a principal amount of Bonds redeemed that is less than ten percent (10%) of the outstanding principal amount of the Bonds.

"Substantial Amount Redemption" means an extraordinary optional redemption of Bonds pursuant to the Indenture of a principal amount of Bonds redeemed that is greater than or equal to ten percent (10%) of the outstanding principal amount of the Bonds.

If less than all of the Bonds are to be redeemed pursuant to the Indenture, Bonds shall be redeemed in minimum principal amounts of $1,000 or any integral thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by $1,000. No redemption shall result in a Bond in a denomination less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than $1,000 may be issued.

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

If less than all of the Bonds are called for extraordinary optional redemption pursuant to the Indenture, the Bonds or a portion of a Bond, as applicable, to be redeemed shall be selected in the following manner:

(i) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds; and

(ii) with respect to a Minor Amount Redemption, the Outstanding Bonds or Bonds as applicable, shall be allocated on a pro rata basis among all Outstanding Bonds or redeemed in inverse order of maturity.

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

BOOK-ENTRY ONLY SYSTEM

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

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices,

to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

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

1. The Investor has authority and is duly authorized to purchase the Bonds.

2. The Investor is an "accredited investor" under Rule 501 of Regulation D of the Securities Act or a "qualified institutional buyer" under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

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

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

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Phases #1A-1B Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the "Investor Information"). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor's purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, agents or employees shall have any liability to the Investor whatsoever for or in connection with the Investor's decision to purchase the Bonds except for fraud or willful misconduct, to the extent provided by law. For the avoidance of doubt, it is acknowledged that underwriter is not deemed an officer or employee of the City.

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

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

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

SECURITY FOR THE BONDS

General

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

NOTWITHSTANDING THE FOREGOING, THE CITY HAS CREATED THE "TAX REINVESTMENT ZONE NO. 1, CITY OF KAUFMAN, TEXAS" (THE "TIRZ"), WHICH INCLUDES THE LAND WITHIN THE DISTRICT AND ADDITIONAL LAND, AND INTENDS TO USE CERTAIN ANNUAL REVENUES COLLECTED WITHIN THE TIRZ, WHICH REVENUES WILL CONSIST OF AN AMOUNT EQUAL TO 75% OF ALL REAL PROPERTY TAXES LEVIED FOR MAINTENANCE AND OPERATIONS, ASSESSED AND COLLECTED ON ALL REAL PROPERTY IN THE TIRZ TAXABLE BY THE CITY THEREIN, TO PAY THAT PORTION OF THE COSTS OF THE INFRASTRUCTURE BENEFITTING THE DISTRICT ON A PARCEL-BY-PARCEL BASIS AS SET FORTH IN THE SERVICE AND ASSESSMENT PLAN (THE "CITY TIRZ REVENUES"). IN ADDITION, KAUFMAN COUNTY, TEXAS (THE "COUNTY") HAS AGREED TO DEDICATE AMOUNT EQUAL TO 50% OF ALL REAL PROPERTY TAXES LEVIED FOR MAINTENANCE AND OPERATIONS, ASSESSED AND COLLECTED ON ALL REAL PROPERTY IN THE TIRZ TAXABLE BY THE COUNTY THEREIN FOR THE SAME PURPOSES (THE "COUNTY TIRZ REVENUES", AND, TOGETHER WITH THE CITY TIRZ REVENUES, THE "TIRZ REVENUES"). SUCH TIRZ REVENUES, TO THE EXTENT AVAILABLE, ARE EXPECTED TO BE USED BY THE CITY TO OFFSET ASSESSMENTS USED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS, ADDITIONAL PARITY BONDS, AND ANY OTHER PID BONDS ISSUED TO FINANCE DEVELOPMENT IN THE DISTRICT (COLLECTIVELY, THE "ISSUED PID BONDS") ON A PRO-RATA BASIS. ANY AMOUNT OF SUCH TIRZ REVENUES USED TO PAY PRINCIPAL OF AND INTEREST ON THE ISSUED PID BONDS WILL RESULT IN A REDUCTION IN ANNUAL INSTALLMENTS OF ASSESSMENTS RELATED TO SUCH ISSUED PID BONDS BY A CORRESPONDING AMOUNT. SUCH TIRZ REVENUES ARE NOT PLEDGED TO THE BONDS UNDER THE INDENTURE, NOR WILL SUCH TIRZ REVENUES BE PLEDGED PURSUANT TO ANY INDENTURE RELATING TO THE ISSUED PID BONDS. SEE "TIRZ REVENUES MAY OFFSET ASSESSMENTS" BELOW.

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 Assessed Property within Phases #1A-1B of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Phases #1A-1B of the District contain approximately 28.4 acres. In accordance with the PID Act, the City previously caused the preparation of a Service and Assessment Plan in connection with the levy of assessments in Phases #1A-1B of the District, and adopted an Amended and Restated Service and Assessment Plan (as amended and supplemented, the "Service and Assessment Plan"). The City has adopted the Service and Assessment Plan which describes the special benefit received by the property within the District, including Phases #1A-1B of the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The Service and Assessment Plan will be updated to reflect the issuance of the Bonds. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative

authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX B — Form of Service and Assessment Plan."

Pledged Revenues

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Phases #1A-1B Improvements by levying Assessments upon properties in Phases #1A-1B of the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments levied in Phases #1A-1B of the District, see "ASSESSMENT PROCEDURES" and "APPENDIX B — Form of Service and Assessment Plan."

Pursuant to the Indenture, Pledged Revenues are the sum of (i) the Annual Installments, excluding the portion of the Annual Installments collected for the payment of Administrative Expenses (as defined herein) and Delinquent Collection Costs (as defined in the Indenture); (ii) the monies held in any of the Pledged Funds and Accounts; and (iii) any additional revenues that the City may pledge to the payment of Bonds. "Annual Installments" means, collectively, with respect to property assessed in Phase 1A and Phase 1B (the "Phase 1A and Phase 1B Assessed Property") as set forth in the Service and Assessment Plan, each annual payment of the Assessments as shown on the Assessment Roll attached to the Service and Assessment Plan and related to the Bonds and the Reimbursement Agreement and the Phases #1A-1B Improvements, including (i) principal; (ii) interest; (iii) Administrative Expenses and (iv) the 0.50% additional interest rate (the "Additional Interest") collected pursuant to the Service and Assessment Plan and deposited to the Delinquency and Prepayment Reserve Account. The City 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. See "SECURITY FOR THE BONDS — Pledged Revenue Fund," "APPENDIX A — Form of Indenture" and "APPENDIX B — Form of Service and Assessment Plan."

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Assessment Lien") against the property assessed, superior to all other liens or claims, except liens and claims for State, county, school district, or municipality ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named, and runs with the land. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See "ASSESSMENT PROCEDURES" herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance ("Pre-existing Homestead Rights") for as long as such rights are maintained on the property. See "BONDHOLDERS RISKS – Assessment Limitations."

TIRZ Revenues May Reduce Assessments

The Assessments levied by the City according to the Assessment Ordinance and described in the Service and Assessment Plan are set at a level sufficient to fund a portion of the costs of the Phases #1A-1B Improvements.

Pursuant to Chapter 311 of the Texas Tax Code (the "TIRZ Act"), on December 28, 2015, the City created the TIRZ pursuant to Ordinance No. O-27-15 (the "TIRZ Creation Ordinance") over the land within the District. The City amended the boundaries of the TIRZ pursuant to Ordinance O-27-16 and, currently, the TIRZ contains the land within the District and an additional 355 acres of land, which includes commercial development surrounding the Development.

The City Council has approved an amended final Project and Finance Plan for the TIRZ (the "TIRZ Project and Finance Plan") which authorizes the use of certain TIRZ Revenues, inter alia, for project costs under the TIRZ Act, relating to certain Authorized Improvements, which include the Phases #1A-1B Improvements, as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto).

Pursuant to the TIRZ Act, the tax increment base of the City is the total taxable value of all real property taxable by the City within the boundaries of the District, determined as of January 1 the year in which the TIRZ was designated as a reinvestment zone or when such land was added to the TIRZ (the "Tax Increment Base"). As described

in the TIRZ Project and Finance Plan, the "Tax Increment" for a year includes (i) 75% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied for maintenance and operations and collected by the City within the TIRZ on the Captured Appraised Value (the "City Tax Increment") and (ii) 50% of property taxes (based on the ad valorem tax rate in effect on the date of establishment of the TIRZ), levied for maintenance and operations and collected by the County within the TIRZ on the Captured Appraised Value (the "County Tax Increment"), which amounts are, inter alia, expected to be used to reduce Assessments within the District, as described herein. Consistent with Section 311.012(b) of the TIRZ Act, the "Captured Appraised Value" of real property taxable by the City or County, as applicable, for a year is the total appraised value of all real property taxable by the City or County, as applicable, and located in the TIRZ for that year less the Tax Increment Base.

Pursuant to the TIRZ Project and Finance Plan, the Development Agreement and the Service and Assessment Plan, the City intends to hold the TIRZ Revenues in a "TIRZ Fund", and within the TIRZ Fund, establish a separate account (the "Kaufman PID No. 1 Account") into which the City will deposit TIRZ Revenues relating to payment of the costs of Authorized Improvements. The Developer, the City and the Board of Directors of the TIRZ have entered into the TIRZ Agreements (as defined herein) which set forth the agreements of the City and the TIRZ to (i) reimburse the Developer for certain improvements and fees paid to the City, (ii) dedicate TIRZ Revenues to the payment of the TIRZ Annual Credit Amount (as defined herein), (iii) purchase certain land from the Developer, and provide for priority of payment of such items from the TIRZ Revenues. Payment of the TIRZ Annual Credit Amount from the TIRZ Fund is superior to the payment of all obligations of the City and the TIRZ under the TIRZ Agreements except the payment of administrative expenses of the TIRZ. See "THE DEVELOPMENT – The Development Agreement and the TIRZ Agreements."

The City shall determine the TIRZ Annual Credit Amount each year and shall transfer such amount to the Pledged Revenue Funds for the Issued PID Bonds, which include the Bonds. Such Annual Credit Amount shall reduce the Annual Installments for that year, and shall correspondingly reduce the Assessments, and any future assessments levied for Phased PID Bonds, if any.

The deposit of the TIRZ Revenues for payment of the TIRZ Annual Credit Amount shall continue for a period of thirty-one (31) years or until the total of the TIRZ Revenues deposited to Kaufman PID No. 1 Account equals $17,447 per residential lot in the District (plus interest accruing at the lesser of either 5.47% or the actual rate for any bond issued to fund the reimbursement amount (the "Per Annum Interest Rate")) or $10,580,450 (plus interest accruing at the Per Annum Interest Rate), whichever comes first.

THE TIRZ REVENUES, IF AVAILABLE, WILL NOT BE PLEDGED TO THE PAYMENT OF THE BONDS, AND THERE IS NO GUARANTEE THAT THERE WILL EVER BE SUFFICIENT TIRZ REVENUES TO GENERATE THE TIRZ ANNUAL CREDIT AMOUNT (AS DEFINED HEREIN). THE TIRZ ANNUAL CREDIT AMOUNT WILL NOT BE APPLIED IN ANY MANNER THAT WOULD AFFECT THE COLLECTION AND CONTINUOUS ENFORCEMENT OF ASSESSMENTS COLLECTED FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS AND ADMINISTRATIVE EXPENSES AND THE FUNDING OF THE DELINQUENCY AND PREPAYMENT RESERVE ACCOUNT REQUIREMENT, IN THE MANNER AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS. THE FULL TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE AVAILABLE TO REDUCE THE ANNUAL INSTALLMENT FOR ANY ASSESSED PROPERTY UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. TIRZ REVENUES WILL NOT BE APPLIED TO REDUCE ASSESSMENTS DURING BUILDOUT AND SHALL ONLY BE APPLIED, ON A PARCEL BY PARCEL BASIS, ONCE A FINAL BUILDING INSPECTION HAS BEEN COMPLETED FOR SUCH LOT OR PARCEL IN THE DISTRICT. MOREOVER, THE TIRZ ANNUAL CREDIT AMOUNT IS NOT EXPECTED TO BE SUFFICIENT TO PROVIDE FOR THE "TARGETED NET AVERAGE ANNUAL INSTALLMENT" (AS DEFINED UNDER THE HEADING OVERLAPPING TAXES AND DEBT") UNTIL THE SECOND YEAR THAT A HOME ON SUCH LOT IS ASSESSED. SEE "OVERLAPPING TAXES AND DEBT."

Collection and Deposit of Assessments

The Assessments shown on the Assessment Roll, together with the interest thereon, shall be applied to, and are set at a sufficient level to fund (i) the payment of the principal of and interest on the Bonds, including Additional

Interest (ii) the reserve funds related to the Bonds, as set forth in the Indenture, and (iii) payment of Administrative Expenses, all as and to the extent provided in the Service and Assessment Plan and the Indenture.

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

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. Sums received from the collection of the Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds (a defined in the Indenture) and penalties) and of the interest thereon shall be deposited into the Pledged Revenue Fund. Notwithstanding the foregoing, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Any portion of the Foreclosure Proceeds attributable to Administrative Expenses shall be deposited in the Administrative Fund. Any portion of the Foreclosure Proceeds attributable to Delinquent Penalties and Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund. See "SECURITY FOR THE BONDS — Pledged Revenue Fund" and APPENDIX A — Form of Indenture.

The portions of the Annual Installments 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 City has imposed Assessments on the property within Phases #1A-1B of the District as described in the Service and Assessment Plan and such Assessments shall pay the principal of and interest on the Bonds coming due during each Fiscal Year as described in the Indenture. The Assessments were effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid in full at any time or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments, Additional Interest (upon the issuance of the Bonds and the updating of the Service and Assessment Plan) and Administrative Expenses. Pursuant to the Assessment Ordinance, interest on the Assessments for each lot within the District began to accrue on the date specified in the Service and Assessment Plan and, prior to issuance of the Bonds, is calculated at a rate specified in the Assessment Ordinance. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be invoiced by the City or the County Tax Assessor/Collector or another collection entity engaged by the City at approximately the same time as the City's annual property tax bill and shall be billed each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be delinquent if not paid prior to February 1, 2021. Currently the City bills its own taxes and assessments.

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

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

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

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

Perfected Security Interest

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues, and such pledge is valid, effective and perfected from and after the Closing Date, without physical delivery or transfer of control of the Pledged Revenues, the filing of the Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the City under the Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City has agreed to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur. See "APPENDIX A — Form of Indenture."

Pledged Revenue Fund

On or before February 1 of each year (provided that Pledged Revenues have been received by the City, or if not, as soon as available thereafter) while the Bonds are Outstanding, beginning February 1, 2021, the City shall deposit or cause to be deposited the Pledged Revenues (which excludes, for the avoidance of doubt that portion of the Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited separately pursuant to the Indenture) into the Pledged Revenue Fund which deposit shall be directed by the City to the Trustee pursuant to a City Certificate. Specifically, except as set forth in the Indenture, the Pledged Revenues shall be deposited to the Pledged Revenue Fund to be used in the following order of priority: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund amounts sufficient to pay debt service on the Bonds coming due in the current Bond Year, as described in the Indenture, (ii) second, to the Bond Reserve Account in an amount to cause the amount in the Bond Reserve Account to equal the Bond Reserve Account Requirement as described in the Indenture, (iii) third, amounts representing Additional Interest to the Delinquency and Prepayment Reserve Account of the Reserve Fund in an amount equal to the Delinquency and Prepayment Reserve Requirement, (iv) fourth, to the Phase 1A and 1B Reimbursement Fund to reimburse the Developer for costs of Phases #1A-1B Improvements that have been paid by the Developer pursuant to the terms of the Reimbursement Agreement, and (v) fifth, in accordance with the written direction of the City, to pay other costs permitted by the PID Act. Notwithstanding the foregoing, if any funds remain on deposit in the Pledged Revenue Fund after the transfers required by clauses (i) through (v) above are made, the City shall have the option, in its sole and absolute discretion, to transfer such excess funds into the Redemption Fund to redeem Bonds as provided in the Indenture. The City or the Administrator on behalf of the City shall direct the Trustee in writing with respect to the portions of the Pledged Revenues to be deposited pursuant to the Indenture as Additional Interest, Prepayments or Foreclosure Proceeds.

