AGENDA
CITY COUNCIL
TUESDAY, MAY 28, 2019
1371 WEST FM 550 - MCLENDON-CHISHOLM, TEXAS 75032
6:30 PM

Page

1. CALL TO ORDER

2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS

3. RULES OF DECORUM

4. CITIZEN COMMENTS

5. APPROVAL OF CITY COUNCIL MEETING MINUTES

5 - 6 5.1. May 10, 2019
May 10, 2019 Draft Minutes

7 - 22 5.2. May 14, 2019
May 14, 2019 Draft Minutes

6. ITEMS FOR CONSIDERATION

23 6.1. Discussion and action regarding an Ordinance denying the proposed change in rates of Oncor Electric Delivery Company LLC. *(Requested by Palomba)*
Proposed Ordinance Denying Oncor Rate Change

24 - 35 6.2. Discussion and action authorizing the City Administrator to execute a Letter of Engagement with Ray Smith, CPA PLLC for accounting services. *(Requested by Palomba)*
Letter of Engagement with Ray Smith, CPA PLLC

36 - 45 6.3. Discussion and action authorizing the City Administrator to enter into an

Agreement for Public Improvement District (PID) Administration Services with P3Works. *(Requested by Palomba)*
Proposed Contract P3Works

46 - 51 6.4. Discussion and action considering the adoption of a Resolution accepting and approving a preliminary Service and Assessment Plan Update and preliminary Assessment Rolls for the Sonoma Public Improvement District, calling a public hearing on the levy of special assessments against property in the District and approving all other matters related thereto. *(Requested by Palomba)*
Proposed Resolution Calling Assessment Public Hearing Sonoma PID 2019

52 - 146 6.5. Discussion and action to consider a Resolution approving the form and authorizing the distribution of a Preliminary Limited Offering Memorandum for City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project). *(Requested by Palomba)*
Proposed Resolution Approving Sonoma PID 2019 PLOM
Preliminary Limited Offering Memorandum Sonoma PID Area 2 Project

147 - 153 6.6. Public hearing, discussion and action regarding a request by C&G Ros Development LLC, seeking approval of a Preliminary Plat for Rosini Vineyards Addition, Tract 63-2, 25 acres, also described as 411 State Hwy 205. *(Requested by C&G Ros Development LLC)*
Preliminary Plat Staff Report

154 - 160 6.7. Discussion and action regarding an Ordinance amending the Master Fee Schedule as related to residential building permits. *(Requested by Palomba)*
Ordinance Amending Fee Schedule - Residential Building Permit Fees
Proposed Amended Fee Schedule 2019
Legislative Update Building Permit Fees

161 - 163 6.8. Discussion and action regarding an Ordinance approving the adoption on the Official Zoning Map. *(Requested by Palomba)*
Proposed Ordinance Adopting Official Zoning Map 2019
Zoning Map Exhibit

164 - 166 6.9. Discussion and action regarding a contract for limited animal control services with All American Dogs. *(Requested by Palomba)*
Proposed Contract for Limited Animal Control Service with All American Dogs
Staff Report - Animal Control Services

6.10. Discussion and action regarding establishment of a Code Enforcement Officer as regulated by the Texas Department of Licensing and

Registration. (*Requested by Council Member Kipphut)*

6.11. Announce the opening of the application period for Planning & Zoning Commission vacancies and directing the City Administrator to advertise vacancies, responsibilities and time commitment for such positions. *(Requested by Council Member Kipphut)*

167 - 168 6.12. Discussion and action regarding an ordinance changing the appointment date of Board of Adjustment members from January to July. *(Requested by Palomba)*
Proposed Ordinance BOA Appointments

6.13. Discussion and action regarding scheduling a public forum to conduct a six month review of the Community Waste Disposal (CWD) Contract. *(Requested by Council Member Kipphut)*

6.14. Discussion and action regarding setting a date, place, time and agenda for a City Council Retreat. *(Requested by Palomba)*

7. REPORTS

169 - 171 7.1. McLendon-Chisholm Fire Rescue Run Report
April Calls by District
April Call Types Breakdown
April Total Record Volume by Incident Type

172 - 176 7.2. Building Official Report April 2019
Building Official Report April 2019

177 - 188 7.3. Budget Report April 2019
Financial Report April 2019

189 - 192 7.4. Sheriff's Report April 2019
Sheriff's Report April 2019

8. UPDATES, DISCUSSION AND DIRECTION TO STAFF

9. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

9.1. Mayor Short's announcements including events and general information

9.2. Mayor Pro Tem Bloom's announcements including Emergency Services Corporation and Economic Development Advisory Committee

9.3. Council Member Kipphut's announcements

9.4. Council Member Larkin's announcements including Veterans Memorial Brick Campaign Committee

9.5. Council Member Woessner's announcements

9.6. Council Member Dahl's announcements

10. ADJOURN

As authorized by Section 551.071(2) of the Texas Government Code, this meeting may be convened into closed Executive Session in order to see confidential legal advice from the City Attorney on any agenda item herein.

I, Lisa Palomba, do hereby certify that the above Notice of Meeting of the City Council of McLendon-Chisholm, Texas was posted on or before 7:00 p.m., May 24, 2019 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.

CITY COUNCIL - SPECIAL MEETING
City of McLendon-Chisholm, Texas
Special Meeting Minutes
May 10, 2019

The City Council of the City of McLendon-Chisholm convened in Special Session on Friday, May 10, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor
	Jim Bloom	Council Member
	Herman Larkin	Council Member
Staff Present:	Lisa Palomba	City Administrator/City Secretary
	Jim Simmons	Fire Chief

1. Call to Order.

Mayor Short called the meeting to order at 12:00 p.m.

2. Mayor Short delivered the Invocation and led the Pledge of Allegiance to the U.S. and Texas Flags.

3. Items for Consideration

3.1. Discuss and consider a Resolution canvassing the returns and declaring the results of the General Election held on May 4, 2019 for the purpose of electing City Council Members Place (1), Place Three (3) and Place five (5) for two (2) year terms.

Council Members Bloom and Larkin reviewed the Returns of the May 4, 2019 General Election as prepared and certified by the Rockwall Council Elections Administrator and approved Resolution 2019-06 canvassing the returns and declaring election results in the General Election held in the City of McLendon-Chisholm on May 4, 2019 for the purpose of electing three Council Members for Place 1, 3, and 5 for a term of two years each. Election results are as follows:

COUNCIL MEMBER PLACE 1

Lorna Kipphut	397
David Day	208

COUNCIL MEMBER PLACE 3

Trudy Woessner	392
Scott L. Turnbull	209

COUNCIL MEMBER PLACE 5

William Dahl	384
Adrienne Balkum	220

3.2 Newly Elected Council Members for Place 1, Place 3, and Place 5 will take the Oath of Office.

Mayor Short administered the Oath of Office to newly elected Council Member Kipphut, Place 1, Council Member Woessner, Place 3, and Council Member Dahl (Place 5).

4. Adjourn

Mayor Short adjourned the meeting at 12:10 p.m.

ATTEST: APPROVED:

____________________________ ____________________________

Lisa Palomba, City Secretary Keith Short, Mayor

CITY COUNCIL
City of McLendon-Chisholm, Texas
Meeting Minutes
May 14, 2019

The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, May 14, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor
	Jim Bloom	Council Member
	Herman Larkin	Council Member
	Lorna Kipphut	Council Member
	William Dahl	Council Member
	Trudy Woessner	Council Member
Staff Present:	Lisa Palomba	City Administrator/City Secretary
	Jim Simmons	Fire Chief
	City Attorney	Michael Halla

1. Call to Order.

Mayor Short called the meeting to order at 6:30 p.m.

2. Mayor Short delivered the Invocation and led the Pledge of Allegiance to the U.S. and Texas Flags.

3. Mayor Short announced the Rules of Decorum are in place and are to be observed throughout the meeting.

4. Citizen Comments

Mike Donegan, 2620 Ridge Lake Lane, I'm here concerning agenda items 5.8 and 5.9. I would just ask the Council and the Planning & Zoning Commission, when you look at our Zoning Ordinance concerning specific use permits, all the items that are in our Zoning Ordinance, like a site plan, things such as description and use of the facility, long term use or masterplan future use of the property, a description of the applicants ability to obtain needed easements. All the different items that are underneath this. My concern is not the intent of the school or the value of the school, it is whether or not the facility matches the long-term masterplan of the school. Once we do a specific use permit, that becomes a permanent part of the zoning. So, I'm just asking the Council and the Planning & Zoning Commission to do due diligence upon the request of the school – to take a look at it to eventually getting over 200 to 300 children. I love that the kids are coming to school there and getting a good education. I'm just asking that the Council and Planning & Zoning do due diligence in this process. Thank you.

Adrienne Balkum, 1518 Firenza Court

As requested by Ms. Balkum, her statement, in its entirety, is printed below.

On April 9, 2019 four comments were made regarding statements that were allegedly made by me or Mayor Pro Tem Scott Turnbull. Besides the obvious that it was staged and influenced by Mark Kipphut, Mike Donegan and Council Member Herman Larkin.

There was a privilege email exchange that I had with the City Attorney. I cc'd the City Administrator and Council Member Herman Larkin. In that email I specifically said, **"Those who are in the military should be familiar about taking orders. And if one can't follow a simple resolution and honor it as well as any of our process then why in the world is a person a council member in the first place."**

Council Member Larkin violated Resolution 2019-03 that I established in January 2019 and it was passed by the City Council unanimously. It was not until March 11, 2019 did Council Member Larkin share that there were any activities taken place to the City Council.

All activities, such as 3 or 4 meetings from January to March to the purchases that were all done outside of the resolution agreement. Thank you to those who attended these meetings, but each of you were misled by Mark Kipphut and Council Member Larkin. The purpose of the brick campaign objective was to promote the original resolution that included the brick cost of $150 because it was not to be a burden on the City's budget. This was supposed to be an opportunity for Citizens to show their patriotism to honor all those who served. We do not have a public works department. The cost of maintenance was a point of concern. In addition to paying for design and installation services. This was not a committee to run like an adhoc committee. This committee needed to be accountable to the City Council just like Planning & Zoning and other committees formed that involved monies/public events/city structures.

Any decisions, including approving purchases to give instructions for City Administration must be approved by the City Council. That would be government transparency at work. This was not an American Legion project nor were the Kipphuts the private citizens that donated monies to DAR.

The **Daughters of American Revolution (DAR)** never expressed their interest in promoting the Veterans Memorial Brick Campaign. Mayor Short only heard from Mark Kipphut and just parroted what to say at previous City Council Meetings.

Citizentry was to be informed through the Citizen Survey about the committee and to have the opportunity to volunteer to this committee as well as to MC50 and Keep MC Beautiful.

Council Member Larkin was aware of this and intentionally violated the people's trust in preventing citizens to participate in the Citizen Survey by not contributing input. His other unethical actions include sharing a draft version to FU MC group administration.

Along with the Mayor who on March 15, 2019 sent an email to the City Administrator to not send out the surveys. Even though the City Council had already approved and given direction to the City Administrator to label, stamp and deliver to the Post Office.

On average we had about 500 respondents in the previous surveys. This year we had approximately 205 respondents. I'm still waiting on information on costs from the City Administrator as well as other commentary. This is the second time via email that I'm having to ask about it. I'm concerned there was no second mailing that actually took place.

The City Council Meeting was cancelled for April 23, 2019 because the mayor wanted to prevent the City Council Agenda that was presented on April 18, 2019. Mayor Short failed as a CEO to schedule the meeting at another location. Such as Chisholm Baptist Church where meetings were mostly held in the past.

My hope for the City of McLendon-Chisholm is to be proactive in their local government by paying closer attention to each of the City Council's activities. To express themselves and to not be idle with the things that are coming. I do not foresee this City Council to be honorable men and women. I'm calling for the silent majority to rise up. The time is now or you will lose the rural atmosphere that we all came here to enjoy or for those who were raised here.