Notwithstanding the foregoing:

(1) the Trustee shall deposit Additional Interest to the Pledged Revenue Fund and shall transfer all or a portion of such Additional Interest to the Delinquency and Prepayment Reserve Account as set forth in the paragraph above or as otherwise directed by the Indenture; and

(2) the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund;

(3) the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund, to restore any transfers from the applicable account of the Reserve Fund made with respect to the Phases #1A-1B Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. Notwithstanding the foregoing, any portion of Foreclosure Proceeds that are attributable to Administrative Expenses (as identified to the Trustee in writing) shall be deposited to the Administrative Fund, and any portion of Foreclosure Proceeds attributable to Delinquent Penalties and Interest (as identified to the Trustee in writing) shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund until the Delinquency and Prepayment Reserve Requirement is met and then to the Administrative Fund.

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

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

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

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

Bond Fund

No later than on each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds.

If amounts in the Principal and Interest Account are insufficient for the payment of principal of and interest due on the Bonds, the Trustee shall withdraw first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Bond Reserve Account of the Reserve Fund amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

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

Date	**Amount**
March 15, 2021	
September 15, 2021	

Any amounts on deposit in the Capitalized Interest Account after they payment of interest on the dates and in the amounts listed above shall be transferred, at the direction of the City to the Phase 1A and 1B Improvement Account of the Project Fund, or to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Project Fund

The Project Fund under the Indenture contains the Phase #1A and 1B Improvement Account and the Costs of Issuance Account. Money on deposit in the Phase #1A and 1B Improvement Account and the Costs of Issuance Account of the Project Fund shall be used for the payment of the costs of the Phases #1A-1B Improvements.

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Monies disbursed at closing to pay for the costs of creating the District shall be paid pursuant to a Closing Disbursement Request (as defined in the Indenture)

Except as otherwise provided in the Indenture, money on deposit in the Phase #1A and 1B Improvement Account of the Project Fund, shall be used solely to pay the costs of the Phases #1A-1B Improvements. Upon receipt of a reviewed and approved Certificate for Payment for any Phases #1A and 1B Improvement Costs (as defined in the Indenture), the Trustee shall make payment from the Phase #1A and 1B Improvement Account of the Project Fund. Except as provided in in the next succeeding paragraphs below, money on deposit in the Phase #1A and 1B Improvement Account shall be used solely to pay the Phases #1A and 1B Improvement Costs as set forth in the applicable Certificate for Payment.

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

Upon the filing of a City Certificate stating that all Phases #1A-1B Improvements have been completed and that all Phases #1A-1B Improvements Costs have been paid, or that any such costs are not required to be paid from the Phase #1A and 1B Improvement Account pursuant to a Certificate for Payment, the Trustee shall transfer the amount, if any, remaining within the Phase #1A and 1B Improvement Account to the Principal and Interest Account or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee, and shall close the Phase #1A and 1B Improvement Account of the Project Fund.

Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to the Bond Fund and used to pay interest on the Bonds, as directed by the City in a City Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Bond Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Bond 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 Bond Reserve Account Requirement. Pursuant to the Indenture, the "Bond Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of their date of issuance, or (iii) 10% of the stated principal amount of the Bonds as of the date of issuance; provided, however, that subsequent to the date of issuance of the Bonds, such Bond Reserve Account Requirement shall be recalculated for compliance with the above upon (a) any transfers made pursuant to the Indenture, (b) a mandatory sinking fund redemption pursuant to the terms of the Indenture, (c) an optional redemption pursuant to the terms of the Indenture, or (d) an extraordinary optional redemption pursuant to the terms of the Indenture. As of the date of delivery of the Bonds, the Bond Reserve Account Requirement is [$_____, which is an amount equal to Maximum Annual Debt Service on the Bonds as of the date of issuance].

The City agrees with the Owners of the Bonds to accumulate, and when accumulated, maintain in the Bond Reserve Account, an amount equal to not less than the Bond Reserve Account Requirement. Subject to the paragraphs

below, all amounts deposited in the Bond Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund in the event of any deficiency in such Principal and Interest Account on any Interest Payment Date or any date on which principal of the Bonds is due.

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

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

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

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

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

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

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

Delinquency and Prepayment Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. In addition to the initial deposit to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to the Indenture, Additional Interest shall be deposited to the Delinquency and Prepayment Reserve Account of the Reserve Fund pursuant to the Indenture until such time that the amount on deposit in the Delinquency and Prepayment Reserve Account is at least equal to the Delinquency and Prepayment Reserve Requirement. Whenever, at the written request of the City Representative, on any Interest Payment Date or on any other date, the amount in the Delinquency and Prepayment Reserve Account exceeds the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The City shall direct the Trustee in writing to transfer the amounts of such excess in the Delinquency and Prepayment Reserve Account to (i) the Bond Reserve Account to restore any deficiency in the Bond Reserve Account up to the Bond Reserve Account Requirement, (ii) the Administrative Fund for payment of Administrative Expenses (in compliance with the Indenture), or (iii) to the Redemption Fund to be used to redeem Bonds pursuant to an optional redemption. The excess amounts transferred from the Delinquency and Prepayment Reserve Account of the Reserve Fund to the Administrative Expense Fund will be presumed to have been transferred, first, from sources other than Bond Proceeds (including investment earnings on such proceeds) and, second, from amounts that are Bond proceeds (including investment earnings on such proceeds). In the event that the Trustee does not receive a City Certificate directing the transfer of the excess Delinquency and Prepayment Reserve funds within forty-five (45) days of providing notice to the City of such excess Delinquency and Prepayment Reserve amount, the Trustee shall transfer the excess Delinquency and Prepayment Reserve amount to the Redemption Fund and provide the City with written notification of the transfer. The Trustee shall incur no liability for the accuracy or validity of the transfer if compliant with the Indenture.

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

Administrative Fund

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

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered hereunder and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Administrative Expenses and Delinquent Collection Costs. See "APPENDIX B — Form of Service and Assessment Plan."

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

Defeasance

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City

verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then rating the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be as the case may be, only upon receipt by the Trustee of (i) a report by an independent certified public accountant selected by the City, after giving effect to such request, verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be and (ii) an opinion of Bond Counsel stating that that no adverse federal tax consequences will result from reinvesting such cash. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

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

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

Events of Default

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

1. The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
2. The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; and
4. Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of ninety (90) days after written notice to the City by the Trustee, or by the Owners of at least 25% of the aggregate outstanding principal of the Bonds with a

copy to the Trustee, specifying such default by the Owners of at least 25% of the Bonds at the time Outstanding requesting that the failure be remedied.

Remedies in Event of Default

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

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

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the City shall determine, in its absolute discretion, and shall instruct the Trustee by City 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 City shall fail to deliver to the Trustee such City 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 City by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the 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 hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of a majority of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

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

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

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues and 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 City, to the payment of interest and principal or redemption price then due on Bonds, as follows:

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

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

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

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

Investment or Deposit of Funds

Money in any Fund established pursuant to the Indenture shall be invested by the Trustee as directed by the City pursuant to a City 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 direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the PFIA, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times as set forth in the Indenture.

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 City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

Against Encumbrances

In the Indenture the City will covenant that other than the Bonds or Additional Parity Bonds, the City will not create and, to the extent Pledged Revenues are received, shall not suffer to remain, any lien, encumbrance or charge upon the Pledged Revenues, other than that specified in the Indenture, or upon any other property pledged under the Indenture.

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

Additional Parity Bonds; Other Obligations and Liens

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

Other than Refunding Bonds issued to refund all or a portion of the Bonds and Additional Parity Bonds (issued in accordance with the Indenture), the City will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority hereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Pledged Revenues or Pledged Funds and Accounts; provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of Bond Counsel or counsel to the Trustee, the same would adversely affect the ability of the City to timely pay the debt service due and owing on the Bonds.

The City reserves the right to issue Additional Parity Bonds for any purpose permitted by the PID Act, including paying or refunding any of the Bonds, and in accordance with the conditions set forth below:

- The City Representative (as defined in the Indenture) shall certify that the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture;

- The Developer and/or then current landowner (as used herein, the "Landowner"), through an authorized representative, shall certify that the Landowner is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the Landowner contained in the Construction, Funding and Acquisition Agreement;

- The Landowner shall provide the City with an Independent Appraisal showing that the appraised value of the property within Phases #1A-1B of the District is equal to at least three (3) times the principal amount of the Outstanding Bonds, taking into account the Additional Parity Bonds to be issued, and (B) the appraised value allocated to every Assessed Parcel within Phases #1A-1B of the District is at least two (2) times the portion of the principal amount of any Outstanding Bonds, taking into account the Additional Parity Bonds to be issued. "Independent Appraisal" means, in establishing the appraised value, (i) the appraised value of a specific assessed parcel or assessed parcels, as applicable, in Phases #1A-1B of the District as established by publicly available data from the county appraisal district, (ii) an "as-complete" appraisal delivered by an independent appraiser licensed in the State of Texas, which appraisal shall assume completion of the Phases #1A-1B Improvements to be funded with the Additional Parity Bonds, if such

Phases #1A-1B Improvements are not complete, or (iii) a certificate delivered to the City by a qualified independent third party (which party may be a firm specializing in the formation or administration of public improvement districts or a licensed appraiser) certifying on an individual lot type basis, the value of each lot in Phases #1A-1B of the District based on either (x) the average gross sales price (which is the gross amount including escalations and reimbursements due to the seller of the lots) for each lot type based on closings of lots in Phases #1A-1B or (y) the sales price in the actual lot purchase contracts in Phases #1A-1B of the District.

- at least 65 single-family homes located within Phases #1A-1B of the District have been completed;

- The principal of and interest on the Additional Parity Bonds must be scheduled to be paid or mature on March 15 or September 15, or both, of the years in which each principal or interest are scheduled to be paid or mature; and

- There shall be deposited to the Reserve Fund an amount equal to the Reserve Fund Requirement taking into account the Outstanding Bonds and the Additional Parity Bonds then proposed to be issued.

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and contributions of funds from the Developer:

Sources of Funds:	
Principal Amount	$
Total Sources	**$**
Uses of Funds:	
Deposit to the Phases #1A-1B Improvement Account of the Project Fund	$
Deposit to Bond Reserve Account of the Reserve Fund	
Deposit to Capital Interest Account of the Bond Fund	
Deposit to Delinquency and Prepayment Reserve Account of the Reserve Fund	
Deposit to Administrative Expense Fund	
Costs of Issuance	
Underwriter's Discount[(1)]	
Total Uses	**$**

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

DEBT SERVICE REQUIREMENTS

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

Year Ending (September 15)	Principal	Interest	Total
2021	-	$	$
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
Total	**$**	**$**	**$**

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

OVERLAPPING TAXES AND DEBT

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

In addition to the Assessments described above, the Developer anticipates that each lot owner in Phases #1A-1B of the District will pay a maintenance and operation fee and/or a property owner's association fee of approximately $350 annually to a homeowner's association (the "HOA"),which has been formed by the Developer. In addition to the City, Kaufman County, and the Kaufman Independent School District may each levy ad valorem taxes upon land in Phases #1A-1B of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes 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 Phases #1A-1B of the District. The District is currently located within the corporate limits of the City, and primarily within the Kaufman Independent School District, and within Kaufman County, Texas.

OVERLAPPING TAX RATES

Taxing Entity	Tax Year 2020 Ad Valorem Tax Rate[1]
The City	0.8217
Kaufman County, Texas[2]	0.5050
Kaufman Independent School District	1.2876
Trinity Valley Community College	0.1385
Total Existing Tax Rate	$2.7528
Estimated Average Annual Assessment in Phases #1A-1B of the District as tax rate equivalent per Lot[3]	$0.6378
Less Projected TIRZ Credit per parcel as tax rate equivalent[4]	($0.1518)
"Targeted Net Average Annual Installment" as tax rate equivalent[3]	$0.4860
Estimated Total Tax Rate and Average Annual Installment in Phases #1A-1B of the District as tax rate equivalent per Lot	**$3.2388**

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

(2) Includes Tax Year 2020 $0.088635 County Road & Bridge tax levy.

(3) Source: The Administrator. Derived from information presented in Table V-D of the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan". Includes Assessments initially levied for payment of the Bonds and the Reimbursement Agreement. Based on information provided above regarding average annual installments, number of anticipated lots, and average home values of 50', 55', and 60' lots in Phases #1A-1B. *Preliminary; subject to change.*

(4) Maximum Annual TIRZ Credit Amount is calculated based on a 75% limit of the City's operations and maintenance tax rate and a 50% limit on the County's operations and maintenance tax rate and such credit amount shall not exceed an amount that results in the Net Average Annual Installment of $0.4860 per $100 value.

Source: Kaufman Central Appraisal District and the City.

As noted above, Phases #1A-1B 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 assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Phases #1A-1B of the District, as of December 1, 2020, and City debt secured by the Assessments:

OVERLAPPING DEBT

Taxing or Assessing Entity[1]	Gross Outstanding Debt as of 12/1/2020	Estimated Percentage Applicable[2]	Direct and Estimated Overlapping Debt
The City (Assessments - The Bonds)	$ 2,440,000	100.000%	$2,440,000
The City (Assessments – Reimbursement Agreement)[3]	940,000	100.000%	940,000
The City (Ad Valorem Taxes)	37,150,000	0.948%	352,163
Kaufman County, Texas	106,407,667	0.037%	39,648
Kaufman Independent School District	71,280,000	0.461%	328,671
TOTAL	$218,217,667		$4,100,483

(1) Trinity Valley Community College does not have outstanding debt.

(2) Based on the Appraisal for Phases #1A-1B of the District and on the Tax Year 2020 Net Taxable Assessed Valuations for the taxing entities. *Preliminary; subject to change.*

(3) Represents Assessments due to the Developer pursuant to the Reimbursement Agreement that have not been financed by the Bonds. Payment of such amounts is subordinate to the payment of debt service on the Bonds.

Sources: Municipal Advisory Council of Texas

ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Phases #1A-1B Improvements through Assessments, it must adopt a resolution generally describing the Phases #1A-1B Improvements and the land within Phases #1A and #1B of the District to be subject to Assessments to pay the cost therefor. The City has caused an assessment roll to be prepared (the "Assessment Roll"), and attached to the Service and Assessment Plan, which Assessment Roll will show the land within Phases #1A-1B of the District to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll will be filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Phases #1A-1B Improvements and funding a portion of the same with Assessments. The City levied the Assessments and adopted the Assessment Ordinance on August 5, 2019 and, after the adoption of the Assessment Ordinance, the Assessments became legal, valid and binding liens upon the property against which the Assessments are made.

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

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each lot of Assessed Property as a result of the Phases #1A-1B Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates

the special benefit of the Phases #1A-1B Improvements to lots in a manner that results in equal shares of costs being apportioned to lots similarly benefited. A portion of the costs of the Phases #1A-1B Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Phases #1A-1B Improvements will be allocated to the Assessed Property against which the Assessments are levied (the "Assessed Property") by spreading the entire Assessment across the parcels based on the estimated Equivalent Units as set forth in the Service and Assessment Plan. Upon subsequent divisions of any parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Unit 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 Units 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 City Council in an annual update to the Service and Assessment Plan.