Gary L. Moody, 1406 S. Hwy 205, I am concerned about the public hearing tonight about the school on 205. I am in agreement with Mike, I don't have a problem with the school, but any other business that came in there would require a study. I live right there. I see the number of cars. I see the number of accidents. In the morning it strings toward Terrell a long way. But, I hope this is reviewed, forwards and backwards by Planning & Zoning. If not, I would hope that they would look at doing a study for the sake of those kids that are coming in there. It's close to 40,000 cars a day that come down 205. Having a TxDot study done might get them a cross-over for when the highway is expanded. Right now, there isn't a cross-over slated for anywhere along there. Thank you for your time.

David Day, 211 Tucker Road, I appreciate your desire to put the ranker behind us. We'll try to do that. We'll start off with an apology from Council Woman Kipphut. You owe me an apology. Maybe you think the end justifies the means, slander, liable, defamation. I don't take that lightly, nor should you. You make much of your military service. You talk about pride. You talk about service to your community yet you dishonor both by lying. Your facebook post says you met with veterans and told them I only ran against you because you were a veteran and I thought it would be fun. You went on to say, that's important because Mr. Day is also a veteran. Let's don't do that to each other. Let's stick together you said. Really, you understand the irony of that statement? You dishonored my status as a veteran. You have no right, you have no right. Dishonor yourself all you want, but you insinuate some wrong doing or poor character because I had the audacity to run against you? Who do you think you are? You see this – I wear this. I do a lot for veterans that you know nothing about. You know nothing about me. Every veteran remembers certain career officers, the ones for whom the political ends always justify the means. The ones who brown-nose their way up to where they almost got to command rank. But, that kind don't usually make it to command rank, do they? You took one word to characterize my reasons for running against you – the word "fun". A humorous side in one press release. Fun as in a competition between the services. It's possible you don't get the humor Council Woman. Maybe you weren't smart enough to get the humor or you were lying. For that you owe me an apology. I never said anything about you that wasn't true. You are backed by realtors and developers. I always said I doubt your claim to favor open spaces. I was afraid you might be a liar and you have proven that you are. P&Z is set to move on Triple Creek this Friday. Quarter-acre lots, nearly 2,000 homes right out here. There aren't enough votes on the Council now to stop it – not anymore. Henry S. Miller already pitched the City numerous times. All your backers needed were the votes and you'd say anything to get them. I'm reminded of the old story that the devil's greatest trick was convincing us he wasn't real. I wish this town well.

5. Items for Consideration

5.1 Newly Elected City Council Members may be ceremoniously sworn into office.

Judge Russo issued the Oath of Office to all three newly elected City Council Members. Lorna Kipphut was sworn in with her husband, Mark, holding the Bible. William Dahl was sworn in with Chief Simmons holding the Bible, and Trudy Woessner was sworn in with her husband holding the Bible.

Judge Russo closed the ceremony in prayer.

5.2. Discussion and action regarding selection of a Mayor Pro Tem

MOTION: SELECT COUNCIL MEMBER BLOOM AS MAYOR PRO TEM.

MOTION MADE: WOESSNER
SECONDED: LARKIN
APPROVED: PASSED UNANIMOUSLY

5.3. Discussion and action regarding a Resolution approving authorized Signatories to the City's financial accounts with Alliance Bank, Wilmington Trust, TexPool and LOGIC

MOTION: A RESOLUTION APPROVING COUNCIL MEMBERS BLOOM AND WOESSNER AS AUTHORIZED SIGNATORIES TO THE CITY'S FINANCIAL ACCOUNTS WITH ALLIANCE BANK, WILMINGTON TRUST, TEX-POOL AND LOGIC

MOTION MADE: KIPPHUT
SECONDED: DAHL
APPROVED: PASSED UNANIMOUSLY

5.4. Public Statement: Council Member Balkum will share draft results from the 2018-2019 Citizen Survey

No Discussion

5.5. Public Statement: Council Member Balkum will address some statements made at the April 9, 2019 City Council Meeting regarding the City's monument, purpose and scope of the Veteran's Memorial Committee and the American Legion Member

No Discussion

5.6. Public Statement: Council Member Balkum will give her final public statement of hope for the City of McLendon-Chisholm.

See Citizen Comments

5.7. Approval of Minutes of April 9, 2019 City Council Meeting Minutes

MOTION: APPROVE MINUTES OF APRIL 9, 2019 CITY COUNCIL MEETING AS PRESENTED.

MOTION MADE: LARKIN
SECONDED: BLOOM
APPROVED: UNANIMOUSLY

5.8. Council will hold a Public Hearing to consider the application of Jake Abbott requesting an amendment to an existing Specific Use Permit for Providence Academy to allow an enrollment of 200 children (Applicant now requesting to allow 300 children) for use by Kindergarten through twelfth grade and staff using the existing facilities at Chisholm Baptist Church, located at 1388 South State Highway 205, McLendon-Chisholm, also described as Lot 1, Block 1 of Chisholm Baptist Church currently zoned General Business

Mayor Short introduced the item and opened the public hearing at 6:52 p.m.

Jake Abbott presented the request and gave a brief overview of the school. He explained they are a Christian classified, University modeled private/homeschool facility. It is the best of both options for the students. They have 85 students enrolled now and 75% of them live in Rockwall County. The oldest child is in 8th grade and they feel there is a need for high school.

Mayor Pro Tem Bloom asked Mr. Abbott to confirm that the capacity of the building is 300.

Mr. Abbott confirmed this number.

Mayor Pro Tem Bloom asked what issues would be encountered if enrollment is 300 – then you would have teachers and possibly church staff.

Mr. Abbott answered it would not be an issue.

Mayor Pro Tem Bloom stated he is hesitant to approve something that could affect the fire marshal rules.

Council Member Kipphut stated that right now they only have two high schoolers, so that wouldn't be an issue. What would be their belief as far as high school goes?

Mr. Abbott stated that as McLendon Chisholm grows and the school grows, they might have to look for more space.

Council Member Kipphut asked how the 205 expansion might affect them.

Mr. Abbott stated that is hard to say. They knew about that when they came out here and will do whatever needs to happen.

Council Member Woessner asked what they do for lunch.

Mr. Abbott stated there are two buildings at Chisholm Baptist and there is an overhang where they set up picnic tables if the weather permits. It not, they set up in the foyer of the church.

Council Member Woessner asked who cleans up.

Mr. Abbott stated a few of their moms clean up.

Mike Donegan asked if the city engineer has reviewed the wastewater? He stated he wants to be sure the wastewater has been looked at.

Mayor Short closed the public hearing at 7:01 p.m.

5.9. Discussion and action to consider an Ordinance approving the application from Jake Abbott requesting an amendment to an existing Specific Use Permit for Providence Academy to allow an enrollment of 200 children (Applicant now requesting 300 children) for use by Kindergarten through twelfth grade students and staff using the existing facilities at Chisholm Baptist Church, located at 1388 South State Highway 205, McLendon-Chisholm, also described as Lot 1, Block 1, Chisholm Baptist Church Addition currently zoned General Business.

MOTION: DISCUSS THE AMENDMENT

MOTION MADE: BLOOM
SECOND: WOESSNER

Mayor Pro Tem Bloom stated he is really glad the school is in our town. However, based on the lack of urgency for this growth, and the questions that I think are relevant brought up by Mr. Moody and Mr. Donegan, I'm not prepared to approve the special use permit. There are some questions for the wastewater and the TxDot study. I feel like this one can wait.

Council Member Larkin agreed. He stated he thinks this is something we need to delay and look at a little further. He expressed concern about exceeding the fire capacity with students and teachers, but mostly he is concerned about the wastewater scenario. His recommendation would be that we delay action on this.

City Administrator Palomba offered a compromise, if the Council would consider it. They can approve less than what was requested. Right now, they have a maximum student enrollment of 125, maximum administrators and teachers at 20 and Kindergarten through 8th grade. One option might be, so they can keep functioning this next year, might be to expand on that current number, but not go all the way to 300. They are asking for Pre-K through 12th grade.

Council Member Woessner stated she thinks we should wait to find out what the sewer numbers are.

MOTION: INCREASE TO PRE-K THROUGH 12TH GRADE WITHOUT INCREASING THE NUMBER OF STUDENTS AND FACULTY.

MOTION MADE: BLOOM
SECONDED: LARKIN
APPROVED: PASSED UNANIMOUSLY

5.11. Discuss, consider and provide direction to staff regarding selection of a Public Improvement District (PID) Administrator. Representatives from Hill Securities may address Council regarding the need for a PID Administrator as related to the upcoming issuance of Sonoma Verde Phase II PID Bonds.

Andre Ayala, Hilltop Securities, presented a background and summary of in process Phase 2 PID Bond Issuance. He also talked about the role of the PID Administrator.

6. Executive Session

6.1. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551.071(2) Consultation 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 this chapter regarding ranking, negotiating and award of contract to consultants for Public Improvement District Administrators.

Council adjourned into Executive Session at 7:25 p.m.

Council reconvened into Regular Session at 8:47 p.m.

No Action Taken

5.10. Council will receive presentations by Public Improvement District (PID) Administrators

Council heard presentations from three Public Improvement District (PID) Administrators:

1. Three Sixty – Mitch Mosesman
2. P3 Works – Jon Snyder
3. Municap – Josh Ardent

The presenters fielded questions from the Council.

Mayor Short thanked the three presenters and explained the Council will rank each of them and then talk to the City Administrator before making a decision.

5.12. Discussion and action regarding recommendations of the Veterans Memorial Committee

Council Member Larkin presented the recommendations of the committee which consists of local veterans and citizens:

1. Focus first on bricking the earthen area around the existing MC Veterans memorial donated by the Daughters of the American Revolution.

2. Offer individual bricks for engraving (three lines each) honoring a living or deceased veteran for $30.00 each.

3. Two bundles (972 total bricks total) of new 4x8" bricks in the 52-Majestic color at a cost of $1.35/brick have been ordered and delivered from Packer Brick. Additionally, 40 8x8 pavers in the 53-Cimmerean color were ordered and delivered at a cost of $3.25/paver. The total for the order and delivery will be $1,492.20. We have not yet been billed and NO money has been disbursed.

4. A local vendor, Brick and Stone Graphics of Garland, has been identified who can engrave the bricks at a cost of $20 per 4x8 brick and $32 per 8x8 paver. Engraving is accomplished using a sand blasting technology. Our evaluation of the sand blasting versus laser engraving has shown that the sand blasting is extremely precise and results in a deeper engraving into the stone. The estimated time to engrave 100 bricks is two weeks once the bricks are supplied and the engraving text is approved.

5. The recommendation is to establish a suitable base of reinforced concrete to support the bricks which would be mortared in to ensure durability and stability. The initial estimate for site preparation/concrete foundation is $2900 and an additional $1550 for installation of the bricks. The Rockwall County Terry Fisher American Legion Post has offered to donate funds to prepare the site and install the bricks, this Post has a history of supporting public projects that create a special place for veterans to be recognized and honored (for example the County

Veterans Memorial and flag poles at the County Library). The committee recommends accepting the Terry Fisher Post donation.

6. The committee recommends honoring the 33 veterans interned at the Chisholm Cemetery and pending Council approval, will seek to work with known families or citizens who want to honor these heroes. The Chisholm Cemetery contains veterans of each conflict in American history back to the War of 1812.

7. The committee recommends utilizing the 8x8 pavers to commemorate Campaigns/Wars our Country has been involved in beginning with the Revolutionary War.

8. Once Council approves moving forward, the committee will create an advertising campaign using traditional media and social media, while working with local organizations to solicit the first orders.

9. Those who previously donated will either have their donations refunded or can use the existing donation to acquire bricks using the new price.

10. The total start-up cost for the campaign is estimated to be around $7500 to purchase, engrave, and install the bricks; however, utilizing the generous offer by the Terry Fisher Post #117 of the American Legion to offset installation and utilizing a $30/brick price point, no public funds would be expended.

11. The project is expected to be complete by Veterans Day 2019.

MOTION: APPROVE THE RECOMMENDATIONS OF THE VETERANS MEMORIAL COMMITTEE.

MOTION MADE: BLOOM
SECOND: DAHL
APPROVED: UNANIMOUSLY

5.13. Discussion and action regarding a Resolution amending Resolution No. 2019-03 related to costs and purchasing of bricks, size of bricks and engraving method for the Veterans Memorial Monument

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS AMENDING RESOLUTION 2019-3, SECTION 1.D. A RESOLUTION CREATING THE VETERANS MEMORIAL BRICK CAMPAIGN; CONTAINING A REPEALING CLAUSE FOR RESOLUTIOINS IN CONFLICT; AND PROVIDING AN EFFECTIVE.

MOTION: APPROVE RESOLUTION AMENDING RESOLUTION 2019-03 RELATED TO COSTS AND PURCHASING BRICKS, SIZE OF BRICKS, AND ENGRAVING METHOD FOR THE VETERANS MEMORIAL MONUMENT.

MOTION MADE: BLOOM
SECOND: WOESSNER
APPROVED: UNANIMOUSLY

5.14. Discussion and Action Regarding a Resolution Repealing Resolution 2018-06 Adopting a Process for Providing Council Participation in Preparing a City Council Agenda

MOTION: APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS REPEALING IN ITS ENTIRETY RESOLUTION 2018-06 ADOPTING A PROCESS FOR PROVIDING COUNCIL PARTICIPATION IN PREPARING A CITY COUNCIL AGENDA.

MOTION MADE: LARKIN
SECOND: KIPPHUT
APPROVED: UNANIMOUSLY

5.15. Discussion and action regarding repealing Resolution No. 2019-01 establishing MC50, an anniversary event adhoc committee and appointing a Council Member as Director of MC50.

MOTION: APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, REPEAING IN ITS ENTIRETY RESOLUTION NO. 2019-01 ESTABLISHING MC50 ANNIVERSARY EVENT COMMITTEE.

MOTION MADE: KIPPHUT
SECOND: LARKIN
APPROVED: UNANIMOUSLY

5.16. Discussion and action regarding a Resolution establishing MC50, a City 50th anniversary celebration event advisory committee for the City.

MOTION: APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, ESTABLISHING MC50, A CITY 50TH ANNIVERSARY CELEBRATION CITIZEN ADVISORY COMMITTEE.

MOTION MADE: LARKIN
SECOND: DAHL
APPROVED: UNANIMOUSLY

5.17. Discussion and action regarding a Resolution repealing Resolution No. 2019-02 establishing Keep M-C Beautiful Committee for the City and appointing a Council Member as Director of the Committee

MOTION: APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, REPEALING RESOLUTION NO.

2019-02 ESTABLISHING KEEP M-C BEAUTIFUL COMMITTEE FOR THE CITY AND APPOINTING A COUNCIL MEMBER AS DIRECTOR OF THE COMMITTEE.

MOTION MADE: DAHL
SECOND: LARKIN
APPROVED: UNANIMOUSLY

5.18. Discussion and action regarding a Resolution establishing a Keep McLendon-Chisholm Beautiful Citizen Advisory Committee.

MOTION: APPROVE A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, ERSTABLISHING A KEEP MCLENDON-CHISHOLM BEAUTIFUL CITIZEN ADVISORY COMMITTEE.

MOTION MADE: DAHL
SECOND: WOESSNER
APPROVED: UNANIMOUSLY

6. Executive Session

6.2. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551:071(2) Consultation 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 this chapter regarding possible fire station location sites and options for placement and methods of placement of said fire station in the city limits.

6.3. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551.074(2) Consultation 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 this chapter regarding process for selection of a City Accountant.

Council adjourned into Executive Session at 7:58 p.m.

Council reconvened into Regular Session at 9:34 p.m.

No Action Taken

5.19. Discuss, consider and provide direction to staff regarding negotiation efforts with Judd Thomas accounting firm.

MOTION: DISCUSS, CONSIDER AND PROVIDE DIRECTION TO THE STAFF REGARDING NEGOTIATION EFFORTS WITH JUDD THOMAS ACCOUNTING FIRM.

MOTION MADE: BLOOM
SECOND: DAHL
APPROVED: UNANIMOUSLY

Mayor gave the City Administrator direction to cease negotiation efforts with Judd Thomas accounting firm.

9. REPORTS

9.1. McLendon-Chisholm Fire Rescue Activity Report March 2019

9.2 Financial Report March 2019

9.3. Sheriff's Report March 2019

9.4. Building Official Report March 2019

No Discussion on Reports

10. UPDATE, DISCUSSION AND DIRECTION TO STAFF

10.1. Scheduling Future Meetings and Agenda Items

Mayor Short reported the City Administrator has suggested the idea of a one-day retreat for the City Council. She will provide possible dates to the Council.

11. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

11.1. Mayor's announcements including events, area happenings, and general information

Mayor Short reminded everyone that school is out next week and there will be lots more kids out and about and more teenage drivers. He cautioned everyone to be more alert.

Mayor Short also reminded everyone that Memorial Day is coming up and there will be lots of events around the County.

11.2. Council Member Larkin's announcements including Veterans Memorial Brick Campaign Committee

No Report

11.3 Mayor Pro Tem Bloom's announcements including Economic Development Advisory Panel and Emergency Services Corporation

No Report

12. ADJOURN

There being no further business to discuss, Council Member Larkin moved to adjourn the meeting.

Mayor Short adjourned the meeting at 9:46 p.m.

ATTEST:	APPROVED:
____________________________	____________________________
Lisa Palomba, City Secretary	Keith Short, Mayor

Ordinance No. 2019-
Approved 05/28/2019

CITY OF MCLENDON-CHISHOLM
ORDINANCE NO. 2019-

AN ORDINANCE DENYING THE PROPOSED CHANGE IN RATES OF ONCOR ELECTRIC DELIVERY COMPANY LLC, FINDINGS AND DETERMINING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW AND DECLARING AND EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS:

SECTION 1. That the proposed change in rates filed with the Governing Body of this municipality by Oncor Electric Delivery Company LLC on April 8, 2019, are hereby denied and disapproved, and Oncor Electric Delivery Company LLC shall continue to provide electric delivery service within this municipality in accordance with its rate schedules and service regulations within this municipality on April 8, 2019.

SECTION 2. That it is hereby officially found and determined that the meeting at which the Ordinance is passed is open to the public and as required by law, and public notice of the time, place and purpose of said meeting was given as required.

SECTION 3. This ordinance shall be effective on the date of the passage and approval hereof.

PASSED AND APPROVED at a regular meeting of the City Council of the City of McLendon-Chisholm, Texas, on this the 28th day of May 2019.

____
Keith Short, Mayor

ATTEST:

____

Lisa Palomba, City Secretary

Ray Smith, CPA, PLLC
275 W Campbell Rd, Ste.410
Richardson, TX 75080

May 23, 2019

The City of McLendon Chisholm
Ms. Lisa Palomba, City Administrator
1371 W FM 550
McLendon Chisholm, TX 75032

Dear Ms. Palomba:

Ray Smith CPA PLLC is pleased to provide The City of McLendon Chisholm with the professional services described below. This letter, and the attached Terms and Conditions Addendum and any other attachments incorporated herein (collectively, "Agreement"), confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. The engagement between you and our firm will be governed by the terms of this Agreement.

Engagement Objectives and Scope

The objectives of this engagement are to assist you on an ongoing basis with Accounting Services, Payroll Services and General Consulting Services.

It is our understanding that you, representing city management, require us to perform these services on your behalf. It is also our understanding that you will oversee the services and conduct thereof, as identified in the *Management Functions* section of this engagement letter and that we will perform the services described above as directed by you.

Financial Statements will be prepared in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care. Will not express an opinion or provide any assurance on the financial statements.

<u>Management Functions</u>

Management has the following overall responsibilities that are fundamental to our undertaking of the engagement:

a. The prevention and detection of fraud
b. To ensure that the entity complies with the laws and regulations applicable to its activities and the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to assist in the preparation of financial statements
c. To provide us with:

i. Documentation, and other related information that is relevant to the preparation and presentation of the financial statements,
ii. Additional information that may be requested for the preparation of the financial statements, and
iii. Access to persons within the company of whom we determine necessary to communicate.

Errors, Fraud and Illegal Acts

None of the services we provide in this engagement can be relied on to disclose errors, fraud, or illegal acts. However, we will inform you of any material errors and of any evidence or information that comes to our attention as a result of financial statement preparation that fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Termination

This agreement may be terminated by either party with 60 days written notice.

Professional Fees

Please refer to attached Fee Addendum

Our fees for this engagement are not contingent on the results of our services. Our fees and costs will be billed monthly, and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent, and are subject to an interest charge of 1.0% per month. In the absence of a written objection to any invoice within 10 days of the invoice date, you will be deemed to have accepted and acknowledged, as correct, the services rendered as described in the invoice and the value thereof.

Our fees are not contingent on an action or event resulting from the analyses or conclusions in, or the use of, our report or other deliverable.

* * * * * *

We appreciate the opportunity to be of service to you. Please date and execute the enclosed copy of this Agreement and return it to us to acknowledge your acceptance.

Very truly yours,

Ray Smith CPA PLLC

Ray Smith

____

Ray Smith

ACCEPTED:

____

Lisa Palomba

City Administrator

____

[*Date*]

Ray Smith CPA PLLC's Terms and Conditions Addendum

Overview

This addendum to the engagement letter describes our standard terms and conditions ("Terms and Conditions") related to our provision of services to you. This addendum and the accompanying engagement letter comprise your agreement with us ("Agreement"). If there is any inconsistency between the engagement letter and this *Terms and Conditions Addendum*, the engagement letter will prevail to the extent of the inconsistency.

For the purposes of this *Terms and Conditions Addendum*, any reference to "firm," "we," "us," "our", "our Firm" or "the Firm" is a reference to Ray Smith CPA PLLC and any reference to "you," or "your" is a reference to the party or parties that have engaged us to provide services. References to "Agreement" mean the engagement letter or other written document describing the scope of services, any other attachments incorporated therein, and this *Terms and Conditions Addendum*.

Billing and Payment Terms

We will bill you for our professional fees and out-of-pocket costs monthly. Payment is due upon receipt.

We reserve the right to suspend or terminate our work for non-payment of fees. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

Electronic Data Communication and Storage

In the interest of facilitating our services to you, we may send data over the Internet, or store electronic data via computer software applications hosted remotely on the Internet or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. We may use third party service providers to store or transmit this data, such as providers of tax return preparation software and file sharing software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards. We require our third party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third party service providers during this engagement.

File Share Portal

To enhance our services to you, we will utilize Box, a collaborative, virtual workspace in a protected, online environment to store and share documents.

You agree that we have no responsibility for the activities of Box and agree to indemnify and hold us harmless with respect to any and all claims arising from or related to the operation thereof. While Box backs up your files to their servers, we recommend that you also maintain your own backup files of these records.

If you decide to transmit your confidential information and sensitive data to us in a manner other than a secure portal, you accept responsibility for any and all unauthorized access to your confidential information. If you request that we transmit confidential information to you in a manner other than a secure portal, you agree that we are not responsible for (a) any loss or damage of any nature, whether direct or indirect, that may arise as a result of our sending confidential information in a manner other than a secure portal, and (b) any damages arising as a result of any virus being passed on or with, or arising from any alteration of, any email message.

Third Party Service Providers or Subcontractors

In the interest of enhancing our availability to meet your professional service needs while maintaining service quality and timeliness, we may use a third-party service provider to assist us in the provision of services to you, which may include receipt of your confidential information. This provider has established procedures and controls designed to protect client confidentiality and maintain data security. As the paid provider of professional services, our firm remains responsible for exercising reasonable care in providing such services, and our work product will be subjected to our firm's customary quality control procedures.