For further explanation of the Assessment methodology, see "APPENDIX B — Form of Service and Assessment Plan."

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on lots similarly situated within Phases #1A-1B of the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers within the District. See "APPENDIX B — Form of Service and Assessment Plan."

The following table provides additional analysis with respect to special assessment methodology, including the value to assessment burden ratio per unit (lot) and equivalent tax rate per unit. The information in the tables was obtained from and calculated using information provided in the Service and Assessment Plan and the Appraisal. See "APPENDIX B — Service and Assessment Plan" and "APPENDIX E — Appraisal of Property Within Phases #1-A-1B the District."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND ASSESSMENT RATIO PER UNIT IN PHASES #1A-1B OF THE DISTRICT

Phase	Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit[1]	Projected Average Home Value per unit[2]	Assessment per unit	Average Annual Installment per unit	Tax Rate Equivalent of Average Annual Installment (per $100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per $100 Home Value) [2]	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
1A	50’ (Lot Type 3)	59	$36,000	$290,000	$26,801	$2,156	$5.99	$0.74	1.3432	10.8205
1B	50’ (Lot Type 3)	53	$40,000	$305,000	$26,801	$2,156	$5.39	$0.71	1.4925	11.3802
1B	55’ (Lot Type 2)	11	$44,000	$320,000	$28,909	$2,326	$5.29	$0.73	1.5220	11.0692
1B	60’(Lot Type 1)	2	$48,000	$335,000	$30,114	$2,423	$5.05	$0.72	1.5939	11.1244

Source: The Administrator and information presented in the Service and Assessment Plan
[1] Developer estimate.
[2] Based on Developer estimates for 50’, 55’ and 60’ lots. The Service and Assessment Plan reflects an estimated home value of $297,500 for all 50’ lots based on the average of Phase #1A and #1B.
[2] Does not reflect application of any potential TIRZ Credit. See “SECURITY FOR THE BONDS — Amount of Assessments May be Reduced by TIRZ Annual Credit Amount.” *Preliminary; subject to change.*

The estimated aggregate retail value of the Assessed Property in Phases #1A-1B of the District, taking into account completion of the Phase #1A Improvements and assuming construction of the Phase #1B Improvements, subject to the limiting conditions described in the Appraisal, is approximately $4,720,000*. See "APPRAISAL OF PROPERTY WITHIN PHASES #1A-1B OF THE DISTRICT." See "THE DEVELOPMENT — Development Plan and Status of Development" for further information regarding the status development in Phase #1A of the District and the expected completion of the development within Phase #1B of the District.

Collection and Enforcement of Assessment Amounts

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

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

In the Indenture, the City will covenant, agree and warrant 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. Notwithstanding the foregoing, the City shall be permitted to reduce the Assessments by the TIRZ Annual Credit Amount pursuant to the Development Agreement, the TIRZ Project and Finance Plan and the Service and Assessment Plan; provided, however, that no such reduction shall operate to reduce the amounts levied for the payment of the Administrative Expenses.

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

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

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

* *Preliminary; subject to change.*

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

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

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments will be established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property which shall, upon issuance of the Bonds consist of (i) the annual payment allocable to the Bonds, including the Additional Interest, for the Phases #1A-1B Improvements for each Assessed Property, (ii) the annual payment allocable to the Reimbursement Agreement; and (iii) the annual payment allocable to Administrative Expenses. The Annual Installments for the Assessments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the lots comprising the Assessed Property as indicated on the Assessment Roll. See "APPENDIX B — Form of Service and Assessment Plan." The Service and Assessment Plan establishes a "Maximum Assessment" for each Lot Type in Phases #1A-1B of the District, which Maximum Assessment is currently calculated at $30,114.04 for 60' lots, $28,909.48 for 55' lots and $26,801.50 for 50' lots.

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds (which amount will include Additional Interest) and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances. The Annual Installments shall be further reduced by any offset or credit of applicable TIRZ Annual Credit Amount.

TIRZ Annual Credit Amount. The City has agreed to use certain TIRZ Revenues generated from the TIRZ to offset a portion of each Assessed Property's Assessment and Annual Installment. Pursuant to the TIRZ Project and Finance Plan, the City has agreed to use TIRZ Revenues derived from the City's ad valorem taxes (75% of the City's real property ad valorem taxes levied for maintenance and operation) and the County's ad valorem taxes (50% of the County's real property ad valorem taxes levied for maintenance and operation) generated from Assessed Property within the TIRZ of the District, inter alia, to offset a portion of the Annual Installment attributable to the costs of the Authorized Improvements (the "TIRZ Annual Credit Amount"). See "THE DEVELOPMENT – The Development Agreement and the TIRZ Agreements." The TIRZ Annual Credit Amount is applied on a per Parcel/Lot basis. The Annual Installment for each Assessed Property shall be calculated by taking into consideration any TIRZ Annual Credit Amount applicable to the Assessed Property. The TIRZ Annual Credit Amount for any Parcel shall be credited to all outstanding assessments on parcels within the District on a pro rata basis. Pursuant to the Service and Assessment

Plan, TIRZ Revenues collected for each tax year will be used to calculate the TIRZ Annual Credit Amount to be applied to the Annual Installment that will be billed in the following year (e.g., TIRZ Revenues collected for the tax year 2020 shall be applied as the TIRZ Annual Credit Amount applicable to Annual Installments to be billed in 2021). Pursuant to the terms of the Service and Assessment Plan and the Development Agreement, the City as established that the maximum aggregate amount of TIRZ Revenues to be dedicated to the TIRZ Annual Credit Amount for each residential lot type (the "Maximum TIRZ Credit"). The Maximum TIRZ Credit is $19,603 for 60' lots, $18,219 for 55' lots and $17,447 for 50' lots. See "SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments".

The TIRZ Revenues are generated only from certain ad valorem taxes levied and collected by the City and the County on the captured appraised value in the TIRZ in any year. See "SECURITY FOR THE BONDS – TIRZ Revenues May Reduce Assessments". Consequently, TIRZ Revenues are generated only if the appraised value of real property in any year is greater than the base value. Any delay or failure of Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. **The TIRZ Annual Credit Amount is not expected to be sufficient to provide for the Targeted Net Average Annual Installment (as defined under the heading "OVERLAPPING TAXES AND DEBT" until the second year that a home on such lot is assessed. See "OVERLAPPING TAXES AND DEBT." Such TIRZ Revenues, if available, are not pledged as Security for the Bonds under the Indenture**.

Method of Apportionment of Assessments. For purpose of the Service and Assessment Plan, the City Council has determined that the estimated costs of the Phases #1A-1B Improvements shall be allocated to the Phases #1A-1B Assessed Property by spreading the entire Assessment across the Assessed Property to be developed based on the estimated buildout value as set forth in the Service and Assessment Plan. See "APPENDIX B — Form of Service and Assessment Plan." See "ASSESSMENT PROCEDURES — Assessment Methodology."

Upon the subdivision of any Parcel based upon a recorded subdivision plat, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

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

Where the terms have the following meanings:

A = the Assessment for each new subdivided Parcel

B = the Assessment for the Parcel prior to subdivision

C = the estimated number of units to be built on each new subdivided Parcel

D = the sum of the estimated number of units to be built on all of the new subdivided Parcels

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator based on a recorded plat. The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation shall be reflected in an Annual Service Plan Update approved by the City Council.

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation shall be reflected in an Annual Service Plan Update approved by the City Council.

The Service and Assessment Plan establishes that the Maximum Assessment is $30,114.04 for 60' lots, $28,909.48 for 55' lots and $26,801.50 for 50' lots. The Assessment per 60' lot for the Bonds and the Reimbursement

Agreement is $30,114.04, the Assessment per 55' lot for the Bonds and the Reimbursement Agreement is $28,909.48, and the Assessment per 50' lot for the Bond and the Reimbursement Agreement is $26,801.50. See "ASSESSMENT PROCEDURES — Assessment Methodology." The Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Assessments. See "SECURITY FOR THE BONDS" and "APPENDIX B — Form of Service and Assessment Plan."

Prepayment of Assessments

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

Mandatory Prepayment—Exceedance of Maximum Assessment Amount per Unit. Prior to the City approving a subdivision plat, the Administrator will certify that such plat will not result in the Assessment per Parcel to exceed the Maximum Assessment per Unit. If a subdivision of a Parcel or consolidation of Parcels results in a reallocated Assessment per unit for a Parcel that would exceed the Maximum Assessment per Unit shown in this Service and Assessment Plan, the owner shall pay to the City at the time of the subdivision or consolidation the amount by which the reallocated Assessment for the Parcel exceeds the Maximum Assessment per Unit plus, if applicable, accrued interest through the date of such payment. Prepayment Costs, if any, that result from such owner-initiated subdivision or consolidation shall be paid by the owner to the City at the time of the subdivision or consolidation.

Mandatory Prepayment—Transfer to Exempt Assessment Payer. If a Parcel subject to Assessments is transferred (or condemned through eminent domain) to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the City the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs and Delinquent Collection Costs, prior to any such transfer or act.

Priority of Lien

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

Foreclosure Proceedings

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

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

The City is not required under any circumstance to purchase the property or to pay the delinquent Assessment on the corresponding Assessed Property.

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

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

THE CITY

Background

The City is located in central Kaufman County, approximately 30 miles southeast of Dallas. Access to the City is provided by Highway 34, Highway 175 and Highway 243. The City covers approximately 9.2 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The 2010 Census population for the City was 6,703, while the estimated 2020 population is 7,603.

City Government

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1853, and first adopted its Home Rule Charter on November 3, 1987. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City.

The current members of the City Council are as follows:

Name	Position	Term Expires
Jeff Jordan	Mayor	May 2021
Patty Patterson	Mayor Pro-Tem	May 2021
Jeff Council	Councilmember	May 2022
Lisa Anthony Parker	Councilmember	May 2022
Carole Aga	Councilmember	May 2021
Barry Ratcliffe	Councilmember	May 2022
Matthew Phillips	Councilmember	May 2021

The principal administrators of the City include the following:

Name	Position
Michael Slye	City Manager
Mary Wennerstrom	Director of Finance

Major Employers

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

Employer	Product or Service	Employees
Kaufman County	Government	554
Kaufman Independent School District	Education	524
Walmart	Retail	300
Numo Manufacturing	Food Service	208
Texas Health Presbyterian	Hospital	200
Enertech	Energy Conservation	175
Advanced Tabco	Manufacturing	170
Trinity Valley Electric Cooperative	Electric Utility	157
Falcon Steel	Manufacturing	143
Sunflower Nursing Home	Nursing Home	105

Source: Texas Workforce Commission

Historical Employment in Kaufman County

	Average Annual[1]				
	2020[2]	2019	2018	2017	2016
Civilian Labor Force	65,722	64,597	63,141	60,334	57,893
Total Employed	61,839	62,485	60,970	58,196	55,704
Total Unemployed	3,883	2,112	2,171	2,138	2,189
Unemployment Rate	5.9%	3.3%	3.4%	3.5%	3.8%

[1] Source: Texas Workforce Commission.

[2] Data through October 2020.

Surrounding Economic Activity

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

City of Dallas

Approximately 30 miles from the City

Employer	Employees
Dallas ISD	22,222
AT&T, Inc.	17,000
Texas Instruments, Inc.	12,901
City of Dallas	12,474
Southwest Airlines Co.	12,210
Medical City Dallas	12,104
The University of Texas SW Medical Cent	11,900
Parkland Health System	10,361
Baylor Scott & White Health	7,045
Dallas County	6,500

City of Mesquite

Approximately 20 miles from the City

Employer	Employees
Mesquite ISD	4,000
Town East Mall	2,750
United Parcel Service Inc.	2,300
Dallas Regional Medical Center	1,500
City of Mesquite	1,200
Eastfield College	900
Walmart Supercenter	850
Pepsi Beverages Co.	750
Baker Brothers	450
Orora Visual	420

City of Lancaster

Approximately 23 miles from the City

Employer	Employees
Battson Contracting Co., Inc.	1,500
Lancaster ISD	905
Dart Transit Co. Inc.	600
Cedar Valley College	370
Advanced Machining & Toll Inc.	300
R&G Clark, Inc.	238
Pappas Timber Products, LLC	235
Fleetline, Inc.	200
Surpass, Inc.	200
Access Self Storage	172

City of Terrell

Approximately 9 miles from the City

Employer	Employees
Terrell State Hospital	900
Madix Inc.	800
Terrell ISD	615
Oldcastle Building Envelope	600
Walmart Distribution	500
Auto Zone Distribution Center	500
Lakes Regional MHMR Center	269
American National Bank	250
NUCOR Building Systems	225
Excel/Goodyear Tire & Rubber	200

City of Waxahachie

Approximately 33 miles from the City

Employer	Employees
Waxahachie ISD	1,200
Baylor Medical Center at Waxahachie	1,100
Walgreens Co.	850
Dart Container Corp	750
Walmart Supercenter	515
Owens Corning Fiberglass	450
Cabinet Specialists	325
City of Waxahachie	300
Cardinal IG	250
Cardinal CG	240

Source: Municpal Advisory Council of Texas

THE DISTRICT

General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the Creation Resolution for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Phases #1A-1B Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council. A map of the property within the District is included on page v hereof.

Powers and Authority

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

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Phases #1A-1B Improvements. See "THE PHASES #1A-1B IMPROVEMENTS." Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain road, water, wastewater, sanitary sewer, and drainage public improvements that benefit Phases #1A-1B of the District comprising the Phases #1A-1B Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See "ASSESSMENT PROCEDURES" herein and "APPENDIX B — Form of Service and Assessment Plan."

THE PHASES #1A-1B IMPROVEMENTS

General

The Phases #1A-1B Improvements consist of the local infrastructure benefitting only Phases #1A-1B of the District. The balance of the costs of the Phases #1A-1B Improvements will be paid by the Developer. The Phases #1A-1B Improvements will be dedicated to the City. The Developer is responsible for the completion of the construction, acquisition or purchase of the Phases #1A-1B Improvements, and the Developer or its designee will act as construction manager. The City will pay a portion of the project costs for the Phases #1A-1B Improvements from proceeds of the Bonds. The balance of the costs of the Phases #1A-1B Improvements will be paid by the Developer under the terms of the Reimbursement Agreement between the Developer and the City pursuant to the PID Act and reimbursed annually from Assessment Revenues after payment of debt service on the Bonds, or the proceeds of Additional Parity Bonds. See "SECURITY FOR THE BONDS – Additional Parity Bonds; Other Obligations or Other Liens." The Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Phases #1A-1B Improvements and be reimbursed in accordance with the Indenture, the Development Agreement, the Reimbursement Agreement and the Construction, Funding and Acquisition Agreement. See "THE DEVELOPMENT – Development Plan and Status of Development" and APPENDIX F – Form of Construction, Funding and Acquisition Agreement.

Phases #1A-1B Improvements Description

Roadway improvements: The roadway improvements include construction of perimeter road and thoroughfare improvements, including related paving, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Water distribution system improvements: The water improvements include 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 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.

Sanitary sewer collection system improvements: The sanitary sewer improvements include construction and installation of pipes, service lines, manholes, encasements an appurtenances necessary to provide sanitary sewer service to the Assessed Property. The sanitary sewer improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

Storm drainage collection system improvements: The storm drainage improvements consist of reinforced concrete pipes, reinforced concrete boxes, and multi-reinforced box culverts. The storm drainage improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

The following table reflects the total expected costs of the Phases #1A-1B Improvements.

Type of Improvement	Costs
Roadway Improvements	$1,171,125
Water Improvements	420,642
Sanitary Sewer Improvements	252,775
Drainage Improvements	641,900
Soft Costs	893,558
Total Cost of Phases #1A-1B Improvements	$3,380,000

The cost of the Phases #1A-1B Improvements is expected to be approximately $3,380,000*. A portion of such costs in the amount of $_____* is expected to be paid with proceeds of the Bonds. The balance of such costs is expected to be paid by the City, annually from Assessment Revenues, according to the terms of the Reimbursement Agreement, and/or the issuance of Additional Parity Bonds.

The Developer will also construct certain private improvements in the District consisting of an entrance monument, irrigation/landscaping, screening wall/fencing, and mailbox pods at a cost of $221,000, which will be financed by the Development Loans (as defined herein). The entrance monument/landscape and the private improvements located in Phase #1A are complete. Screen wall/fencing of community will be done as required in each phase at the expense of the Developer.

Ownership and Maintenance of Phases #1A-1B Improvements

The Phases #1A-1B Improvements will be dedicated to and accepted by the City and will constitute a portion of the City's infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of such Phases #1A-1B Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

THE DEVELOPMENT

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Developer has reviewed this Limited Offering Memorandum and warrants and represents that neither (i) the information under the caption "THE DEVELOPMENT" nor (ii) the information relating to the Developer's plan for developing the land within the District under the subcaption "BONDHOLDERS' RISKS — Dependence Upon

* *Preliminary; subject to change.*

Developer" contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

Overview

The land within the District encompasses approximately 85.5 acres to be developed into a master planned residential community known as "Georgetown at Kings Fort" (the "Development") located within the corporate limits of the City, near the intersection of Highway 34 and Highway 175 and adjacent to additional commercial development. The City, located in the southeastern portion of the Dallas-Fort Worth-Arlington, Texas Metropolitan Statistical Area (the "DFW MSA"), is poised for significant growth as the overall DFW MSA continues its growth trajectory.

The land within the Development is owned by the Developer as described below in "THE DEVELOPER — Description of the Developer." See "THE DEVELOPER — History and Financing of the District". The Developer develops infrastructure and community improvements (amenities, parks, trails, etc.) and sells residential lots to high-quality production homebuilders under lot takedown contracts. The Development will include a variety of parks and open spaces for its residents and others to enjoy. This combination will provide its residents a community environment in which to live. The Development is primarily located within the Kaufman Independent School District.

The Development is adjacent to a commercial development project, "Kings Fort," being developed by certain affiliates and principals of the Developer. See "THE DEVELOPER – Executive Biographies – *George Schuler*." "Kings Fort" is anchored by a Wal-Mart Super Center and includes an adjacent strip retail which includes a Starbucks, Dickey's Barbecue, UPS Store, Great Clips, AT&T and Verizon stores.

The Development Agreement and the TIRZ Agreements

The Developer and the City have entered into the "Georgetown at Kings Fort Development Agreement" effective as of November 13, 2018, as amended (the "Development Agreement"). The Development Agreement sets forth certain agreements of the City relating to the creation of the District, the issuance of the Bonds and other bonds to finance Authorized Improvements within the District, and other agreements of the City relating to the District and the construction of Authorized Improvements.

Pursuant to the Development Agreement, the City agreed to issue bonds, in one or more series, up to an aggregate principal amount of $10,000,000 to finance the costs of Authorized Improvements within the District. The Bonds are the first series of bonds issued in connection with the Development Agreement.

Pursuant to the Development Agreement, the City and the Developer have also entered into a Georgetown Phase #1A Facilities Agreement for Phase #1A and Georgetown Phase #1B Facilities Agreement for Phase #1B. The Development Agreement requires the City and the Developer to enter into a separate facilities agreement for each phase of development, and execution of such facilities agreement is a condition precedent to City issuing any permit to Developer to commence work on the applicable phase of the District.

In the Development Agreement, the City has agreed to pay into a "Fee Payment Credit Fund" any (i) fees paid by any party for park, recreation, and open space facilities and purposes in connection with the development of the property within the TIRZ and (ii) fees paid by any party for roadway, water, and wastewater Impact Fees in connection with the development of the property within the TIRZ. The City will pay, as an economic development grant to the Developer, all monies collected in the Fee Payment Credit Fund to reimburse the Developer for the costs of the Main Road Improvements, and such payment shall reduce the reimbursement amount of the TIRZ payment (described below) for the Main Road Improvements on a dollar for dollar basis.

The Development Agreement requires the Developer, on or before the date of recordation of the final plat for Phase #2A of the District, to (i) pay a one-time payment of $1,470,750 for park improvements (the "Park Improvement Fee") and (ii) donate approximately 14.52 acres of land to the City for a park (the "Parkland Acreage").

In accordance with the Development Agreement and the TIRZ Project and Finance Plan, the TIRZ Fund shall pay for the following in the following order of priority (the "TIRZ Payment Priority"): (i) first, administrative expenses of the TIRZ, (ii) second, to off-set or pay a portion of any Assessments levied in the District for the costs of capital improvements that are Authorized Improvements and qualify as projects under the TIF Act for a period of up to thirty-one (31) years or until the amount of TIRZ increment placed into the Kaufman PID No. 1 Account of the TIRZ Fund totals an amount equal to $17,602.00 per residential lot accruing at the Per Annum Interest Rate (which rate is the lesser of 5.47% or the actual interest rate on the Bonds) up to $10,580,450, whichever comes first, paid in accordance with the TIRZ Project and Finance Plan and Service and Assessment Plan, (iii) third, to pay for the costs of the Main Road Improvements (as defined in the Development Agreement) for a period of up to thirty-one (31) years or until the amount of TIRZ increment placed into the Main Road account (the "Main Road Account") of the TIRZ Fund totals an amount approximately equal to $7,100,000 accruing at the Per Annum Interest Rate, whichever comes first, paid in accordance with the TIRZ Project and Finance Plan and Service and Assessment Plan, (iv) fourth, to pay the Developer for the $683,004.25 cost of the purchase of the 4.51 acres of land (the "City Purchased Land"), which amount shall accrue interest beginning January 1, 2020 for any unpaid portions of the purchase price accruing the Per Annum Interest Rate; and (v) fifth, to reimburse the Developer for the Park Improvement Fee for a period of up to thirty-one (31) years or until the amount of TIRZ increment placed into the park improvement account (the "Park Improvement Account") of the TIRZ Fund totals an amount equal $1,470,750 accruing at the Per Annum Interest Rate, whichever comes first, paid in accordance with the TIRZ Project and Finance Plan and Service and Assessment Plan.

The City, the Board of Directors of the TIRZ and the Developer have entered into the following agreements relating to the TIRZ (collectively, the "TIRZ Agreements"): (i) First Amended and Restated TIF Reimbursement and Development Agreement effective as of November 13, 2018 (the "TIRZ Development Agreement"), (ii) First Amended and Restated TIF Residential Development Reimbursement Agreement dated as of November 13, 2018 (the "TIRZ Residential Reimbursement Agreement"), (iii) TIF Agreement for Park Improvement Fee Reimbursement dated as of November 13, 2018 (the "TIRZ Park Fee Reimbursement Agreement") and (iv) First Amended TIF Agreement for Purchase of 4.51 Acres dated as of November 13, 2018 (the "TIRZ Land Purchase Agreement"). The TIRZ Development Agreement sets forth the Agreement to reimburse the Developer for the Main Road Improvements. The TIRZ Residential Reimbursement Agreement sets forth the agreement to provide the TIRZ Annual Credit Amount up the Maximum TIRZ Credit. The TIRZ Park Fee Reimbursement Agreement sets forth the agreement to reimburse the Developer for the Park Improvement Fee. The TIRZ Land Purchase Agreement sets forth the agreement to fund the purchase of the City Purchased Land. The TIRZ Agreements all acknowledge the TIRZ Payment Priority.

Development Plan and Status of Development

The current development plan is expected to proceed as follows: (1) development of Phases #1A-1B and construction of the Phases #1A-1B Improvements located in Phases #1A-1B and (2) phased development of the infrastructure to serve the Future Phases. Development of the Phase #1A Improvements consisting of infrastructure to serve the 59 residential lots within Phase #1A began in December 2018 was completed in January 2020, and the Phase #1A Improvements were accepted by the City in January 2020. Engineering has begun on Phase #1B Improvements consisting of the infrastructure to serve the 66 residential lots within Phase #1B, and construction of such Phase #1B Improvements began in October 2020 and is expected to be completed in Q2 2021. As of December 3, 2020, 38 building permits have been issued within Phases #1A and #1B of the District. Development of Phase #2 is expected to begin in Q4 2022 and be completed in Q1 2024. See "THE DEVELOPMENT — Development Plan and Status of Development — Concept Plan," "THE PHASES #1A-1B IMPROVEMENTS" and "APPENDIX B — Form of Service and Assessment Plan."

The Developer has entered into lot purchase and sale agreements for all 125 lots in Phase #1A and Phase #1B with Bloomfield. See "THE DEVELOPMENT – Merchant Builder Lot Purchase and Sale Agreements" below. As of December 3, 2020, Bloomfield had taken down all 59 lots in Phase #1A of the District and closed homes on 23 of such lots with end users. Home sales in Phase #1A of the District began in February 2020, and the average sale price of such homes in Phase #1A of the District is $275,598. The Developer owns all l4.957 acres of land in Phase #1B of the District, which are expected to be developed into 66 lots. No lots have been completed by the Developer or taken down by Bloomfield in Phase #1B of the District.

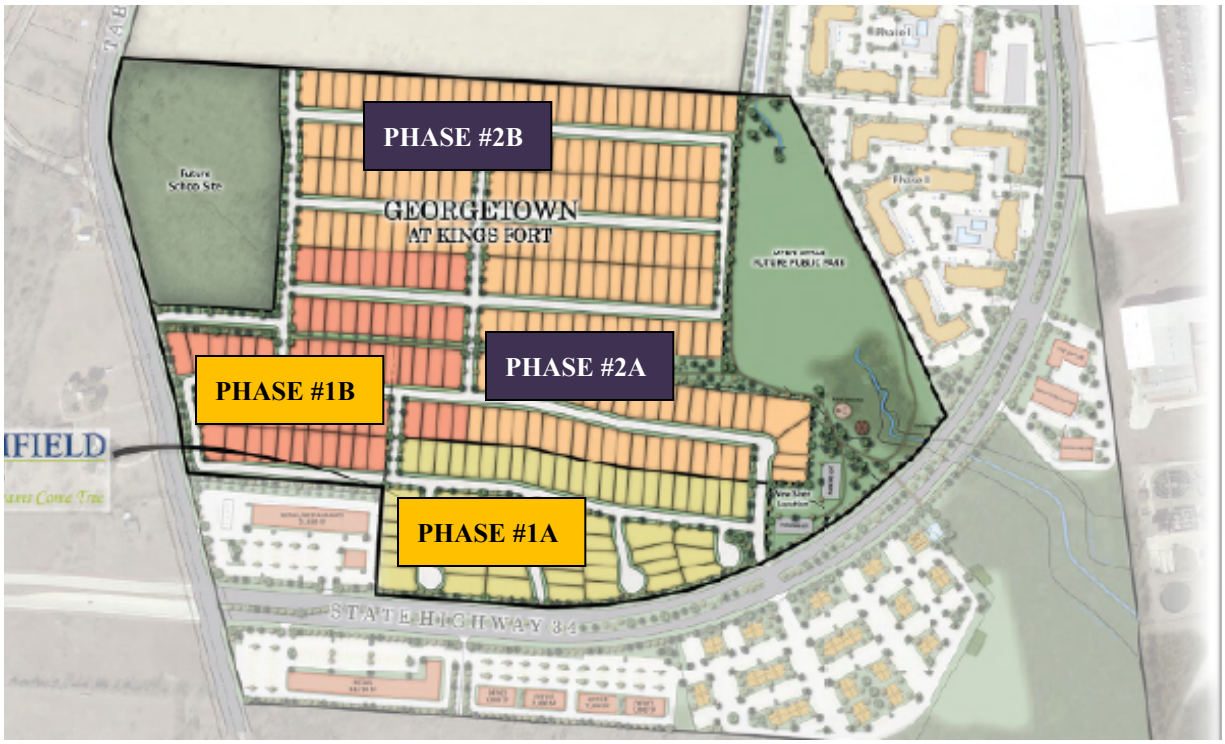
As of December 3, 2020, ownership of property in Phases #1A-1B of the District is as follows:

Phase	Owner	Number of Lots	Percentage of Assessments
#1A	Bloomfield	36 lots	28.8%
	Individual Homeowner	23 lots	18.4%
#1B	Developer	66 lots (approximate number of lots to be developed on 14.957 acres)	52.8%

Proceeds of the Bonds will pay for a portion of the costs of the Phases #1A-1B Improvements. The City expects to fund the balance of the Phases #1A-1B Improvements not paid with proceeds of the Bonds through (i) annual reimbursement to the Developer from Assessment Revenues pursuant to the Reimbursement Agreement or (ii) the issuance of Additional Parity Bonds, which Additional Parity Bonds will reimburse the Developer for amounts expended on the Phases #1A-1B Improvements pursuant to the Reimbursement Agreement. See "SECURITY FOR THE BONDS —Additional Parity Bonds; Other Obligations and Other Liens."

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Concept Plan: Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City's zoning and subdivision regulations.



Merchant Builder Lot Purchase and Sale Agreements in the District

The Developer has entered in two purchase and sale contracts with Bloomfield for all 125 lots in Phases #1A and #1B of the District. The Developer has not entered into any lot purchase and sale contracts for Phase #2 of the District.

The Developer entered into a Purchase and Sale Agreement (the "Phase #1A Lot Purchase and Sale Agreement") with Bloomfield for all 59 lots in Phase #1A of the District at a base lot price of $36,000 per lot and all lots have been taken down by Bloomfield under the Phase #1A Lot Purchase and Sale Agreement as of December 3, 2020.

The Developer entered into a Purchase and Sale Agreement (the "Phase #1B Lot Purchase and Sale Agreement") with Bloomfield for all 66 lots in Phase #1B of the District, including (i) fifty-three 50' lots at a base lot price of $40,000 per lot, (ii) eleven 55' lots at a base lot price of $44,000 per lot and (iii) two 60' lots at a base lot price of $48,000 per lot. $237,600 in earnest money from Bloomfield has been deposited with the title company relating to the Phase #1B Lot Purchase and Sale Agreement. The feasibility period under the Phase #1B Lot Purchase and Sale Agreement has expired, and therefore, the earnest money deposited at the title company to hold the lot contract is a hard deposit and no longer refundable.

The following table provides a summary of the takedown schedule for the Phase #1A Lot Purchase and Sale Agreement and Phase #1B Lot Purchase and Sale Agreement.

LOT PURCHASE AND SALE AGREEMENTS

Homebuilder	Phase	Total Lots	Lot Size	Base Price per lot	Lots per Takedown	Lots Taken Down as of November 23, 2020
Bloomfield Homes	1A	59	50'	$36,000	12 lots taken down at first closing; 9 lots per quarter thereafter; final	59

					20 lots taken down 10/21/2020	
Bloomfield Homes	1B	66	50’	$40,000	9 at first closing; 9 lots per quarter after thereafter	0
			55’	$44,000		
			60’	$48,000		
Total Lots Under Contract		125				

Expected Build-Out of the District

The Developer expects to complete the Development in two phases over a four year period, with the expected completion of the infrastructure serving the District by Q4 2024. The following tables provide the Developer’s expected build-out schedule of the District, estimated home prices in the District and an absorption schedule for lots in the District.