By accepting the terms and conditions of our engagement, you are providing your consent and authorization to disclose your confidential information to a third-party service provider, if such disclosure is necessary to deliver professional service or provide support services to our firm.

Independent Contractor

When providing services to your company, we will be functioning as an independent contractor and in no event will we or any of our employees be an officer of you, nor will our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to you.

Records Management

Record Retention and Ownership

We will return all of your original records and documents provided to us. Your records are the primary records for your operations and comprise the backup and support for your work product. Our copies of your records and documents are not a substitute for your own records and do not mitigate your record retention obligations under any applicable laws or regulations.

Workpapers and other documents created by us are our property and will remain in our control. Copies are not to be distributed without your written request and our prior written consent. Our workpapers will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements.

Our firm destroys workpaper files after a period of seven (7) years. Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period as stated in our record retention policy.

Working Paper Access Requests by Regulators and Others

State, federal and foreign regulators may request access to or copies of certain workpapers pursuant to applicable legal or regulatory requirements. Requests also may arise with respect to peer review, an ethics investigation, or the sale of our accounting practice. If requested, access to such workpapers will be provided under the supervision of firm personnel. Regulators may request copies of selected workpapers to distribute the copies or information contained therein to others, including other governmental agencies.

If we receive a request for copies of selected workpapers, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such request as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit the disclosure of information. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Summons or Subpoenas

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis.

If we receive a summons or subpoena which our legal counsel determines requires us to produce documents from this engagement or testify about this engagement, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such summons or subpoena as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests. This paragraph will survive termination of this Agreement.

Newsletters and Similar Communications

We may send newsletters, emails, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications do not continue a client relationship with you, nor do they constitute advice or an undertaking on our part to monitor issues for you.

Disclaimer of Legal and Investment Advice

Our services under this Agreement do not constitute legal or investment advice unless specifically agreed to in the *Engagement Objective and Scope* section of this Agreement. We recommend that you retain legal counsel and investment advisors to provide such advice.

Referrals

In the course of providing services to you, you may request referrals to attorneys, brokers, investment advisors or other professionals. We may identify a professional or professionals for your consideration. However, you are responsible for evaluating, selecting, and retaining any professional and determining if the professional can meet your needs. You agree that we have no responsibility for and will not oversee the activities of any professional to whom we refer you.

Brokerage or Investment Advisory Statements

If you provide our firm with copies of brokerage (or investment advisory) statements and/or read-only access to your accounts, we will use the information solely for the purpose described in the *Engagement Objective and Scope* section of the engagement letter. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor transactions, investment activity, provide investment advice, or supervise the actions of the entity or individuals entering into transactions or investment activities on your behalf. We recommend that you receive and carefully review all statements upon receipt, and direct any questions regarding account activity to your banker, broker or investment advisor.

Other Income, Losses and Expenses

If you realized income, loss or expense from a business or supplemental income or loss, the reporting requirements of federal and state income tax authorities apply to such income, loss or expense. You are responsible for complying with all applicable laws and regulations pertaining to such operations, including the classification of workers as employees or independent contractors and related payroll tax and withholding requirements.

Accountant – Client Privilege

Internal Revenue Code §7525, *Confidentiality Privileges Related to Taxpayer Communication*, provides a limited confidentiality privilege applying to tax advice embodied in taxpayer communications with federally authorized tax practitioners in certain limited situations.

This privilege is limited in several important respects. For example, this privilege does not apply to your records, which you are required to retain in support of your tax return. In addition, the privilege does not apply to state tax issues, state tax proceedings, private civil litigation proceedings, or criminal proceedings.

While we will cooperate with you with respect to the privilege, asserting the privilege is your responsibility. Inadvertent disclosure of otherwise privileged information may result in a waiver of the privilege. Please contact us immediately if you have any questions or need further information about this CPA-client privilege.

Limitations on Oral and Email Communications

We may discuss with you our views regarding the treatment of certain items or decisions you may encounter. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

Due to these limitations and the related risks, it may or may not be appropriate to proceed with any decision solely on the basis of any oral or email communication. You accept all responsibility, except to the extent caused by our gross negligence or willful misconduct, for any loss, cost or expense resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this service in a separate engagement letter.

Management Responsibilities

While our firm can provide assistance and recommendations, you are responsible for management decisions and functions, and for designating an individual with suitable skill, knowledge and experience to oversee any services that our firm provides. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services. You are ultimately responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

Conflicts of Interest

If we, in our sole discretion, believe a conflict has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to suspend or terminate our services without issuing our work product. You agree that we will not be responsible for your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

Alternative Dispute Resolution

If a dispute arises out of or relates to the Agreement including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under the *AAA Professional Accounting and Related Services Dispute Resolution Rules* before resorting to arbitration, litigation, or some other dispute resolution procedure. The mediator will be selected by the mutual agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. The mediation will be conducted in [*State Name*].

The mediation will be treated as a settlement discussion and, therefore, all conversations during the mediation will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs for legal representation shall be borne by the hiring party.

Limitation of Liability

Our firm's liability for all claims, damages, and costs arising from this engagement is limited to one (1) times the total amount of fees paid by you to our firm for the specific service rendered under this agreement giving rise to the claim. For purposes of this section, fees will be determined by the applicable hourly rate for the service involved times the number of hours required to perform the service.

Indemnification

You agree to indemnify, defend, and hold harmless Ray Smith CPA PLLC and any of its partners, principals, shareholders, officers, directors, members, employees, agents or assigns with respect to any and all claims made by any member of the LLC as well as third parties arising from this engagement, regardless of the nature of the claim, and including the negligence of any party, excepting claims arising from the gross negligence or intentional acts of Ray Smith CPA PLLC.

Designation of Venue and Jurisdiction

In the event of a dispute, you and we agree that the courts of the state of Texas shall have jurisdiction, and we agree to submit all disputes to the Texas State or Federal Court, which is the proper and most convenient venue for resolution. We also agree that the law of the state of Texas shall govern all such disputes.

Insurance

Ray Smith shall, during the term of the engagement and for one (1) year after termination of same by either you or us, maintain in full force and effect, accountant's professional liability insurance coverage from an insurance carrier or carriers licensed to conduct business in the state of Texas. As of the policy effective date, such insurance carrier(s) shall be rated A- (Excellent), by A.M. Best with a Financial Size Category of Class VII or greater. Premiums for said insurance policy shall be paid by the firm.

Upon your written request, our firm shall furnish certificates of insurance for the required professional liability insurance coverage. Such certificate of insurance shall indicate the minimum limits of liability per claim and in the aggregate as required by you.

Proprietary Information

You acknowledge that proprietary information, documents, materials, management techniques and other intellectual property are a material source of the services we perform and were developed prior to our association with you. Any new forms, software, documents or intellectual property we develop during this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements and other documents which we make available to you are confidential and proprietary to us. Neither you, nor any of your agents, will copy, electronically store, reproduce or make available to anyone other than your personnel, any such documents. This provision will apply to all materials whether in digital, "hard copy" format or other medium.

Statute of Limitations

You agree that any claim arising out of this Agreement shall be commenced within one (1) year of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Ray Smith CPA PLLC.

Termination and Withdrawal

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, your failure to comply with the terms of this Agreement or as we determine professional standards require.

If this Agreement is terminated before services are completed, you agree to compensate us for the services performed and expenses incurred through the effective date of termination.

Assignment

All parties acknowledge and agree that the terms and conditions of this Agreement shall be binding upon and inure to the parties' successors and assigns, subject to applicable laws and regulations.

Severability

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

Entire Agreement

The engagement letter, including this *Terms and Conditions Addendum* and Fee Addendum, encompasses the entire agreement of the parties and supersedes all previous understandings and agreements between the parties, whether oral or written. Any modification to the terms of this Agreement must be made in writing and signed by both parties.

* * * * * *

FEE ADDENDUM

Annual Fees

Service	Grand Total
Accounting & Reporting	**$48,170**
Payroll	**$6,000**
Budget	**$6,600**
Accounting System	**$1,392**
Audit Support	**$3,600**
Total Fixed Annual Fee	**$65,762**

Accounting and Reporting

Accounting services included in the fixed fee are limited to the posting of all receipts and expenses with the appropriate allocation to the following Fund accounts.

- Operating Fund
- Sewer Utilities Fund
- Interest & Sinking Fund
- Public Safety Fund

Also included is the monthly reconciliation all Bank and other Asset and Liability accounts (such as Development Fund accounts, Sewer Tap Fee rebates and Bond obligations) where a reconciliation is necessary. Reporting included in the fixed fee is limited to the preparation of the Monthly Budget vs. Actual Financial Report for City Council meetings.

Payroll

Payroll services included in the fixed fee cover processing 26 payrolls for 12 employees annually. Other services include making all required payroll tax deposits, maintaining accrued vacation and employee benefit schedules as well as the filing of all required Federal and State payroll tax reports and W-2 forms.

Budget Preparation

Budget Preparation services provide for the preparation of annual budget worksheets and projections, one working meeting with the City Council and preparation of Proposed and Final Annual Budget Reports. This also includes calculations to assist the City Council in establishing Ad Valorem Property Tax Rates.

Accounting System

The City's accounting system will be maintained through QuickBooks Premier Accounting software running on a dedicated application server hosted in a Tier One data center with bank level encryption. The fixed fee includes two licenses for city staff use.

Audit Support

Audit Support Services include the preparation of all supporting schedules for the annual audit. Other tasks include making required year-end adjustments for Sales Tax Revenue, Depreciation and the Pension Plan as well as serving as a liaison between the auditors and city staff.

FEE ADDENDUM

Consulting services and any requested services outside of the scope defined above will be billed at the applicable hourly rate. Hourly rates are as follows:

Bookkeeping and Payroll	$ 95.00
Senior Accountant	$165.00
Accounting Manager	$200.00
Mid-level consulting	$200.00
Principal level consulting	$295.00

AGREEMENT FOR PUBLIC IMPROVEMENT DISTRICT
ADMINISTRATION SERVICES

This Agreement for Public Improvement District Administration Services ("Agreement") is entered into this ________ day of ___________________, 2019, by and between P3Works, LLC ("P3Works"), and the City of McLendon-Chisholm, Texas ("City").

RECITALS

WHEREAS, the City Council passed Resolution No. _____ on _____ ___, 20__, approving and authorizing the creation of ______ Public Improvement District No. _ ("PID No. _" or "District") to finance the costs of certain public improvements for the benefit of property within the District; and

WHEREAS, the City may consider issuing bonds to fund certain improvements in the PID as authorized by the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended; and

WHEREAS, the City requires specialized services related to the revision and updating of the Service and Assessment Plan ("Service and Assessment Plan"), bond issuance, and the administration of the District, as more fully set forth in this Agreement; and

WHEREAS, P3Works has the expertise to properly establish and administer the District and ensure compliance with Texas Local Government Code Chapter 372; and

WHEREAS, the City desires to retain P3Works to provide District administration services;

NOW THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and for good and valuable consideration, P3Works and the City agree as follows:

ARTICLE I

TERM OF AGREEMENT

1.0 The Agreement shall be effective as of its approval by all parties and shall be for a period of three (3) years and shall automatically continue on a year to year basis unless terminated pursuant to Article IV of this Agreement.

ARTICLE II

SERVICES TO BE PROVIDED BY P3WORKS

2.0 The scope and timing of services to be performed by P3Works are set forth in Exhibit A, which is attached hereto and incorporated into this Agreement by this reference.

2.1 P3Works agrees that its services pursuant to this Agreement shall at all times be subject to the control and supervision of the City and that nothing in this Agreement shall constitute an assignment of any right or obligation of the City under any applicable contract, agreement, or law. P3Works shall not represent to any property owner or any other person that it or any of its employees are acting as the City or employees of the City.

2.2 No substantial changes in the scope of services shall be made without the prior written approval of P3Works and the City.

2.3 P3Works shall supply all tools and means necessary to perform the services and production of the work product described in Exhibit A.