EXPECTED BUILD-OUT SCHEDULE

Phase	Single-Family Lots	Expected/Actual Infrastructure Start Date	Expected/Actual Infrastructure Completion Date
1A	59	Q4 2018	Q1 2020
1B	66	Q3 2020	Q2 2021
2A	58	Q4 2022	Q1 2024
2B	122	Q4 2022	Q1 2024

ESTIMATED HOME PRICES

Phase	Lot Size (Width in Ft.)	Quantity	Base Lot Price	Average Base Home Price*
1A	50’	59	$36,000	$290,000
1B	50’	53	$40,000	$305,000
	55’	11	$44,000	$320,000
	60’	2	$48,000	$335,000
2A	50’	58	$45,000	$320,000
2B	50’	122	$45,000	$320,000

* Developer estimates

EXPECTED ABSORPTION OF LOTS IN PHASES #1A-1B THE DISTRICT

Phase #1A		**Phase #1B**	
Actual/Expected Final Sale Date	Total Lots	Expected Final Sale Date	Total Lots
Q4 2019	12	Q2 2021	9
Q1 2020	9	Q3 2021	9
Q2 2020	9	Q4 2021	9
Q3 2020	9	Q1 2022	9
Q4 2020	20	Q2 2022	9
		Q3 2022	9
		Q4 2022	9
		Q1 2023	3

Phase #2A		Phase #2B	
Expected Final Sale Date	Total Lots	Expected Final Sale Date	Total Lots
Q1 2023	22	Q3 2023	9
Q2 2023	22	Q4 2023	22
Q3 2023	14	Q1 2024	22
		Q2 2024	23
		Q3 2024	23
		Q4 2024	23

Phased PID Bonds

The City expects to issue one or more series of bonds (collectively, the "Phased PID Bonds") to finance the cost of specific improvements benefitting the Future Phases. The estimated costs of the specific improvements benefitting each Future Phase will be determined as such Future Phase is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within the Future Phase and financed by each new series of Phased PID Bonds. Such Phased PID Bonds will be secured by separate assessments levied on the applicable Future Phase pursuant to the PID Act on Assessed Property within the Future Phase. The Developer anticipates that the first series of Phased PID Bonds will be issued within 3 years.

The Bonds, any Additional Parity Bonds and any Phased PID Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Phased PID Bonds for any purpose permitted by the PID Act, including those described above.

Zoning

The property within the District is currently zoned under the City's Planned Development #17, enacted on November 27, 2017 by City Ordinance Number O-34-17 ("PD #17"). PD #17 allows certain commercial and residential uses and establishes guidelines pertaining to purpose, height, area, and setbacks for specific single-family residential lots. PD #17 also regulates design and development standards. Because the District lies within the city limits of the City, the City's zoning and subdivision regulations control all aspects of development not specifically set forth in PD #17.

Amenities

The Developer will donate the Parkland Acreage consisting of approximately 14.52 acres of land to the City for a park and will construct certain open space amenities within the such park to serve the District (the "Parkland Amenities"). The Parkland Amenities are expected to cost approximately $1,470,750 and shall be financed through the payment of the Park Improvement Fee, and the Developer will be reimbursed for the Parkland Amenities from certain TIRZ Revenues as provided in the Parkland TIRZ Agreement. The Development Agreement requires donation of the Parkland Acreage to be completed prior to recording of the final plat for Phase #2A of the District. See "THE DEVELOPMENT – The Development Agreement and the TIRZ Agreements." Construction of the Parkland Amenities is expected to begin in 2022 and be completed in 2024.

The Developer expects to partially finance the amenities (to the extent not financed as provided above) with loans obtained for development within the District. See and "THE DEVELOPER – History and Financing of the District."

Education

The Kaufman Independent School District ("KISD") serves the District and encompasses approximately 166.43 square miles in Kaufman County. KISD enrolls over 4,000 students in two high schools, one junior high schools, and four elementary schools. Students in the District will attend Monday Elementary (2 miles from the Development), Norman Junior High School (1 mile from the Development) and Kaufman High School (1 mile from

the Development). According to the Texas Education Agency ("TEA"), KISD, Monday Elementary, Norman Junior High School, and Kaufman High School all received a "District Accountability Rating" of "B" from the TEA.

Existing Mineral Rights, Easements and Other Third Party Property Rights

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

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

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

Environmental

A Phase One Environmental Site Assessment (a "Phase One ESA") of the land within the District, was completed on October 15, 2020 by GLOBE Engineers, Inc. Based on the information presented in the Phase One ESA, there was no evidence that there were recognized environmental conditions on property in the District.

According to the website for the United States Fish and Wildlife Service, the whooping crane and least tern are endangered species in Dallas and Kaufman Counties and the golden-cheeked warbler is an endangered species in Kaufman County. The Developer is not aware of any endangered species located on District property.

Flood Designation

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Community Panel Number 48257C0325D dated July 3, 2012, no property within the District lies within a special flood hazard designation.

Utilities

The City expects to provide both water and wastewater service to the District through its systems. The City purchases its water wholesale from the North Texas Municipal Water District ("NTMWD"). The City maintains its own water distribution system and wastewater collection system and such system currently has sufficient capacity to provide water and wastewater service to the District. The City's wastewater treatment is provided by NTMWD.

The Developer expects additional utilities to be provided by: (1) Phone/Data – CenturyLink; (2) Electric – Trinity Valley Electric Co-Op; and (3) Cable – CenturyLink.

THE DEVELOPER

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

Developer has reviewed this Limited Offering Memorandum and warrants and represents that neither (i) the information herein under the caption "THE DEVELOPER" nor (ii) the information relating to the Developer under the subcaption "BONDHOLDERS' RISKS" 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.

General

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

Description of the Developer

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

Seascape GP, LLC is the General Partner of Developer and owns a 1% interest in the Developer. George Schuler serves as sole Member and Manager of Seascape GP, LLC. Kelly Cannell serves as President of Seascape GP, LLC. Seascape GP, LLC, George Schuler and Cannell provide project leadership, financial oversight and administrative support for the Development.

Seascape Partners, LP and JWS Land, Ltd. are each Limited Partners of the Developer. Seascape Partners, LP owns a 39% interest in the Developer. Seascape GP, LLC is the general partner of Seascape Partners, LP. And owns a 1% interest in Seascape Partners, LP. George Schuler, Kevin Paul Schuler, Cynthia Schuler North, and Kelly Cannell serve as limited partners for Seascape Partners, LP, with ownership interests as follows: George Schuler—45.5% , Kevin Paul Schuler—24.25%, Cynthia Schuler North—24.25%, and Kelly Cannell—5.00%.

JWS Land, Ltd., as limited partner, owns a 60% interest in the Developer. JWS Land, Ltd. is owned 5% by J.W. Schuler Inc., 85% by Jack W. Schuler, and 10% by Seascape Partners, LP. George Schuler serves as Vice President of J.W. Schuler, Inc., which is the general partner of JWS Land, Ltd.

Executive Biographies

H. George Schuler. George Schuler is the founder and owner of Schuler Development, a real estate investment and development company with holdings in North Texas. Mr. Schuler graduated from the University of Jamestown with a degree in Economics and Finance and relocated to Texas in 1968, where he managed the Plano Chamber of Commerce. His venture into real estate began with a string of car washes that he developed, owned and operated.

A licensed pilot, Mr. Schuler combined his passion for flying and real estate and was instrumental in the development of the Collin County Regional Airport at McKinney (now McKinney National Airport). From 1979 –

2013, Mr. Schuler established the airport's only Fixed Based Operation (FBO), recruited numerous corporate flight departments including Texas Instruments, built a terminal/office building and over 100 hangars, and leased approximately 300,000 square feet of office/hangar space. Schuler sold his FBO and real estate holdings to the City of McKinney in 2013 and took his expertise to North Texas Regional Airport, where he owns and operates the FBO (Rise Aviation) and manages the airport for Grayson County.

Mr. Schuler designed and developed numerous commercial and residential communities including Rockwall Market Center and Presbyterian Hospital in Rockwall, River Ridge of Crandall, and Cold Creek in Denison. In 2012 he began development of Kings Fort, a retail and residential community in Kaufman, which is anchored by Walmart and includes the Development (Georgetown at Kings Fort), a 305-lot residential community featuring Bloomfield Homes as the builder. Mr. Schuler will dedicate a site for a city park within the Development.

Kelly Cannell. Kelly Cannell joined Schuler Development in 2006 as Chief Financial Officer. She was promoted to President in 2016. Ms. Cannell manages the company's commercial, residential and airport development projects in Kaufman, Grayson and Rockwall counties as well as its Fixed Base Operation (FBO) at North Texas Regional Airport in Denison. Prior to joining Schuler Development, Ms. Cannell was the Controller for Bob Thompson Homes, a Dallas area luxury home builder. She has also held positions of increasing responsibility at KPMG Peat Marwick, Octel Communications, and MetaSolv Software (including that of Controller for MetaSolv where she helped take the telecommunications software company through a successful initial public offering). A Certified Public Accountant, Ms. Cannell holds a B.B.A. degree in Accounting from Western Michigan University.

Jim Meara. Jim Meara is the President of The Meara Company and serves as the Developer's sales and project manager. Mr. Meara is responsible for project design, sales and construction management. Mr. Meara has been in Texas real estate for over 30 years. After graduating from Southern Methodist University in 1982, Jim entered the commercial real estate business working for several Dallas development firms. In 1984, Jim formed of The Meara Company a diversified real estate firm, concentrating on purchasing, leasing, management, development, and sales of retail, office, industrial, single family and mix use property.

History and Financing of the District

Acquisition and Acquisition Financing. Texas Opportunities, LP purchased the 153.6 acre tract of land comprising the District in 2002 (the "Purchased Land") at a purchase price of $600,552. Such purchase was financed through a loan from a local bank, which loan has been fully paid off. The Purchased Land was subsequently contributed to JWS Land, Ltd. in 2012. 85.5 acres of the Purchased Land, which land constitutes all land within the District, was contributed to Georgetown KF, Ltd. in 2018. These entities all have common ownership/management.

Development Financing. On April 18, 2019, the Developer obtained a development loan (the "Phase #1A Development Loan") from Spirit of Texas Bank ("Phase #1A Development Lender") in the amount of $2,651,234. Interest on the Phase #1A Development Loan is payable monthly and quarterly principal reductions are required. The Development Loan bears interest at a rate of prime plus 1.00%, with a floor of 6.50%, and matures on April 18, 2021. As of December 3, 2020 the Phase #1A Development Loan was outstanding in the amount of $555,113. The Phase #1A Development Loan is secured, inter alia, by a first lien on all property in the District (except such property which has been released pursuant to sales under a lot purchase and sale agreement) (the "Phase #1A Deed of Trust"). The Phase #1A Development Loan is guaranteed by George Schuler, JWS Land, Ltd. and Seascape Partners, LP.

On November 24, 2020, the Developer obtained a development loan (the "Phase #1B Development Loan" and, together with the Phase #1B Development Loan, the "Development Loans") from Spirit of Texas Bank ("Phase #1B Development Lender") in the amount of $2,680,931. Accrued interest on the Phase #1B Development Loan is payable monthly and the principal plus accrued interest is due at maturity of the loan. The Phase #1B Development Loan bears interest at a rate of 1.50% above WSJ Prime Rate, with a floor of 5.00% and matures on November 24, 2022. As of December 3, 2020, the Phase #1B Development Loan was outstanding in the amount of $425,597. The Phase #1B Development Loan is secured, inter alia, by a second lien, subject to the Phase #1A Deed of Trust and all lots in Phases #1B, #2 and #3 of the District. The Phase #1B Development Loan includes a partial release provision for 66 lots in Phase #1B with a minimum release price per lot of 93% of the gross sales, but not less than $38,045. The Phase #1B Development Loan is guaranteed by George Schuler, JWS Land, Ltd. And Seascape Partners, LP.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes and, accordingly, such lien for the Assessments is superior to liens on property in the District relating to the Development Loans.

THE ADMINISTRATOR

The following information has been provided by the Administrator. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Administrator has reviewed this Official Statement and warrant and represent that the information herein under the caption "THE 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 City has entered into an agreement with MuniCap, Inc. (the "Administrator") as the Administrator for the District to provide specialized services related to the administration of the District needed to support the administration of the District. The 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 Administrator currently acts as the administrator for over 183 special assessment and taxing districts in 24 states, including over 40 public improvement districts in the State.

MuniCap periodically donates to certain charitable or public events hosted by the City.

The 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 t*he Administrator*: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination, and (vii) IRS compliance monitoring.*

APPRAISAL OF PROPERTY WITHIN PHASES #1A-1B OF THE DISTRICT

The Appraisal

General. Integra Realty Resources – DFW (the "Appraiser"), prepared an appraisal report for the City dated September 30, 2020 and effective as of September 20, 2020 with respect to Phase #1A and June 1, 2020 with respect to Phase #1B, based upon a physical inspection of the District (the "Appraisal"). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to Phases #1A-1B of the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. **It is noted that the Appraisal reports a value for the Future Phases (Phase #2A and #2B), but no assessments have been levied in Phases #2A and #2B, and such Future Phases are not the subject of this offering**. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See "APPENDIX E — Appraisal of Property Within the District."

Value Estimates. The Appraiser estimated the aggregate market value of the fee simple interest in the land in Phase #1A of the District on an "as is basis" with the 59 lots being complete and Phase #1B of the District under the hypothetical conditions that the 66 single-family lots in Phase #1B were complete. See "THE PHASES #1A-1B IMPROVEMENTS." The Appraisal does not reflect the as-is condition of Phase #1B of the District as all of the Phase #1B Improvements have not yet been constructed. Moreover, the Appraisal does not reflect the value of Phases #1A and #1B of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for Phases #1A and #1B of the District. See "APPENDIX E — Appraisal of Property Within Phase #1A-1B of the District."

The value estimate for the Assessed Property within Phase #1A of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of September 20, 2020 is $2,140,000. The value estimate for the Assessed Property within Phase #1B of the District

using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of June 1, 2021 is $2,580,000.

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

Prospective investors should read the complete Appraisal in order to make an informed decision regarding any contemplated purchase of the Bonds. The complete Appraisal is attached as APPENDIX E hereto.

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

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

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

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Bonds will develop and be

maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

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

Assessment Limitations

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

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

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

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

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any Pre-existing Homestead Rights were properly claimed prior to the adoption of the Assessment Ordinance for as long as such Pre-existing Homestead 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 Ordinance, no such homestead rights will have been claimed. Furthermore, the Developer is not eligible to claim homestead rights and the Developer has represented that it owns all property within the District as of the date of the Assessment Ordinance. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

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

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

Competition; Economic Conditions Affecting the Real Estate Market

The successful development of the land within Phases #1A-1B of the District, the success of the Development, and the sale of residential units therein, once such homes are built, may be affected by unforeseen changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Developer. Moreover, the Developer has the right to modify or change its plans for development of the land within the District, including Phases #1A-1B, and the Development as a whole from time to time, including, without limitation, land use changes, changes in overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No prediction can be made about the state of the real estate market in the future or the availability of financing for potential home buyers.

Contracts that the Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the Development. As described herein, the Assessments are an imposition against the land only. Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein.

TIRZ Annual Credit Amount and Marketing of the Development

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the City on the captured appraisal value in the portion of the TIRZ consisting of the District in any year. Any delay or failure by the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Assessments. TIRZ Revenues generated from the captured appraised value for each parcel in the District during the development of such lot will result in a TIRZ Annual Credit Amount which is not sufficient to achieve the Targeted Net Average Annual Installment. The TIRZ Annual Credit Amount will likely not provide for the Targeted Net Average Annual Installment (as defined under the heading "OVERLAPPING TAXES AND DEBT") until the second year that a home on such lot is assessed. See "OVERLAPPING TAXES AND DEBT."

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

Loss of Tax Exemption

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

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions

and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Bankruptcy

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

Direct and Overlapping Indebtedness, Assessments and Taxes

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

Depletion of Bond Reserve Account and Delinquency and Prepayment Reserve Account of Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Delinquency and Prepayment Reserve Account of the Reserve Fund is only partially funded from the proceeds of the Bonds. The Delinquency and Prepayment Reserve Requirement of the Delinquency and Prepayment Reserve Account will accumulate pursuant to the mechanism described in "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund." In the event of a withdrawal from the Bond Reserve Account of the Reserve Fund or from the Delinquency and Prepayment Reserve Account of the Reserve Fund, such accounts shall be replenished as described in the captions "SECURITY FOR THE BONDS — Reserve Fund" and, "SECURITY FOR THE BONDS – Delinquency and Prepayment Reserve Account of the Reserve Fund."

Hazardous Substance

While governmental taxes, assessments and charges are a common claim against the value of a lot, 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 lot 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 lots of land located in the District be affected by a hazardous substance, the marketability and value of such lots 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 lot. The City has not independently verified, and is not aware, that the owner (or operator) of any of the lots within the District has such a current liability with respect to such lot; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the lot of a substance not presently classified as hazardous but which may in the future be so classified. Further,

such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. The actual occurrence of any of these possibilities could significantly negatively affect the value of a lot that is realizable upon a foreclosure.

See "THE DEVELOPMENT – Environmental" for discussion of the previous Phase I ESA performed on property within the District.

Regulation

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

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 City's obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "BONDHOLDERS' RISKS — Bankruptcy Limitation to Bondholders' Rights" herein.

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

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

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Court reviewed *Wasson Interests, Ltd. v. City of Jacksonville* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Texas

jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

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

No Acceleration

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

Bankruptcy Limitation to Bondholders' Rights

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

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) 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 City's debt.

Management and Ownership

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

General Risks of Real Estate Investment and Development

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

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

Dependence Upon Developer

The Developer, as the majority owner of the parcels in Phase #1B of the District, will have the obligation for payment of approximately 52.8% of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The only assets of the Developer are land within the District, related permits and development rights, and minor operating accounts. The source of funding for future land development activities and infrastructure construction to develop the lots proposed for the District also consists of proceeds from the Bonds, proceeds from Additional Parity Bonds (if any) or Phased PID Bonds (if any), and proceeds of lot sales, as well as possible bank financing and equity contributions by the Developer. There can be no assurances given as to the financial ability of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

Moreover, the City will pay to the Developer or the Developer's designee costs for a portion of the Phases #1A-1B Improvements from proceeds of the Bonds. The Developer will submit reimbursement requests on a monthly basis for costs actually incurred in developing and constructing the Phases #1A-1B Improvements, and be reimbursed in accordance with the Indenture and the Construction, Funding and Acquisition Agreement. See "THE PHASES #1A-1B IMPROVEMENTS – General" and "THE DEVELOPMENT – Development Plan and Status of Development". There can be no assurances given as to the financial ability of the Developer to complete such improvements.

Potential Future Changes in State Law Regarding Public Improvement Districts

During prior sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating 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. To date, no legislation has been introduced to act on such recommendations; however, it is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor,

and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

Use of Appraisal

Caution should be exercised in the evaluation and use of valuations included in the Appraisal. The Appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation and specified therein. The estimated market value specified in the Appraisal is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the appraiser's forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District. The City makes no representation or guarantees regarding the information in the Appraisal.

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

Exercise of Third Party Property Rights

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

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

Infectious Disease Outbreak – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed. The Governor has renewed his declaration monthly, most recently on October 7, 2020. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 19, 2020 of Executive Order GA-08 which, among other things, imposed limitations on social gatherings of more than 10 people; discouraged eating or drinking at bars, restaurants, and food courts, or visiting gyms or massage parlors; and limited visits to nursing homes and long-term care facilities. On April 15, 2020, the Governor issued

Executive Order GA-14 which provided that the following was considered an "Essential Service" and therefore allowed to take place during the COVID-19 pandemic: "Workers performing housing and commercial construction related activities."

Beginning in mid-April 2020, the Governor issued several executive orders to implement the State's ongoing plan to safely and strategically open the State in phases while minimizing the spread of COVID-19. However, due to an increase in the number of people testing positive for COVID-19 and the number of associated hospitalizations in the State, the Governor issued a number of executive orders which reversed earlier orders that provide for the phased reopening of businesses in the State, subject to future restrictions in the Governor's discretion. Executive Order GA-28, which was issued on June 26, 2020 and amended on July 2, 2020, reintroduced limitations on social gatherings of more than 10 people and occupancy restrictions on businesses, including restaurants, to 50% and mandated the immediate closure of other businesses including bars, and commercial rafting or tubing services. Certain businesses, including hair salons, barber shops, and nail salons could continue to operate at greater than 50% capacity provided the workstations allow for social distancing. The order did not apply to outdoor venues, except for professional or collegiate sporting events, swimming pools, water parks and zoos, which were also subject to the 50% limit. The order also did not apply to childcare services, religious worship, and recreational sports programs. On July 2, 2020 the Governor issued Executive Order GA-29 requiring all Texans to wear a face covering over the nose and mouth in public spaces in counties with 20 or more positive COVID-19 cases, with few exceptions. The Governor also issued a proclamation giving mayors and county judges the ability to impose restrictions on some outdoor gatherings of over 10 people, and making it mandatory that, with certain exceptions, people cannot be in groups larger than 10 and must maintain six feet of social distancing from others. On September 17, 2020, the Governor issued Executive Order GA-31, which postpones all surgeries and procedures that are not medically necessary in areas of high hospitalizations of COVID patients.

Executive Order GA-32, which was issued on October 7, 2020 and supersedes Executive Order GA-28, continues all of the limitations on social gatherings of more than 10 people and occupancy restrictions on businesses contained in Executive Order GA-28 described above, except that the order allows all businesses, including swimming pools, water parks and zoos, to operate at up to 75% capacity. In areas of high hospitalizations, any business establishment that otherwise would have a 75% occupancy or operating limit may operate at up to only 50%. Indoor and outdoor professional and collegiate and similar sporting events continue to be restricted to a 50% capacity limit. Indoor bars and similar establishments are permitted to operate at up to 50% capacity, provided that such establishment is not in an area with high hospitalizations and patrons of the establishment are seated while eating or drinking. In addition to those services and business identified in Executive Order GA-28 above, Executive Order GA-32 also does not apply to public or private schools. Executive Order GA-32 remains in effect until modified, amended, rescinded or suspended by the Governor.

Kaufman County, which includes the City, is located in Trauma Service Area-E (TSA-E) designated by the Texas Department of State Health Services. Under Executive Order GA-32, certain businesses within TSA-E, including the City, that have been operating at 75 percent capacity must reduce capacity to 50 percent. Bars that do not qualify as a restaurant under TABC rules must close. Additionally, elective surgeries and procedures are addressed in GA-31, which states every hospital that is licensed under Chapter 241 of Texas Health and Safety Code shall postpone if located in an area with high hospitalizations

Most of the federal and state actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. Stock values and crude oil prices, in the United States and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, may reduce or negatively affect economic conditions in the City and lead to unemployment for property owners within the District or may otherwise have a negative impact on the sale of parcels, lots or homes within the District. The Bonds are secured by Assessments expected to be levied

on benefitted property within Phases #1A-1B. If lot or home sales are negatively impacted by the Pandemic, the Developer will continue to be responsible for the payment of the Assessments.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition. None of the City, the Financial Advisor, the Underwriter or the Developer can predict the impact the Pandemic may have on the City, the financial and operating condition of the Developer, the projected buildout schedule, home prices and buildout values or an investment in the Bonds.

Risk from Weather Events

All of the State, including the City, is subject to extreme weather events that can cause loss of life and damage to property through weather events that include strong winds, flooding and heavy rains. It is impossible to predict such weather events and the impact they may have on the City, including land within the District.

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted (subject to the provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property and the proceeds of any sale of property within Phase#3 available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

No Credit Rating

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

Limited Secondary Market for the Bonds

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required

to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption," "– Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original

issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

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

LEGAL MATTERS

Legal Proceedings

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

Bracewell LLP serves as Bond Counsel to the City. Winstead PC serves as Underwriter's Counsel. The legal fees paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Legal Opinions

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

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds", "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General" and the subcaption "TIRZ Revenues May Reduce Assessments"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings," "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE" (except for the subcaption "The Developer"), "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 Ordinance, and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance and the Indenture.

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

Litigation — The City

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

Litigation — The Developer

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

SUITABILITY FOR INVESTMENT

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

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See "BONDHOLDERS' RISKS — Remedies and Bankruptcy." Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations

imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

NO RATING

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

CONTINUING DISCLOSURE

The City

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

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

The Developer

The Developer, the Administrator, and the Dissemination Agent have entered into a Continuing Disclosure Agreement (the "Developer Disclosure Agreement") for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Developer Disclosure Agreement, certain information regarding the Development and the Phases #1A-1B Improvements (collectively, the "Developer Reports"). The specific nature of the information to be contained in the Developer Reports is set forth in "APPENDIX D-2 — Form of Developer Disclosure Agreement." Under certain circumstances, the failure of the Developer or the Administrator to comply with its obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and is not entered into pursuant to the Rule.

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

any contractual or tort liability for damages resulting in whole or in part from any breach of the Developer Disclosure Agreement or from any statement made pursuant to the Developer Disclosure Agreement.

Pursuant to the Developer Disclosure Agreement, the Developer is only responsible for providing the Developer Reports for so long as the Developer is responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installment of Assessments for any year. In addition, in the event of foreclosure of any mortgage lien deed of trust or bankruptcy foreclosure sale with respect to the Developer's property within the District, the Developer's continuing disclosure obligation pursuant to the Developer Disclosure Agreement may be discharged and no Developer Reports would be filed thereafter.

UNDERWRITING

FMSbonds, Inc. (the "Underwriter") has agreed to purchase the Bonds from the City at a purchase price of $_____ (the par amount of the Bonds less an underwriting discount of $_____, 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 City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

INVESTMENTS

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

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (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 (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the City adopts or (ii) a depository institution with a main office or branch office in this state that the City selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the City' s account; and (b) the full amount of the principal and accrued interest of the banking deposits is insurance by the United States or an instrumentality of the United States; and (c) the City appoints as the City' s custodian of the banking deposits issued for the City' s account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) 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 (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the

investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

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

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

INFORMATION RELATING TO THE TRUSTEE

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

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

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

SOURCES OF INFORMATION

General

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

and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Source of Certain Information

The information contained in this Limited Offering Memorandum relating to the description of the Phases #1A-1B Improvements, the Development and the Developer generally and, in particular, the information included in the sections captioned "THE PHASES #1A-1B IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Phases #1A-1B Improvements and the Development) and "LEGAL MATTERS — Litigation — The Developer" has been provided by the Developer.

Experts

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

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by Integra Realty Resources – DFW, and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property.

Updating of Limited Offering Memorandum

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

FORWARD-LOOKING STATEMENTS

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

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

AUTHORIZATION AND APPROVAL

The City Council has approved by resolution the form and content of this Preliminary Limited Offering Memorandum and the City Council has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

APPENDIX A

FORM OF INDENTURE

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

APPENDIX B

FORM OF SERVICE AND ASSESSMENT PLAN

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX D-1

FORM OF CITY DISCLOSURE AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX D-2

FORM OF DEVELOPER DISCLOSURE AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX E

APPRAISAL OF PROPERTY WITHIN PHASES #1A-1B OF THE DISTRICT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

APPENDIX F

FORM OF CONSTRUCTION, FUNDING AND ACQUISITION AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

Meeting Date: 1/7/2021 Date: 12/21/2020 **Item #: 6.** **Dept.: Administration**

Action Item

SUBJECT:

Consider and take appropriate action on the selection of Traylor & Associates and authorize the City Manager to negotiate and execute a contract with Traylor & Associates to assist the City of Kaufman in preparing an application for the City's proposed program year 2021-2022 Community Development Fund Public Infrastructure Project to the Texas Community Development Block Grant Program (TXCDBG) at the Texas Department of Agriculture – Office of Rural Affairs (TDA), and contingent upon program funding, to assist City in the overall management of City's proposed program.

BACKGROUND:

The City of Kaufman was seeking to contract with a competent professional Administration/ Management firm/consultant that has had experience in grants/contracts application and administration. Request for Proposal (RFP) for providing professional service was published in local newspaper on December 10, 2020, deadline to submit the proposal was December 21, 2020. Two (2) consulting firm, Traylor & Associates, Inc, and Grantworks submitted Statement of Qualifications. Staff has reviewed the proposals and recommends selecting Traylor & Associates. If the grant application is approved, Traylor & Associates will work on the following areas: Application preparation assistance, Project Management, Financial Management, Environmental Review, Real Property Acquisition, Construction Management, Fair Housing/Equal Opportunity, Housing rehabilitation/affordable housing (if applicable) and Audit/Contract Close-out Assistance.

Application preparation is not reimbursable with CDBG federal or local match funds.

Author:
Mike Slye, City Manager

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Staff recommends the selection of Traylor & Associates to administer the CDBG grant process.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	x	☐	x	x

Form A508

Texas Community Development Block Grant

Phase Two Solicitation for Administrative/Planning Services

Evaluation of Proposals

Applicant Community:		
Evaluation Team: (at least three persons required, including one local official)	**Name of Evaluator**	**Title**
	MIKE SLYE	CITY MANAGER
	MIKE HOLDER	ACM
	JEFF JORDAN	MAYOR
Program: (list ONLY one program per form, create a separate A508 for each additional program)	2021 CDBG	Example: 2021-2022 Community Development Fund, 2020 Downtown Revitalization Fund, 2020 FAST Fund, etc.
Description of Anticipated Project:	REHAB NORTH ELEVATED WATER TOWER	Example: reconstruct streets and install sidewalk in downtown district, purchase two brush trucks and bunker gear, rehabilitate wastewater treatment facility's drying beds, etc.
Date Solicitation Sent:	12/10/20	
Responses received:	**Name of Firm**	**Date Response Received**
	TRAYLOR & ASSOCIATES	12/15/20
	GRANTWORKS	12/15/20

Evaluation of Proposals: (revise/add/delete services in this section as appropriate)

Enter for each criterion & proposal: (criteria listed on A506)

- Points awarded, or
- Evaluation such as Highly Advantageous (H), Advantageous (A), Not Advantageous (N), or Unacceptable (U).

Name of Firm	Experience	Prior Work Performance	Capacity to Perform	Proposed Cost	Other ____	Other ____	Notes
TRAYLOR	H	H	H	H			
GRANTWORKS	H	A	H	A			

Firm Recommended:	TRAYLOR
Firm Selected:	
	* If Firm Selected differs from Firm recommended by Evaluators, provide explanation
Conflict of Interest Evaluated by:	☐ Conflict exists, firm disqualified ☑ No conflict exists
Date Awarded by Governing Body:	1/7/21
Signature of Lead Evaluator:	

Meeting Date: 1/7/2021 Date: 12/22/2020 **Item #: 7.** **Dept.: Administration**

Action Item

SUBJECT:

Consider and take appropriate action on the award of bid and contract for the Paving, Drainage, & Landscape/irrigation improvements for Tabor Parkway (CR 151) and authorizing the Mayor or his designee to execute necessary documents.