ARTICLE III

PAYMENT TERMS AND CONDITIONS

3.0 In consideration for the services to be performed by P3Works, the City agrees to pay P3Works the fees for all services and related costs and expenses set forth in Exhibit A, which is incorporated herein by reference as if fully recited, beginning the first day of the month following the execution of this Agreement. Once assessments have been levied the Monthly Collection Fees will begin, and then the February 1 following the levy of assessments, and each February 1 thereafter, the fees shall increase by 2%.

3.1 Monthly invoices shall be submitted to the City for work completed. City agrees to pay the amount due to P3Works within thirty (30) days of receipt of each invoice.

3.2 Copies of all invoices to P3Works for expenses, materials, or services provided to P3Works will accompany the invoice to the City. P3Works will pass any third-party cost through to the City without markup and will not incur any expense in excess of $200 without written consent of the City.

3.3 The only source of payment for P3Works' fees and services shall be the District or funds advanced by the developer. The City general fund shall never be used to pay for any expenses relating to P3Works' administration of the District. In the event there is insufficient District funds in a given year to pay P3Works' fees and expenses, P3Works agrees to defer the fees and expenses until such time as there are sufficient District funds or funds advanced by the developer.

ARTICLE IV

TERMINATION OF THIS AGREEMENT

4.0 Notwithstanding any other provisions of this Agreement, either party may terminate this Agreement at any time by giving sixty (60) days written notice to the other party without penalty and without limitation of its right to seek damages. City shall pay P3Works, within 30 days of such termination, all of P3Works' fees and expenses actually accrued or incurred to and including the date of termination, including any amount incurred or accrued in connection with work in progress.

ARTICLE V

GENERAL PROVISIONS

5.0 This Agreement supersedes any and all agreements, including the Original PID Administration Agreement, either oral or written, between the parties hereto with respect to rendering of services by P3Works for the City and contains all of the covenants and agreements between the parties with respect to the rendering of such services in any manner whatsoever. Each party of this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party which are not embodied herein and that no other agreement, statement, or promise not contained in this Agreement shall be valid or binding.

5.1 This Agreement shall be administered and interpreted under the laws of the State of Texas. This Agreement shall not be construed for or against any party by reason of who drafted the provisions set forth herein. If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said laws, but the remainder of this Agreement shall remain in full force and effect.

5.2 Neither this Agreement or any duties or obligations under this Agreement may be assigned by P3Works without the prior written consent of the City.

5.3 The waiver by either party of a breach or violation of any provision of this Agreement will not operate as or be construed to be a waiver of any subsequent breach thereof.

5.4 All records, reports, and other documents prepared by P3Works for the purposes of providing the services described in this Agreement shall be property of the City. All such documents shall be made available to the City during the course of performance of this Agreement. Any reports, studies, photographs, negatives, or other documents or drawings prepared by P3Works in the performance of its obligations under this Agreement shall be the exclusive property of the City and all such materials shall be remitted to the City by P3Works upon completion, termination, or cancellation of this Agreement.

5.5 The City acknowledges P3Works' ownership of its software, programs, inventions, know-how, trade secrets, confidential knowledge, source code, or other proprietary information relating to products, processes, services, software, formulas, developmental or experimental work, business plans, financial information, or other subject matter ("Confidential Information") pertaining to the business of P3Works. This Agreement shall not in any way give rise to any requirement or obligation for P3Works to disclose or release any Confidential Information.

5.6 The headings and article titles of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof.

5.7 Should either party commence any legal action or proceeding against the other based upon this Agreement, the prevailing party shall be entitled to an award of reasonable attorney's fees and costs.

5.8 All notices, requests, demands, and other communications which are required to be given under this agreement shall be in writing and shall be deemed to have been duly given upon the delivery by registered or certified mail, return receipt requested, postage prepaid thereon, as follows:

To P3Works:

Mary V. Petty
Managing Partner
P3Works, LLC
350 Rufe Snow Drive
Suite 200
Keller, Texas 76248

To City:

____
Lisa Palomba, City Manager
City of McLendon-Chisholm

5.9 The parties hereby warrant that the persons executing this Agreement are authorized to execute this Agreement and are authorized to obligate the respective parties to perform this Agreement. A facsimile signature on this Agreement shall be treated for all purposes as an original signature.

5.10 It is understood and agreed by and between the parties that in satisfying the conditions of this Agreement, P3Works is acting independently, and that City assumes no responsibility or liabilities to any third party in connection with these actions. All services to be performed by P3works pursuant to this Agreement shall be in the capacity of an independent contractor, and not as an agent or employee of City. P3Works shall supervise the performance of its services and shall be entitled to control the manner and means by which its services are to be performed, subject to the terms of this Agreement. As such, City shall not: train P3Works, require P3Works to complete regular oral or written reports, require that P3Works devote his full-time services to City, or dictate the P3Works' sequence of work or location at which P3Works performs its work.

5.11 This Agreement may be amended by the mutual written agreement of the parties.

5.12 Recitals are incorporated herein and made a part hereof for all purposes.

5.13 This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of any number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

5.14 **Indemnification. CITY SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE, OR INJURY OF ANY KIND OR CHARACTER TO ANY PERSON OR PROPERTY ARISING FROM THE SERVICES OF THE P3WORKS PURSUANT TO THIS AGREEMENT. P3WORKS HEREBY WAIVES ALL CLAIMS AGAINST CITY, ITS OFFICERS, AGENTS AND EMPLOYEES (COLLECTIVELY REFERRED TO IN THIS SECTION AS "CITY") FOR DAMAGE TO ANY PROPERTY OR INJURY TO, OR DEATH OF, ANY PERSON**

ARISING AT ANY TIME AND FROM ANY CAUSE OTHER THAN THE NEGLIGENCE OR WILLFUL MISCONDUCT OF CITY. P3WORKS AGREES TO INDEMNIFY AND SAVE HARMLESS CITY FROM AND AGAINST ANY AND ALL LIABILITIES, DAMAGES, CLAIMS, SUITS, COSTS (INCLUDING COURT COSTS, ATTORNEYS' FEES AND COSTS OF INVESTIGATION) AND ACTIONS BY REASON OF INJURY TO OR DEATH OF ANY PERSON OR DAMAGE TO OR LOSS OF PROPERTY TO THE EXTENT CAUSED BY THE P3WORKS'S NEGLIGENT PERFORMANCE OF SERVICES UNDER THIS AGREEMENT OR BY REASON OF ANY ACT OR OMISSION ON THE PART OF P3WORKS, ITS OFFICERS, DIRECTORS, SERVANTS, AGENTS, EMPLOYEES, REPRESENTATIVES, CONTRACTORS, SUBCONTRACTORS, LICENSEES, SUCCESSORS OR PERMITTED ASSIGNS (EXCEPT WHEN SUCH LIABILITY, CLAIMS, SUITS, COSTS, INJURIES, DEATHS OR DAMAGES ARISE FROM OR ARE ATTRIBUTED TO SOLE NEGLIGENCE OF THE CITY). IF ANY ACTION OR PROCEEDING SHALL BE BROUGHT BY OR AGAINST CITY IN CONNECTION WITH ANY SUCH LIABILITY OR CLAIM, THE P3WORKS, ON NOTICE FROM CITY, SHALL DEFEND SUCH ACTION OR PROCEEDINGS AT P3WORKS'S EXPENSE, BY OR THROUGH ATTORNEYS REASONABLY SATISFACTORY TO CITY. THE P3WORKS'S OBLIGATIONS UNDER THIS SECTION SHALL NOT BE LIMITED TO THE LIMITS OF COVERAGE OF INSURANCE MAINTAINED OR REQUIRED TO BE MAINTAINED BY P3WORKS UNDER THIS AGREEMENT. THIS PROVISION SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT

5.15 P3Works agrees that during the term hereof the City and its representatives may, during normal business hours and as often as deemed necessary, inspect, audit, examine and reproduce any and all of P3Works' records relating to the services provided pursuant to this Agreement for a period of one year following the date of completion of services as determined by the City or date of termination if sooner.

Executed on this ________ day of __________________, 201_:

P3Works, LLC

BY: ______________________
Mary V. Petty
Managing Partner

City of ____________________

BY: ______________________

Name:_________________

Title: ______________________________

6

EXHIBIT A
SERVICES TO BE PROVIDED

PID FORMATION, SERVICE AND ASSESSMENT PLAN PREPARATION, AND BOND ISSUANCE SUPPORT SERVICES

Billed at P3Works' prevailing hourly rates, which are currently as follows:

Title	***Hourly Rate***
Managing Partner	*$250*
Vice President	*$185*
Senior Associate	*$160*
Associate	*$135*
Administrative	*$100*

**P3Works' hourly rates may be adjusted from time to time to reflect increased costs of labor and/or adding/reclassifying titles. Travel times will be billed at hourly rates.*

District Due Diligence and Preparation of PID Plan of Finance

1. P3Works will review project information and review the plan of finance for the proposed transaction, including
2. Assessed value schedules, value to lien analysis, and overall structuring to achieve City goals and objectives
3. Identify areas of risk with the City's Financial Advisor, and solutions to mitigate the risks,
4. Bond sizing and bond phasing by improvement area,
5. Sources and uses of funds by improvement area,
6. Debt service schedules, and;
7. Assessment allocation and associated estimated annual installment by lot type for each improvement area.

Preparation of Service and Assessment Plan

1. P3Works will prepare a complete and final Service and Assessment Plan to be adopted by City Council and included in the Official Statement for the Bonds based on the Plan of Finance.
2. P3Works will present the Service and Assessment Plan to City Council and request approval of Assessment Roll.

Bond Issuance Support

1. P3Works will ensure bond documents, including the PID financing agreement, bond indenture, and official statement are all consistent with the Service and Assessment Plan.
2. P3Works will provide ad-hoc analysis as requested by the underwriter in preparation of the preliminary official statement.

Participation in Presentations to City Council or other Public Forums

1. P3Works will prepare and present information as requested to the City Council or any other public forum.

BASIC DISTRICT ADMINISTRATION SERVICES
MONTHLY COLLECTION FEES WILL BEGIN ONCE ASSESSMENTS ARE LEVIED

If no bonds are sold:
Monthly Fee = $1,500 beginning the first of the month following execution of this Agreement for the first improvement area; and $1,000 per month for each improvement area thereafter. (Proration will occur for any partial month if not begun on the 1st day of the month.)

If bonds are sold:
Monthly Fee amounts will be $2,500 for the first improvement area beginning the first month following the issuance of bonds; and $1,250 per month for each improvement area thereafter.

For PIDs that P3Works did not create: Monthly Collection Fees will not begin until the first Annual SAP Update is drafted by P3Works and approved by Council, therefore all work completed to that point will be billed hourly.

See Section below related to "Consulting Services Relating to Future Improvement Areas and related Bond Issuance" for hourly fees if bonds are contemplated.

<u>Prepare Annual Service and Assessment Plan Update</u>
1. If possible, obtain updated construction cost estimates (or actual costs for completed facilities) for District improvements, and update service and assessment plan text and tables.
2. Update service and assessment plan text and tables as necessary to account for any changes in development plan or land uses.
3. Update annual District assessment roll.
4. Identify parcel subdivisions, conveyance to owners' associations, changes in land use, and any other information relevant to the levy of special assessments.
5. Review maps of tax parcels to compile/audit list of parcels that are within the District for the upcoming bond year. Classify each parcel pursuant to the approved service and assessment plan.
6. Identify any parcels dedicated to any property types classified as exempt by the service and assessment plan.
7. Update District database with newly subdivided parcels and property type classifications.
8. Calculate annual special assessment for each parcel. Verify the sum of annual installments for all parcels in the District is sufficient to meet the annual debt service requirement, administration expenses, and any provisions for delinquency or prepayment reserves.
9. Calculate other funds available, such as reserve fund income, capitalized interest, and interest income. Reduce annual assessment based on findings according to approved service and assessment plan.
10. Present preliminary annual assessment roll to City. Upon approval by City, submit final annual assessment roll to County Tax Collector.