BACKGROUND:

On December 22, 2020 the city received 8 construction bids for the Tabor Parkway Phase II project. Attached is the Bid Tabulation and city engineer recommendation to award this project to the lowest, responsible bidder, Axis Contracting. Their bid totaled $2,352,196.00 This bid, along with the cost of street lights are all well within the allocated costs assigned to this project by Kaufman County ($4.5M)

Author: Mike Slye, City Manager

Reviewed: Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Recommend awarding Tabor Parkway Phase II to Axis Contracting.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☐	☐	☐	☐

www.tnpinc.com

engineers
surveyors
landscape architects

TEXAS
FORT WORTH
DENTON
ALLEN
HEATH
CYPRESS
SUGAR LAND

GEORGIA
BLAIRSVILLE

January 4, 2021

Michael T. Slye, City Manager
City of Kaufman
209 S. Washington St.
Kaufman, Texas 75142

Re: Bid Proposal Evaluation for Paving, Drainage, Landscape & Irrigation Improvements for Tabor Parkway

Dear Mike:

On December 22, 2020, competitive sealed proposal (CSP) were opened for the above referenced City project. Nine bids were received and a bid tabulation report has been prepared and attached for record. The following are the bid results for the total project bid (base):

Contractor	Total Project Bid	Total Calendar Days
JB & Co. LLC	$1,942,175.00	150
Reliable Paving, Inc.	$2,229,137.50	270
XIT Paving & Construction, Inc.	$2,304,870.00	330
Axis Contracting, Inc.	$2,352,196.00	180
McMahon Contracting, Inc.	$2,405,479.26	180
Tiseo Paving Co.	$2,494,500.00	300
Ed Bell Construction Company	$2,567,720.00	319
FNH Construction, LLC	$2,683,670.00	365
Joe Funk Construction	$3,085,675.42	240

The project was bid as a CSP (Competitive Sealed Proposal) in which the published selection criteria was used. The selection criteria is as follows:

1. Cost – 40%
2. Bid Time – 20%
3. Qualifications & Experience – 20%
4. Reputation/References – 20%

A panel consisting of representatives from City of Kaufman and TNP scored the top 5 respective bidders based on the selection criteria above. Information for Items 3 & 4 of the selection criteria were provided by the bidders for the scoring evaluation. The scores were tabulated and are attached for record.

Based on the scores, Axis Contracting, Inc. submitted the proposal that offers the best value to the City. If you have any questions or need any additional information, please do not hesitate to contact us.

Sincerely,
tnp
teague nall & perkins

Philip C. Varughese, P.E.
Associate/Senior Project Manager

Attachments

cc: Mike Holder, Assistant City Manager (via email)
Richard Underwood, Director of Public Works (via email)
Tom Rutledge, Teague, Nall & Perkins (via email)
KAU 20346 File

TABOR PARKWAY - KAUFMAN, TX

Rating Category Scoring System

	Bid Amount		Bid Time*		Qualifications & Experience	Reputation & References	
Contractor	**Total Project Bid**	**(40 pts)**	**Total Time**	**(20 pts)**	**(20 pts)**	**(20 pts)**	**Total**
JB & Co. LLC	$1,942,175.00	40.0	150	20.0	8.3	17.7	**86.00**
Reliable Paving	$2,229,137.50	34.9	270	11.1	17.7	17.7	**81.36**
XIT Paving & Construction	$2,304,870.00	33.7	330	9.1	19.3	19.3	**81.40**
Axis Contracting, Inc.	$2,352,196.00	33.0	180	16.7	19.3	19.3	**88.29**
McMahon Contracting, LP	$2,405,479.26	32.3	180	16.7	19.3	19.3	**87.56**

BID TABULATION REPORT

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

				BIDDERS					
				JB & CO LLC		Reliable Paving, Inc.		XIT Paving & Construction, Inc.	
ITEM NO.	DESCRIPTION OF ITEMS	QUANTITY	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-1	Bonds & Insurance	1	LS	$35,000.00	$35,000.00	$105,000.00	$105,000.00	$85,000.00	$85,000.00
A-2	Right-of-Way Preparation	1	LS	$25,000.00	$25,000.00	$21,000.00	$21,000.00	$100,000.00	$100,000.00
A-3	Remove Existing Pavement & Drives	1,590	SY	$32.00	$50,880.00	$12.00	$19,080.00	$19.00	$30,210.00
A-4	Remove Existing Asphalt Pavement	1,180	SY	$25.00	$29,500.00	$6.00	$7,080.00	$11.00	$12,980.00
A-5	Remove Existing Concrete Curb & Gutter	925	LF	$12.00	$11,100.00	$8.00	$7,400.00	$8.00	$7,400.00
A-6	Remove Existing Gravel Driveway	25	SY	$50.00	$1,250.00	$17.00	$425.00	$37.00	$925.00
A-7	Remove Existing Concrete Sidewalk & Flatwork	290	SY	$30.00	$8,700.00	$13.00	$3,770.00	$9.00	$2,610.00
A-8	Remove Existing Fence	200	LF	$7.50	$1,500.00	$7.00	$1,400.00	$4.00	$800.00
A-9	Remove Existing Storm Drain Pipe	210	LF	$50.00	$10,500.00	$17.00	$3,570.00	$28.00	$5,880.00
A-10	Remove Existing Storm Drain Structure	25	EA	$275.00	$6,875.00	$750.00	$18,750.00	$335.00	$8,375.00
A-11	Unclassified Street Excavation & Grading	1	LS	$25,000.00	$25,000.00	$63,000.00	$63,000.00	$190,000.00	$190,000.00
A-12	8" Lime Stabilized Subgrade	14,500	SY	$30.00	$435,000.00	$5.00	$72,500.00	$5.50	$79,750.00
A-13	Lime for Stabilization (48#/SY)	348	TON	$200.00	$69,600.00	$205.00	$71,340.00	$220.00	$76,560.00
A-14	8" Reinforced Concrete Pavement	12,980	SY	$12.00	$155,760.00	$58.60	$760,628.00	$48.00	$623,040.00
A-15	2" Hot Mix Asphalt Concrete (HMAC) - Type 'D'	445	SY	$25.00	$11,125.00	$20.00	$8,900.00	$30.00	$13,350.00
A-16	4" Hot Mix Asphalt Concrete (HMAC) - Type 'B'	445	SY	$50.00	$22,250.00	$30.00	$13,350.00	$60.00	$26,700.00
A-17	Barrier Free Ramp	12	EA	$3,000.00	$36,000.00	$2,000.00	$24,000.00	$1,800.00	$21,600.00
A-18	Concrete Curb & Gutter	445	LF	$35.00	$15,575.00	$55.00	$24,475.00	$40.00	$17,800.00
A-19	Asphalt Concrete Curb	45	LF	$15.00	$675.00	$21.00	$945.00	$15.00	$675.00
A-20	4" Concrete Sidewalk	33,560	SF	$6.50	$218,140.00	$6.70	$224,852.00	$5.50	$184,580.00
A-21	Stamped Concrete	3,740	SF	$15.50	$57,970.00	$15.00	$56,100.00	$16.00	$59,840.00
A-22	6" Reinforced Concrete Driveway	200	SY	$78.00	$15,600.00	$102.00	$20,400.00	$55.00	$11,000.00
A-23	5" Gravel Driveway	30	SY	$50.00	$1,500.00	$35.00	$1,050.00	$35.00	$1,050.00
A-24	Unclassified Bar Ditch Excavation & Grading	1	LS	$20,000.00	$20,000.00	$9,000.00	$9,000.00	$15,000.00	$15,000.00
A-25	18" Class III RCP	35	LF	$180.00	$6,300.00	$110.00	$3,850.00	$133.00	$4,655.00
A-26	30" Class III RCP	250	LF	$195.00	$48,750.00	$153.00	$38,250.00	$169.00	$42,250.00
A-27	10' Standard Curb Inlet	1	EA	$4,500.00	$4,500.00	$5,000.00	$5,000.00	$5,500.00	$5,500.00
A-28	24"x24" Catch Basin	1	EA	$5,000.00	$5,000.00	$1,400.00	$1,400.00	$3,900.00	$3,900.00
A-29	48"x48" Catch Basin	4	EA	$250.00	$1,000.00	$4,000.00	$16,000.00	$4,400.00	$17,600.00
A-30	18" Safety End Treatment	1	EA	$7,000.00	$7,000.00	$1,600.00	$1,600.00	$2,800.00	$2,800.00
A-31	18" Thick Rock Riprap	34	SY	$185.00	$6,290.00	$95.00	$3,230.00	$180.00	$6,120.00
A-32	3' Concrete Flume	860	SF	$10.50	$9,030.00	$6.00	$5,160.00	$7.00	$6,020.00
A-33	4' Concrete Flume	6,280	SF	$8.50	$53,380.00	$6.00	$37,680.00	$7.25	$45,530.00
A-34	Connection to Existing Storm Drain Pipe	4	EA	$250.00	$1,000.00	$750.00	$3,000.00	$1,953.00	$7,812.00
A-35	Trench Safety for Storm Drain Systems	285	LF	$5.00	$1,425.00	$1.50	$427.50	$3.00	$855.00

BID TABULATION REPORT

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

				BIDDERS					
				JB & CO LLC		Reliable Paving, Inc.		XIT Paving & Construction, Inc.	
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-36	Concrete Retaining Wall	280	SF	$75.00	$21,000.00	$130.00	$36,400.00	$60.00	$16,800.00
A-37	Pedestrian Guard Rail	80	LF	$175.00	$14,000.00	$190.00	$15,200.00	$180.00	$14,400.00
A-38	Barb Wire Fence	75	LF	$50.00	$3,750.00	$23.00	$1,725.00	$14.00	$1,050.00
A-39	Erosion Control	1	LS	$10,500.00	$10,500.00	$7,200.00	$7,200.00	$20,000.00	$20,000.00
A-40	Traffic Control	1	LS	$40,000.00	$40,000.00	$19,000.00	$19,000.00	$40,000.00	$40,000.00
A-41	Utility Adjustments Type B	1	LS	$5,500.00	$5,500.00	$11,500.00	$11,500.00	$5,000.00	$5,000.00
A-42	Pavement Striping, Marking and Signage (Removal & Installation)	1	LS	$8,500.00	$8,500.00	$38,000.00	$38,000.00	$36,000.00	$36,000.00
	TOTAL BID UNIT A - PAVING & DRAINAGE IMPROVEMENTS				**$1,511,425.00**		**$1,782,637.50**		**$1,851,417.00**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPVOVEMENTS									
B-1	Chinese Pistache	85	EA	$900.00	$76,500.00	$1,220.00	$103,700.00	$1,183.00	$100,555.00
B-2	Natches' Crape Myrtle	6	EA	$550.00	$3,300.00	$500.00	$3,000.00	$1,183.00	$7,098.00
B-3	Tif 419' Bermuda Sod	143,000	SF	$0.65	$92,950.00	$0.60	$85,800.00	$0.60	$85,800.00
B-4	Irrigation Improvements	1	LS	$58,000.00	$58,000.00	$54,000.00	$54,000.00	$60,000.00	$60,000.00
	TOTAL BID UNIT B - LANDSCAPE/IRRIGATION IMPVOVEMENTS				**$230,750.00**		**$246,500.00**	**$518.00**	**$253,453.00**
BA-1	Saucer Magnolia (Bid Alternate)	6	EA	$550.00	$3,300.00	$530.00	$3,180.00	$518.00	$3,108.00
Unit C - OWNERS CONTINGENCY									
C-1	Owners Contingency	1	LS	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00
	TOTAL BID UNIT C - OWNERS CONTINGENCY				**$200,000.00**		**$200,000.00**		**$200,000.00**

BASE BID ITEMS

UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS	**$1,511,425.00**	**$1,782,637.50**	**$1,851,417.00**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPROVEMENTS	**$230,750.00**	**$246,500.00**	**$253,453.00**
UNIT C - OWNERS CONTINGENCY	**$200,000.00**	**$200,000.00**	**$200,000.00**
TOTAL AMOUNT BASE BID	**$1,942,175.00**	**$2,229,137.50**	**$2,304,870.00**
CALENDAR DAYS (SUBSTANTIAL / FINAL)	**120 / 150**	**240 / 270**	**300 / 330**

BID TABULATION REPORT

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

				BIDDERS					
				AXIS Contracting, Inc.		**McMahon Contracting, L.P.**		**Tiseo Paving Co.**	
ITEM NO.	DESCRIPTION OF ITEMS	QUANTITY	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-1	Bonds & Insurance	1	LS	$104,400.00	$104,400.00	$118,346.11	$118,346.11	$27,000.00	$27,000.00
A-2	Right-of-Way Preparation	1	LS	$22,220.00	$22,220.00	$86,000.25	$86,000.25	$135,000.00	$135,000.00
A-3	Remove Existing Pavement & Drives	1,590	SY	$11.00	$17,490.00	$8.18	$13,006.20	$18.00	$28,620.00
A-4	Remove Existing Asphalt Pavement	1,180	SY	$11.00	$12,980.00	$10.36	$12,224.80	$16.50	$19,470.00
A-5	Remove Existing Concrete Curb & Gutter	925	LF	$5.00	$4,625.00	$6.84	$6,327.00	$7.15	$6,613.75
A-6	Remove Existing Gravel Driveway	25	SY	$14.00	$350.00	$16.81	$420.25	$36.00	$900.00
A-7	Remove Existing Concrete Sidewalk & Flatwork	290	SY	$7.00	$2,030.00	$9.20	$2,668.00	$8.50	$2,465.00
A-8	Remove Existing Fence	200	LF	$2.00	$400.00	$3.60	$720.00	$16.50	$3,300.00
A-9	Remove Existing Storm Drain Pipe	210	LF	$16.00	$3,360.00	$18.07	$3,794.70	$48.50	$10,185.00
A-10	Remove Existing Storm Drain Structure	25	EA	$660.00	$16,500.00	$375.00	$9,375.00	$550.00	$13,750.00
A-11	Unclassified Street Excavation & Grading	1	LS	$135,575.00	$135,575.00	$139,457.20	$139,457.20	$160,000.00	$160,000.00
A-12	8" Lime Stabilized Subgrade	14,500	SY	$4.00	$58,000.00	$3.16	$45,820.00	$2.85	$41,325.00
A-13	Lime for Stabilization (48#/SY)	348	TON	$226.00	$78,648.00	$192.00	$66,816.00	$202.00	$70,296.00
A-14	8" Reinforced Concrete Pavement	12,980	SY	$66.00	$856,680.00	$54.41	$706,241.80	$58.25	$756,085.00
A-15	2" Hot Mix Asphalt Concrete (HMAC) - Type 'D'	445	SY	$18.00	$8,010.00	$30.60	$13,617.00	$30.00	$13,350.00
A-16	4" Hot Mix Asphalt Concrete (HMAC) - Type 'B'	445	SY	$37.00	$16,465.00	$58.80	$26,166.00	$59.00	$26,255.00
A-17	Barrier Free Ramp	12	EA	$1,200.00	$14,400.00	$2,220.00	$26,640.00	$1,800.00	$21,600.00
A-18	Concrete Curb & Gutter	445	LF	$36.00	$16,020.00	$33.10	$14,729.50	$25.00	$11,125.00
A-19	Asphalt Concrete Curb	45	LF	$31.00	$1,395.00	$46.86	$2,108.70	$44.00	$1,980.00
A-20	4" Concrete Sidewalk	33,560	SF	$6.00	$201,360.00	$6.90	$231,564.00	$6.00	$201,360.00
A-21	Stamped Concrete	3,740	SF	$15.00	$56,100.00	$16.80	$62,832.00	$11.00	$41,140.00
A-22	6" Reinforced Concrete Driveway	200	SY	$70.00	$14,000.00	$63.58	$12,716.00	$71.50	$14,300.00
A-23	5" Gravel Driveway	30	SY	$24.00	$720.00	$34.91	$1,047.30	$45.00	$1,350.00
A-24	Unclassified Bar Ditch Excavation & Grading	1	LS	$19,800.00	$19,800.00	$17,190.20	$17,190.20	$25,000.00	$25,000.00
A-25	18" Class III RCP	35	LF	$110.00	$3,850.00	$119.69	$4,189.15	$220.00	$7,700.00
A-26	30" Class III RCP	250	LF	$145.00	$36,250.00	$133.52	$33,380.00	$165.00	$41,250.00
A-27	10' Standard Curb Inlet	1	EA	$5,280.00	$5,280.00	$5,100.00	$5,100.00	$5,610.00	$5,610.00
A-28	24"x24" Catch Basin	1	EA	$2,475.00	$2,475.00	$3,557.18	$3,557.18	$2,070.00	$2,070.00
A-29	48"x48" Catch Basin	4	EA	$4,510.00	$18,040.00	$4,494.88	$17,979.52	$5,203.00	$20,812.00
A-30	18" Safety End Treatment	1	EA	$1,980.00	$1,980.00	$2,139.76	$2,139.76	$1,155.00	$1,155.00
A-31	18" Thick Rock Riprap	34	SY	$204.00	$6,936.00	$76.43	$2,598.62	$234.00	$7,956.00
A-32	3' Concrete Flume	860	SF	$15.00	$12,900.00	$20.67	$17,776.20	$10.00	$8,600.00
A-33	4' Concrete Flume	6,280	SF	$7.00	$43,960.00	$7.73	$48,544.40	$10.00	$62,800.00
A-34	Connection to Existing Storm Drain Pipe	4	EA	$550.00	$2,200.00	$2,917.05	$11,668.20	$2,000.00	$8,000.00
A-35	Trench Safety for Storm Drain Systems	285	LF	$2.00	$570.00	$1.47	$418.95	$16.50	$4,702.50

BID TABULATION REPORT

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

				BIDDERS					
				AXIS Contracting, Inc.		**McMahon Contracting, L.P.**		**Tiseo Paving Co.**	
ITEM NO.	DESCRIPTION OF ITEMS	QUANTITY	UNIT	UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-36	Concrete Retaining Wall	280	SF	$74.00	$20,720.00	$82.23	$23,024.40	$77.00	$21,560.00
A-37	Pedestrian Guard Rail	80	LF	$118.00	$9,440.00	$139.25	$11,140.00	$154.00	$12,320.00
A-38	Barb Wire Fence	75	LF	$24.00	$1,800.00	$10.20	$765.00	$16.50	$1,237.50
A-39	Erosion Control	1	LS	$15,861.00	$15,861.00	$17,289.60	$17,289.60	$17,500.00	$17,500.00
A-40	Traffic Control	1	LS	$22,275.00	$22,275.00	$80,297.56	$80,297.56	$125,000.00	$125,000.00
A-41	Utility Adjustments Type B	1	LS	$6,600.00	$6,600.00	$17,473.11	$17,473.11	$12,000.00	$12,000.00
A-42	Pavement Striping, Marking and Signage (Removal & Installation)	1	LS	$34,573.00	$34,573.00	$37,716.00	$37,716.00	$35,000.00	$35,000.00
	TOTAL BID UNIT A - PAVING & DRAINAGE IMPROVEMENTS				**$1,907,238.00**		**$1,954,885.66**		**$2,027,742.75**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPVOVEMENTS									
B-1	Chinese Pistache	85	EA	$990.00	$84,150.00	$1,272.00	$108,120.00	$990.00	$84,150.00
B-2	Natches' Crape Myrtle	6	EA	$468.00	$2,808.00	$525.60	$3,153.60	$467.50	$2,805.00
B-3	Tif 419' Bermuda Sod	143,000	SF	$0.75	$107,250.00	$0.60	$85,800.00	$1.00	$143,000.00
B-4	Irrigation Improvements	1	LS	$50,750.00	$50,750.00	$53,520.00	$53,520.00	$36,802.25	$36,802.25
	TOTAL BID UNIT B - LANDSCAPE/IRRIGATION IMPVOVEMENTS				**$244,958.00**		**$250,593.60**	**$518.00**	**$266,757.25**
BA-1	Saucer Magnolia (Bid Alternate)	6	EA	$495.00	$2,970.00	$556.80	$3,340.80	$495.00	$2,970.00
Unit C - OWNERS CONTINGENCY									
C-1	Owners Contingency	1	LS	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00
	TOTAL BID UNIT C - OWNERS CONTINGENCY				**$200,000.00**		**$200,000.00**		**$200,000.00**

BASE BID ITEMS

UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS	**$1,907,238.00**	**$1,954,885.66**	**$2,027,742.75**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPROVEMENTS	**$244,958.00**	**$250,593.60**	**$266,757.25**
UNIT C - OWNERS CONTINGENCY	**$200,000.00**	**$200,000.00**	**$200,000.00**
TOTAL AMOUNT BASE BID	**$2,352,196.00**	**$2,405,479.26**	**$2,494,500.00**
CALENDAR DAYS (SUBSTANTIAL / FINAL)	**165 / 180**	**160 /180**	**270 /300**

BID TABULATION REPORT

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

ITEM NO.	DESCRIPTION OF ITEMS	QUANTITY	UNIT	BIDDERS					
				Ed Bell Construction Company		FNH Construction LLC		JOE FUNK Construction	
				UNIT COST	TOTAL	UNIT COST	TOTAL	UNIT COST	TOTAL
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-1	Bonds & Insurance	1	LS	$120,000.00	$120,000.00	$35,000.00	$35,000.00	$149,500.00	$149,500.00
A-2	Right-of-Way Preparation	1	LS	$120,000.00	$120,000.00	$100,000.00	$100,000.00	$33,475.00	$33,475.00
A-3	Remove Existing Pavement & Drives	1,590	SY	$20.00	$31,800.00	$20.00	$31,800.00	$35.54	$56,508.60
A-4	Remove Existing Asphalt Pavement	1,180	SY	$20.00	$23,600.00	$20.00	$23,600.00	$29.04	$34,267.20
A-5	Remove Existing Concrete Curb & Gutter	925	LF	$10.00	$9,250.00	$20.00	$18,500.00	$12.14	$11,229.50
A-6	Remove Existing Gravel Driveway	25	SY	$1.00	$25.00	$20.00	$500.00	$19.50	$487.50
A-7	Remove Existing Concrete Sidewalk & Flatwork	290	SY	$20.00	$5,800.00	$20.00	$5,800.00	$19.50	$5,655.00
A-8	Remove Existing Fence	200	LF	$10.00	$2,000.00	$10.00	$2,000.00	$13.00	$2,600.00
A-9	Remove Existing Storm Drain Pipe	210	LF	$25.00	$5,250.00	$30.00	$6,300.00	$26.00	$5,460.00
A-10	Remove Existing Storm Drain Structure	25	EA	$600.00	$15,000.00	$650.00	$16,250.00	$1,560.00	$39,000.00
A-11	Unclassified Street Excavation & Grading	1	LS	$150,000.00	$150,000.00	$80,000.00	$80,000.00	$33,475.00	$33,475.00
A-12	8" Lime Stabilized Subgrade	14,500	SY	$3.00	$43,500.00	$11.00	$159,500.00	$13.44	$194,880.00
A-13	Lime for Stabilization (48#/SY)	348	TON	$175.00	$60,900.00	$200.00	$69,600.00	$243.54	$84,751.92
A-14	8" Reinforced Concrete Pavement	12,980	SY	$62.00	$804,760.00	$60.00	$778,800.00	$87.54	$1,136,269.20
A-15	2" Hot Mix Asphalt Concrete (HMAC) - Type 'D'	445	SY	$28.00	$12,460.00	$30.00	$13,350.00	$52.00	$23,140.00
A-16	4" Hot Mix Asphalt Concrete (HMAC) - Type 'B'	445	SY	$56.00	$24,920.00	$60.00	$26,700.00	$58.50	$26,032.50
A-17	Barrier Free Ramp	12	EA	$2,000.00	$24,000.00	$2,500.00	$30,000.00	$1,820.00	$21,840.00
A-18	Concrete Curb & Gutter	445	LF	$50.00	$22,250.00	$40.00	$17,800.00	$19.50	$8,677.50
A-19	Asphalt Concrete Curb	45	LF	$40.00	$1,800.00	$30.00	$1,350.00	$52.00	$2,340.00
A-20	4" Concrete Sidewalk	33,560	SF	$6.00	$201,360.00	$5.50	$184,580.00	$7.15	$239,954.00
A-21	Stamped Concrete	3,740	SF	$17.50	$65,450.00	$12.00	$44,880.00	$15.60	$58,344.00
A-22	6" Reinforced Concrete Driveway	200	SY	$75.00	$15,000.00	$85.00	$17,000.00	$91.00	$18,200.00
A-23	5" Gravel Driveway	30	SY	$30.00	$900.00	$30.00	$900.00	$39.00	$1,170.00
A-24	Unclassified Bar Ditch Excavation & Grading	1	LS	$10,000.00	$10,000.00	$85,000.00	$85,000.00	$26,455.00	$26,455.00
A-25	18" Class III RCP	35	LF	$140.00	$4,900.00	$85.00	$2,975.00	$97.50	$3,412.50
A-26	30" Class III RCP	250	LF	$120.00	$30,000.00	$150.00	$37,500.00	$123.50	$30,875.00
A-27	10' Standard Curb Inlet	1	EA	$8,000.00	$8,000.00	$8,500.00	$8,500.00	$11,050.00	$11,050.00
A-28	24"x24" Catch Basin	1	EA	$4,000.00	$4,000.00	$8,500.00	$8,500.00	$2,340.00	$2,340.00
A-29	48"x48" Catch Basin	4	EA	$6,000.00	$24,000.00	$11,500.00	$46,000.00	$5,850.00	$23,400.00
A-30	18" Safety End Treatment	1	EA	$1,000.00	$1,000.00	$1,850.00	$1,850.00	$3,250.00	$3,250.00
A-31	18" Thick Rock Riprap	34	SY	$75.00	$2,550.00	$185.00	$6,290.00	$175.50	$5,967.00
A-32	3' Concrete Flume	860	SF	$15.00	$12,900.00	$9.00	$7,740.00	$9.10	$7,826.00
A-33	4' Concrete Flume	6,280	SF	$7.00	$43,960.00	$11.00	$69,080.00	$9.10	$57,148.00
A-34	Connection to Existing Storm Drain Pipe	4	EA	$1,000.00	$4,000.00	$2,500.00	$10,000.00	$2,275.00	$9,100.00
A-35	Trench Safety for Storm Drain Systems	285	LF	$1.00	$285.00	$5.00	$1,425.00	$6.50	$1,852.50

TEAGUE NALL AND PERKINS, INC.
CONSULTING ENGINEERS

CLIENT: CITY OF KAUFMAN
DESCRIPTION: Tabor Parkway Paving, Drainage, Landscape & Irrigation Improvements

TNP JOB NO: KAU 20346
BID DATE: TUESDAY, December 22, 2020
BID TIME: 2:00 PM CST
ENGINEER'S ESTIMATE: $2.7 million

				BIDDERS					
				Ed Bell Consruction Company		FNH Construction LLC		JOE FUNK Construction	
UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS									
A-36	Concrete Retaining Wall	280	SF	$100.00	$28,000.00	$85.00	$23,800.00	$182.00	$50,960.00
A-37	Pedestrian Guard Rail	80	LF	$125.00	$10,000.00	$150.00	$12,000.00	$162.50	$13,000.00
A-38	Barb Wire Fence	75	LF	$30.00	$2,250.00	$10.00	$750.00	$52.00	$3,900.00
A-39	Erosion Control	1	LS	$27,000.00	$27,000.00	$50,000.00	$50,000.00	$24,375.00	$24,375.00
A-40	Traffic Control	1	LS	$120,000.00	$120,000.00	$85,000.00	$85,000.00	$50,375.00	$50,375.00
A-41	Utility Adjustments Type B	1	LS	$15,000.00	$15,000.00	$10,000.00	$10,000.00	$26,195.00	$26,195.00
A-42	Pavement Striping, Marking and Signage (Removal & Installation)	1	LS	$35,000.00	$35,000.00	$30,000.00	$30,000.00	$37,375.00	$37,375.00
	TOTAL BID UNIT A - PAVING & DRAINAGE IMPROVEMENTS				**$2,142,870.00**		**$2,160,620.00**		**$2,576,112.92**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPVOVEMENTS									
B-1	Chinese Pistache	85	EA	$1,100.00	$93,500.00	$1,500.00	$127,500.00	$1,183.00	$107,737.50
B-2	Natches' Crape Myrtle	6	EA	$450.00	$2,700.00	$1,500.00	$9,000.00	$1,183.00	$6,435.00
B-3	Tif 419' Bermuda Sod	143,000	SF	$0.55	$78,650.00	$0.85	$121,550.00	$0.60	$121,550.00
B-4	Irrigation Improvements	1	LS	$50,000.00	$50,000.00	$65,000.00	$65,000.00	$60,000.00	$73,840.00
	TOTAL BID UNIT A1 - PAVING IMPROVEMENTS				**$224,850.00**		**$323,050.00**	**$518.00**	**$309,562.50**
BA-1	Saucer Magnolia (Bid Alternate)	6	EA	$475.00	$2,850.00	$1,000.00	$6,000.00	$617.50	$3,705.00
Unit C - OWNERS CONTINGENCY									
C-1	Owners Contingency	1	LS	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00
	TOTAL BID UNIT C - OWNERS CONTINGENCY				**$200,000.00**		**$200,000.00**		**$200,000.00**

BASE BID ITEMS

UNIT A -TABOR PARKWAY PAVING & DRAINAGE IMPROVEMENTS	**$2,142,870.00**	**$2,160,620.00**	**$2,576,112.92**
UNIT B - TABOR PARKWAY LANDSCAPE/IRRIGATION IMPROVEMENTS	**$224,850.00**	**$323,050.00**	**$309,562.50**
UNIT C - OWNERS CONTINGENCY	**$200,000.00**	**$200,000.00**	**$200,000.00**
TOTAL AMOUNT BASE BID	**$2,567,720.00**	**$2,683,670.00**	**$3,085,675.42**
CALENDAR DAYS (SUBSTANTIAL / FINAL)	**277 / 319**	**320 / 365**	**210 / 240**

Meeting Date: 1/7/2021 Date: 12/23/2020 **Item #: 8.** **Dept.: Administration**

Action Item

SUBJECT:

Consider and take appropriate action to authorize the City Manager or his designee to dispose of surplus City assets by auction, sealed bid, or another form of sale.

BACKGROUND:

First Baptist Church of Kaufman donated several pieces of commercial kitchen equipment to the city to accomodate the needs for the Kaufman Civic Center. There were several pieces that are being used, however, there are a few pieces that were duplicated with the Senior Connect equipment that is being utilized as well. Request Council approval to authorize City Manager disposal of surplus equipment in accordance with state statute.

Author:

Reviewed:
Mike Slye, City Manager

Cost: **Funds Available:** **Source:**

Recommendation: Recommend authorizing City Manager to dispose of surplus equipment in accordance with established state statutes.

Safe & Secure	Business Friendly/Economic Development	Partnership & Community Involvement	Healthy & Environmentally Cons. Comm.	Financial & OPS Stewardship
☐	☐	☐	☐	☐