<u>Administration of Bond Funds (if bonds are sold)</u>
1. Review and reconcile the account statements for the funds maintained by the trustee. Ensure annual special assessment calculation is compliant with Indenture as it relates to each fund.
2. Provide annual summary of all District accounts maintained by Trustee at the time the annual service and assessment plan update is performed.

Provide Public Information Request Support

1. If requested, P3Works will respond to any calls and or emails relating to the District. P3Works will only provide technical answers relating to the annual assessments or the District generally. P3Works will not provide any commentary on City policy relating to PIDs.
2. If the City receives a notice from a property owner alleging an error in the calculation of any matters related to the annual assessment roll for the District, P3Works will review and provide a written response to the City. If a calculation error occurred, P3Works will take corrective action as required to correct the error.

Delinquency Management

1. After the end of the annual assessment installment collection period, P3Works will prepare a delinquent special assessment report, which details which parcels are delinquent and the amount of delinquency.
2. P3Works will notify the City what action must be taken relating to delinquent parcels, if any, to remain in compliance with the District bond documents.

Website Setup

1. Prepare website database searchable by property tax ID for use by property owners, title companies, mortgage companies, or other interested parties. The search results will provide assessment information, including outstanding principal, annual installment amount, payment information, and a breakdown of the assessment installment by use (principal, interest, reserve fund accounts, administrations, etc.)
2. Prepare "District Information" page for website. Information will include a background of the District formation and bond issuance process, District boundary map, and description of improvements. In additions, P3Works will provide a link to District documents.

DISTRICT ADMINISTRATION SETUP SERVICES

$7,500 One Time Lump Sum Fee

1. Prepare District Administration Manual
2. P3Works will review the full bond transcript and identify all requirements of the City relating to District administration and/or disclosure requirements.
3. Prepare written summary of all City administration and disclosure requirements.
4. Prepare calendar of all relevant dates and deadlines for District administration and disclosure requirements.
5. Meet with County Assessor's office to establish procedure for obtaining parcel information for assessment roll.
6. Meet with County Tax Office to establish procedure to include District assessment roll on property tax bill.
7. Meet with City representatives to finalize policies and procedures relating to District Administration.

ADDITIONAL DISTRICT SERVICES

Billed at P3Works' prevailing hourly rates, which are currently as follows:

Title	***Hourly Rate***
Managing Partner	*$250*
Vice President	*$185*
Senior Associate	*$160*
Associate	*$135*
Administrative	*$100*

**P3Works' hourly rates may be adjusted from time to time to reflect increased costs of labor and/or adding/reclassifying titles. Travel will be billed at the hourly rates.*

Continuing Disclosure Services

1. P3Works will prepare the form of the annual report as required by the continuing disclosure agreements and work with the City and the Developer to complete.
2. P3Works will request from developer the reports due pursuant to the developer disclosure agreement and disseminate these reports pursuant to the disclosure agreement; including Seller's Disclosures.
3. Upon notification by any responsible party or if P3Works independently becomes aware of such knowledge, P3Works will prepare notices of material events covering the events enumerated in the disclosure agreements.
4. P3Works will coordinate with the Trustee or the City's dissemination agent to disseminate the annual reports, quarterly reports from the developer, and notice of significant events to the Municipal Securities Rulemaking Board (MSRB) and any other parties required in the continuing disclosure agreement.

Developer Payment Request Administration

1. P3Works will review all developer payment requests to ensure the request complies with the PID Financing Agreement, the District service and assessment plan, and any other relevant provisions contained in the District documents.
2. P3Works will audit the developer payment request to ensure there is proper backup documentation and that the accounting is accurate.
3. P3Works will coordinate with the City's designated representative to ensure the improvements were built to the standards of the accepting governing body.
4. P3Works will ensure improvements to be dedicated are free and clear of all liens and encumbrances.

Consulting Services Relating to Future Improvement Areas and related Bond Issuance (to be paid from Developer funds advanced to City)

1. P3Works will update the Service and Assessment Plan to comply with Bond documents.
2. P3Works will prepare an updated Assessment Roll including the future Improvement Area
3. P3Works will coordinate with City's bond counsel, financial advisor, and the bond underwriter to ensure the Bonds and all related documents are in compliance with State Law.
4. P3Works will prepare any additional reports or analyses as needed to successfully issue the Bonds.

Development Agreement Review Specific to the PID Boundary

1. Participate in meetings or calls at City Manager's, or his/her designee, direction.
2. Review and comment on Development Agreement drafts.
3. Prepare Ad hoc analysis as requested.

Resolution No. 2019-
Approved 05/28/2019

CITY OF MCLENDON-CHISHOLM
RESOLUTION NO. 2019-

A RESOLUTION OF THE CITY OF MCLENDON-CHISHOLM, TEXAS APPROVING A SONOMA PUBLIC IMPROVEMENT DISTRICT PRELIMINARY SERVICE AND ASSESSMENT PLAN UPDATE; DIRECTING THE FILING OF THE PROPOSED ASSESSMENT ROLL WITH THE CITY SECRETARY; CALLING AND NOTICING A PUBLIC HEARING TO CONSIDER ASSESSMENTS LEVIED ON PROPERTY LOCATED WITHIN THE SONOMA PUBLIC IMPROVEMENT DISTRICT; DIRECTING CITY STAFF TO PUBLISH AND MAIL NOTICE OF SAID PUBLIC HEARING; AND RESOLVING OTHER MATTERS INCIDENT AND RELATED THERETO

RECITALS

WHEREAS, the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended (the "Act"), authorizes the governing body (the "City Council") of the City of McLendon-Chisholm, Texas (the "City"), to create a public improvement district within the City; and

WHEREAS, the City Council has previously created the Sonoma Public Improvement District (the "District"); and

WHEREAS, the City Council and City staff have been presented a preliminary update to the Service and Assessment Plan (the "Preliminary SAP Update"), a copy of which is attached hereto as **Exhibit A** and is incorporated herein for all purposes; and

WHEREAS, the Act requires that the proposed assessment roll attached to the Preliminary SAP Update (the "Proposed Assessment Roll") be filed with the City Secretary of the City (the "City Secretary") and be subject to public inspection; and

WHEREAS, the Act requires that a public hearing (the "Assessment Hearing") be held to consider proposed assessments and requires the City Council to hear and pass on any objections to the proposed assessments at, or on the adjournment of, the Assessment Hearing; and

WHEREAS, the Act requires that notice of the Assessment Hearing be mailed to property owners liable for assessment and published in a newspaper of general circulation in the City before the 10th day before the date of the Assessment Hearing;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS AS FOLLOWS:

SECTION 1. The recitals set forth above in this Resolution are true and correct and are hereby adopted as findings of the City Council and are incorporated into the body of this Resolution as if fully set forth herein.

SECTION 2. The City Council hereby accepts the Preliminary SAP Update for the District, including the Proposed Assessment Roll.

SECTION 3. The City Council hereby authorizes and directs the filing of the Proposed Assessment Roll with the City Secretary and the same shall be available for public inspection.

SECTION 4. The City Council hereby calls a public hearing (the Assessment Hearing as defined above) to be held on June 11, 2019 at 6:30 p.m. at the McLendon-Chisholm City Council Chambers, 1371 West FM 550, McLendon-Chisholm, Texas 75032, at which the City Council shall, among other actions, hear and pass on any objections to the proposed assessments. Upon the adjournment of the Assessment Hearing, the City Council may consider an ordinance approving the final update to the Service and Assessment Plan.

SECTION 5. The City Council hereby authorizes and directs the City Secretary to publish notice of the Assessment Hearing, in substantially the form attached hereto as **Exhibit B** and incorporated herein for all purposes, in a newspaper of general circulation in the City, as required by Section 372.016(b) of the Act.

SECTION 6. The City Council hereby authorizes and directs the City Secretary to mail notice of the Assessment Hearing to owners of property liable for the assessment, as required by Section 372.016(c) of the Act.

SECTION 7. This Resolution shall become effective from and after its date of passage in accordance with law.

PASSED AND APPROVED on this the 28th day of May, 2019.

____
Keith Shor, Mayor

ATTEST:

____
Lisa Palomba, City Secretary

Signature page to Resolution
Approving a Preliminary SAP Update and Calling a Public Hearing

Exhibit A

SONOMA PUBLIC IMPROVEMENT DISTRICT
PRELIMINARY SAP UPDATE

Exhibit B

CITY OF MCLENDON-CHISHOLM, TEXAS
NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT a public hearing will be conducted by the City Council of the City of McLendon-Chisholm, Texas at 6:30 p.m. on the 11th day of June, 2019 at McLendon-Chisholm City Council Chambers, 1371 West FM 550, McLendon-Chisholm, Texas 75032. The public hearing will be held to consider proposed assessments levied against certain assessable property within the Sonoma Public Improvement District (the "District") pursuant to the provisions of Chapter 372 of the Texas Local Government Code, as amended (the "Act").

The general nature of the proposed improvements authorized by the Act (the "Authorized Improvements") include, but are not limited to, landscaping, entryway features, water, wastewater, sidewalks, streets, roadways, off-street parking, drainage system improvements, trails, parks and open space; similar off-site projects that provide a benefit to the property within the District; special supplemental services for the improvement and promotion of the District; payment of costs associated with operating and maintaining the public improvements listed above; and payment of expenses incurred in the establishment, administration, and operation of the District. The total costs of the Authorized Improvements is $10,044,933.00.

The District generally includes approximately 547 acres of land situated on the east side of State Highway 205 and north of League Road, west of Edwards Road, and south of FM 550. The boundaries of the Phase #2 Property include approximately 74 acres located within the District. A metes and bounds description and a map of the District (together with a metes and bounds description and map of the Phase #2 Property) are available for public inspection at McLendon-Chisholm City Hall located at 1371 West FM 550, McLendon-Chisholm, Texas 75032.

All written or oral objections on the proposed assessments within the District will be considered at the public hearing.

A copy of the Proposed Assessment Roll relating to the Authorized Improvements, which includes the assessments levied against certain assessable parcels in the District, is available for public inspection at the City Secretary's office in City Hall located at 1371 West FM 550, McLendon-Chisholm, Texas 75032.

Resolution No. 2019-
Approved 05/28/2019

CITY OF MCLENDON-CHISHOLM
RESOLUTION NO. 2019-

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY LIMITED OFFERING MEMORANDUM FOR THE CITY OF MCLENDON-CHISHOLM, TEXAS, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019 (SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

WHEREAS, this City Council (the "Council") has previously created the Sonoma Public Improvement District (the "District"); and

WHEREAS, this Council intends to issue City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project) (the "Bonds"), to fund public improvements within the District; and

WHEREAS, there has been presented to this Council a Preliminary Limited Offering Memorandum relating to the Bonds (the "PLOM"); and

WHEREAS, this Council finds and determines that it is necessary and in the best interests of the City of McLendon-Chisholm, Texas (the "City") to approve the form and content of the PLOM and authorize the use of the PLOM in the offering and sale of the Bonds by the Underwriter of the Bonds, FMSbonds, Inc.;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, THAT:

Section 1. The form and content of the PLOM is hereby approved and deemed final, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, with such changes, addenda, supplements or amendments as may be approved by the City Administrator. The City hereby authorizes the PLOM to be used by the Underwriter in connection with the marketing and sale of the Bonds.

Section 2. This Resolution shall be effective immediately upon its adoption.

PASSED, APPROVED AND EFFECTIVE this May 28, 2019.

____
Keith Short, Mayor

ATTEST:

____
Lisa Palomba, City Secretary

NEW ISSUE **NOT RATED**

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MAY 31, 2019

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

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.

THE BONDS ***WILL BE*** *DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS*

$6,225,000*
CITY OF MCLENDON-CHISHOLM, TEXAS
(a municipal corporation of the State of Texas located in Rockwall County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

Dated Date: July 1, 2019 **Due: September 15, as shown on the inside cover**
Interest to Accrue from Date of Delivery

The City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project) (the "Bonds") are being issued by the City of McLendon-Chisholm, 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, calculated on the basis of a 360-day year of twelve 30-day months, payable on each March 15 and September 15, commencing September 15, 2019, 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 June 11, 2019, and an Indenture of Trust, dated as of July 1, 2019 (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 a portion of the costs of the "Improvement Area #2 Improvements", which consist of (a) the internal infrastructure benefitting only Improvement Area #2 (as defined herein) of the District and (b) the portion of the Major Improvements (as defined herein) benefitting Improvement Area #2 of the District, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #2 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization of the District and (v) paying the costs of issuing the Bonds. See "THE IMPROVEMENT AREA #2 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 Improvement Area #2 of the District in accordance with a Service and Assessment Plan (as defined herein), 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 degree of risk 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 HELD 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. 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 McCall, Parkhurst & Horton L.L.P., 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 general counsel and by its special 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 July 11, 2019.

* *Preliminary; subject to change.*

FMSbonds, Inc.

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

CUSIP Prefix: ___________[(a)]

$6,225,000*
CITY OF MCLENDON-CHISHOLM, TEXAS
(a municipal corporation of the State of Texas located in Rockwall County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

$__________ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

$__________ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

$__________ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

$__________ _____% Term Bonds, Due September 15, 20__, Priced to Yield ____%; CUSIP ___[(a) (b) (c)]

---

* *Preliminary; subject to change.*

(a) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 15, 20__, at the redemption prices set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(b) 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 Standard & Poor's Financial Services LLC 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.

(c) The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

CITY OF MCLENDON-CHISHOLM, TEXAS
CITY COUNCIL

Name	Term Expires
Keith Short, Mayor	May 2020
Trudy Woessner	May 2021
William Dahl	May 2021
Herman Larkin	May 2020
Jim Bloom	May 2020
Lorna Kipphut	May 2021

CITY ADMINISTRATOR/SECRETARY
Lisa Palomba

SERVICE AND ASSESSMENT PLAN CONSULTANT
MuniCap, Inc.

FINANCIAL ADVISOR TO THE CITY
Hilltop Securities Inc.

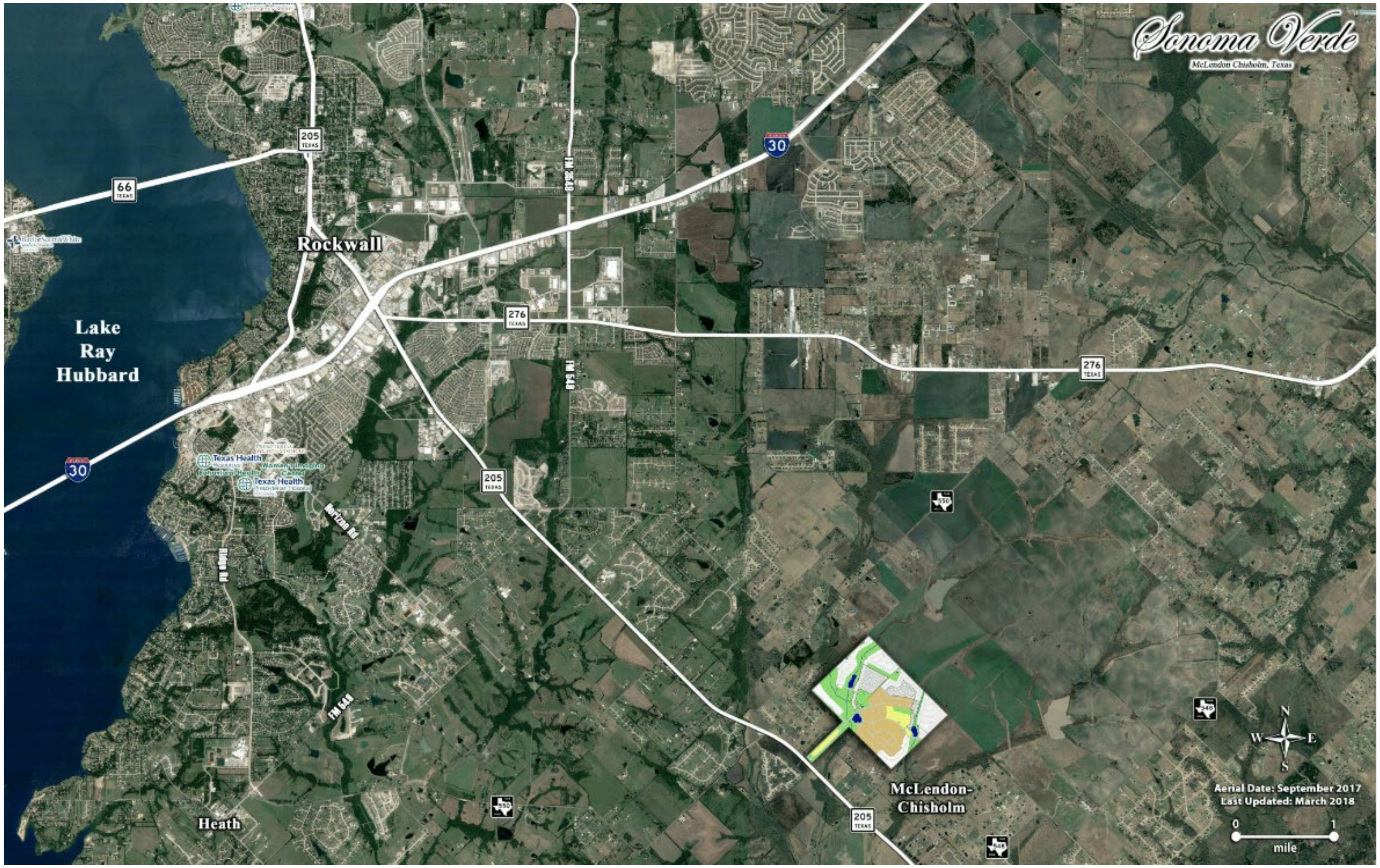
BOND COUNSEL
McCall, Parkhurst & Horton L.L.P.

UNDERWRITER'S COUNSEL
Winstead PC

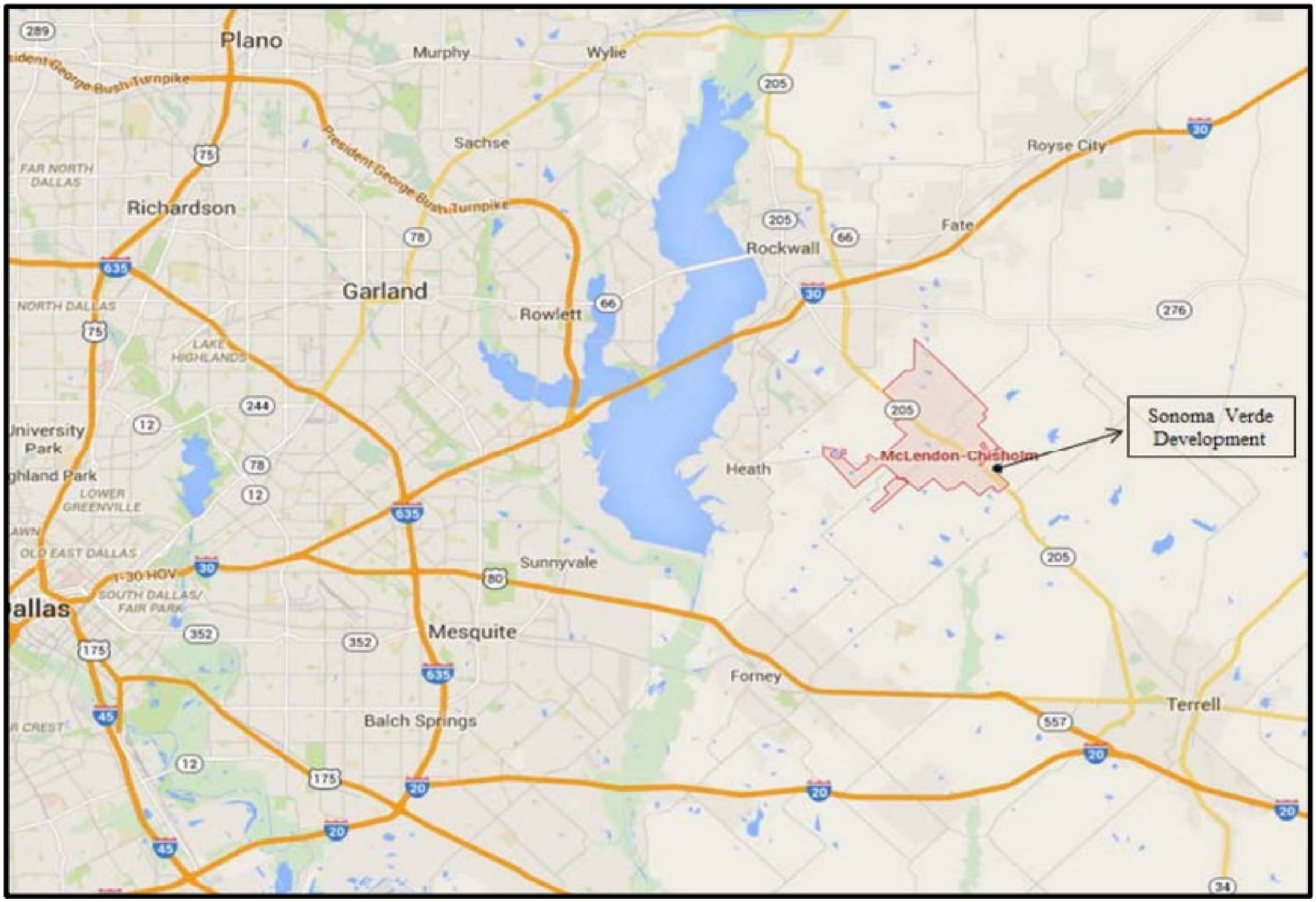
For additional information regarding the City, please contact:

Lisa Palomba	James Sabonis
City Administrator/Secretary	Hilltop Securities, Inc.
City of McLendon-Chisholm, Texas	1201 Elm Street
1371 West FM 550	Suite 3500
McLendon-Chisholm, Texas 75032	Dallas, Texas 75270
(972) 524-2077	(214) 953-4013
lisa@mclendon-chisholm.com	jim.sabonis@hilltopsecurities.com

REGIONAL LOCATION MAP OF THE DISTRICT



AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING MASTER DEVELOPMENT PLAN FOR THE DISTRICT AND BOUNDARIES OF PHASES

LOT SUMMARY TABLE

PHASE	LOT TYPES/WIDTHS							TOTALS
	60'	70'	80'	90'	100'	120'	150'	
1	175	0	163	30	0	29	8	405
2A	28	0	0	0	0	0	0	28
2B	72	0	0	0	0	0	0	72
2C	0	93	0	0	8	12	0	113
3	0	155	0	0	0	0	0	155
4A	0	76	0	0	0	9	0	85
4B	99	0	0	0	0	0	0	99
4C	0	0	0	0	0	35	0	35
5A	0	0	84	0	0	0	0	84
5B	0	0	0	0	0	0	11	11
TOTALS	374	324	247	30	8	85	19	1,087

FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION ("RULE 15C12-12"), AS AMENDED AND IN EFFECT ON THE DATE OF THIS LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES A "PRELIMINARY OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN "DEEMED FINAL" BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY 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 PURSUANT TO 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 PROSPECTIVE PURCHASERS."

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

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

NONE OF THE CITY, THE FINANCIAL ADVISOR OR 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.

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PRELIMINARY LIMITED OFFERING MEMORANDUM

$6,225,000[*]
CITY OF MCLENDON-CHISHOLM, TEXAS
(a municipal corporation of the State of Texas located in Rockwall County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 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 McLendon-Chisholm, Texas (the "City"), of its $6,225,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 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 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 June 11, 2019 (the "Bond Ordinance"), and an Indenture of Trust, dated as of July 1, 2019 (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 ("Assessments") levied against assessable property located within Improvement Area #2 (as described below) of the Sonoma Public Improvement District (the "District") pursuant to an ordinance enacted by the City Council on June 13, 2017 (the "Assessment Ordinance"), with an update to the Service and Assessment Plan (as defined herein) approved by the Assessment Ordinance to be approved by the Bond Ordinance.

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

Set forth herein are brief descriptions of the City, the District, the Assessment Ordinance, the Service and Assessment Plan, the Bond Ordinance, the Developer (as defined herein), and MuniCap, Inc. (the "Assessment Consultant"), 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., 100 Crescent Court, Suite 700, Dallas, Texas 75201, telephone number (214) 302-2246. The Form of Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears as 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.

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[*] *Preliminary; subject to change.*

PLAN OF FINANCE

The District and Status of Development in Improvement Area #2

The Sonoma Public Improvement District is being developed as a master planned community commonly known as Sonoma Verde (the "Development"). The District is expected to include approximately five phases. Development in the District began with the concurrent development of a portion of the major infrastructure to serve the entire District and the internal infrastructure to serve the initial phase ("Phase #1") of the District, which development was completed by MC 550 Investors, L.P., a Texas limited partnership and MC 550 Land Holdings, L.P., a Texas limited partnership (collectively, the "Phase #1 Developer"). Development in the District is expected to proceed with the future development of the third ("Phase 3"), fourth ("Phase 4"), and fifth ("Phase 5") phases of the District. The boundaries of the District are shown in the "MAP SHOWING MASTER DEVELOPMENT PLAN FOR THE DISTRICT AND BOUNDARIES OF PHASES" on page v.

The land in Improvement Area #2 of the Development, consisting of the areas identified as Phase 2A, 2B and 2C on the "MAP SHOWING MASTER DEVELOPMENT PLAN FOR THE DISTRICT AND BOUNDARIES OF PHASES" on page v, is owned by Land Solutions SV LLC (the "Developer"). See "THE DEVELOPER AND THE FEE DEVELOPER — Description of the Developer." The Phase #1 Developer partially assigned its rights in the Development Agreement (as defined herein) relating to all phases of the District excluding Phase #1, which phases include Improvement Area #2 of the District, to the Developer effective August 17, 2018. Such partial assignment was concurrent with the Developer's purchase of the land in Improvement Area #2 from the Phase #1 Developer. The Developer intends to develop infrastructure and sell residential lots to production homebuilders under lot takedown contracts within the District. The Developer has engaged TDI SV Management LLC (the "Fee Developer"), pursuant to a Development and Management Agreement dated as of August 17, 2018 (the "Fee Developer Agreement") to develop the lots within Improvement Area #2 of the District.

The Developer's plans consist of the development of approximately 213 lots on the real property located within Improvement Area #2 of the District. Construction of the Improvement Area #2 Improvements (as defined herein) began in May 2018 and is expected to be complete in July 2019. As of May 13, 2019, the Developer has expended approximately $4,840,794 on the Improvement Area #2 Improvements. See "THE DEVELOPMENT—Development in Improvement Area #2" and "THE IMPROVEMENT AREA #2 IMPROVEMENTS" herein.

Proceeds of the Bonds will be used primarily to finance (i) a portion of the costs of the "Improvement Area #2 Improvements", which consist of (a) the internal water, sewer, drainage and roadway infrastructure benefitting only Improvement Area #2 of the District and (b) the portion of the Major Improvements (as defined herein) benefitting Improvement Area #2 of the District, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #2 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization of the District and (v) paying the costs of issuing the Bonds. The Bonds will be secured by Assessments on property within Improvement Area #2 of the District only. See "THE IMPROVEMENT AREA #2 IMPROVEMENTS" and "SECURITY FOR THE BONDS."

The financing, acquisition, construction or improvement of the Improvement Area #2 Improvements by the Developer on behalf of the City shall be governed in part by the terms of the Improvement Area #2 Construction, Funding and Acquisition Agreement (the "Finance Agreement") between the City and the Developer. The Finance Agreement provides, among other things, the process by which the Developer may obtain proceeds of the Bonds as the Developer completes the Improvement Area #2 Improvements and procedures for conveying Improvement Area #2 Improvements from the Developer to the City. See "APPENDIX E — Form of Finance Agreement".

Prior Bond Financings

To finance the costs of the "Phase #1 Projects," which consist of (i) Phase #1's proportionate share of the costs of certain roadway, water, wastewater and drainage improvements that will benefit the entire District (the "Major Improvements") and (ii) the costs of the internal infrastructure benefitting only Phase #1, the City previously issued its $7,600,000 City of McLendon, Texas, Special Assessment Revenue Bonds, Series 2015 (Sonoma Verde Public Improvement District Phase #1 Project) (the "Phase #1 Bonds"). The Phase #1 Bonds are secured by assessments on assessable property in Phase #1 of the District ("Phase #1 Assessments"). **The Phase #1 Assessments are not security for the Bonds.**

The Bonds

Proceeds of the Bonds will be used primarily to finance (i) a portion of the costs of the "Improvement Area #2 Improvements", which consist of which consist of (a) the internal water, sewer, drainage and roadway infrastructure benefitting only Improvement Area #2 of the District and (b) the portion of the Major Improvements benefitting Improvement Area #2 of the District, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Area #2 Improvements, (iii) funding a reserve fund for the payment of principal of and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization of the District and (v) paying the costs of issuing the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount may, at the option of the City, be transferred to another account or subaccount of the Project Fund (defined herein) or to the Principal and Interest Account of the Bond Fund to pay interest on the Bonds. See "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "APPENDIX A — Form of Indenture" and "SOURCES AND USES OF FUNDS."

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments to be levied against the assessable parcels or lots within Improvement Area #2 of the District, all to the extent and upon the conditions described herein and in the Indenture. See "SECURITY FOR THE BONDS" and "ASSESSMENT PROCEDURES." **The Bonds shall never constitute an indebtedness or general obligation of the City, the State 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 Phased PID Bonds (collectively, the "Phased PID Bonds") to finance the cost of future internal improvements within Phases 3 – 5 of the District (the "Future Improvements") and such phases' proportionate share of the Major Improvement Projects as the development proceeds. The estimated costs of the internal improvements benefiting Phases 3 – 5 of the District will be determined as Phases 3 – 5 are developed, and the Service and Assessment Plan will be updated to identify the Future Improvements to be constructed within Phases 3 – 5 to be financed by each new series of Phased PID Bonds. See "THE DEVELOPMENT — Phased PID Bonds."

The Bonds and any Phased PID Bonds issued by the City are separate and distinct issues of securities secured by separate assessments. Such assessments have not been levied. Any 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 September 15, 2019 (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"). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The

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

Redemption Provisions

Optional Redemption. The City reserves the right and option to redeem Bonds before their scheduled maturity date, in whole or in part, on any date on or after September 15, 20__, such redemption date or dates to be fixed by the City, at the redemption price of 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Extraordinary Optional Redemption. The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date, 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 voluntary prepayments of Assessments by property owners ("Prepayments") (including related transfers to the Redemption Fund as provided in the Indenture) or any other transfers to the Redemption Fund under the terms of the Indenture. See "APPENDIX A – FORM OF INDENTURE."

Mandatory Sinking Fund Redemption. The Bonds maturing on September 15 in the years 20__, 20__ and 20__ (collectively, the "Term Bonds"), are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at the 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 moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

$__________ Term Bonds due September 15, 20__*

Redemption Date	Principal Amount
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__†	

$__________ Term Bonds due September 15, 20__*

Redemption Date	Principal Amount
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__	
September 15, 20__†	

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* *Preliminary, subject to change.*
† Stated maturity.

At least thirty (30) days prior to each sinking fund redemption date, the Trustee shall select by lot a principal amount of Bonds of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any redemption date pursuant to the Indenture shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least 30 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any redemption date pursuant to the Indenture shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 30 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption provisions in the Indenture or the extraordinary optional redemption provisions in the Indenture and not previously credited to a mandatory sinking fund redemption.

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

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

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

Additional Provisions with Respect to Redemption. If less than all of the Bonds are to be redeemed pursuant to mandatory sinking fund redemption under the Indenture, Bonds shall be redeemed by any method selected by the Trustee that results in a random selection. If less than all of the Bonds are to be redeemed pursuant to optional redemption or extraordinary optional redemption under the Indenture, such redemption shall be effected by redeeming Bonds in such manner as may be specified by the City in writing; provided, however, that in the absence of such written instruction from the City by the date required for the sending of notice of redemption pursuant to the Indenture, the Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities, treating each date on which a Sinking Fund Installment is due as a separate maturity for such purpose. Bonds to be redeemed pursuant to mandatory sinking fund redemption, optional redemption and extraordinary optional redemption under the Indenture shall be redeemed in increments of $5,000; provided, however, subject to the following sentence, no such redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond in an amount less than the Authorized Denomination in effect at that time, a Bond in the principal amount equal to the unredeemed portion, but not less than $5,000, may be issued. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

Upon surrender of any Bond in part, the Trustee, in accordance with the provisions of the Indenture, shall authenticate and deliver in exchange thereof a Bond or Bonds of like tenor, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond or Bonds so surrendered.

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 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 Authorized Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the "Investor Information"). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor's purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor's decision to purchase the Bonds except for 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 (which has no taxing power), 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.

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 assessable parcels or lots within Improvement Area #2 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. Improvement Area #2 contains approximately 61.374 acres, of which approximately all are expected to constitute Assessed Property. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan, which describes the special benefit received by the Assessed Property, provides the basis and justification for the determination of special benefit on the Assessed Property, establishes the methodology for the levy of the Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated at least annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX B — Form of Service and Assessment Plan."

Pledged Revenues

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Improvement Area #2 Improvements by levying Assessments upon the Assessed Property. For a description of the assessment methodology and the amounts of Assessments anticipated to be levied in each phase of the District, see "ASSESSMENT PROCEDURES" and "APPENDIX B — Form of Service and Assessment Plan."

Pursuant to the Indenture, "Pledged Revenues" consist of (i) Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan), (ii) the moneys held in any of the Pledged Funds, and (iii) any additional revenues that the City may pledge to the payment of the Bonds. "Assessment Revenues" means the revenues received by the City from the collection of Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds. "Annual Installment" means, with respect to each Assessed Property, each annual payment of (i) the principal of and interest on the Assessments as shown on the Assessment Roll or in an Annual Service Plan Update, and as shown in Appendix H-2 to the Service and Assessment Plan, and calculated as provided in Section VI of the Service and Assessment Plan, (ii) Administrative Expenses and (iii) the Additional Interest. Assessments also include any supplemental assessments levied in accordance with Sections 372.019 and 372.020 of the PID Act. The City will covenant in the Indenture that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously, 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 funds for collection and enforcement of the Assessments other than funds on deposit in the Administrative Fund. See "— Pledged Revenue Fund," "APPENDIX A — Form of Indenture" and "APPENDIX B — Form of Service and Assessment Plan."

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Assessment Lien") against the property assessed, superior to all other liens or claims, except liens and claims by the State of Texas (the "State"), counties, school districts, or municipalities for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See "ASSESSMENT PROCEDURES" herein. If homestead rights are properly claimed by a property owner prior to the attachment of the Assessment Lien, the Assessment Lien may not be foreclosed upon; however, any unpaid Assessment or Annual Installment will be an unsecured personal liability of such property owner. As of the date of adoption of the Assessment Ordinance, no such homestead rights had been claimed on property within Improvement Area #2 of the District.

Collection and Deposit of Assessments

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

The Assessments levied to pay the principal amount of the Bonds, 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 (except for the portions of the interest rate component that are allocated for deposit to the Delinquency and Prepayment Reserve Account of the Reserve Fund, as further described herein). An Assessment to pay debt service on the Bonds has been made payable in the Assessment Ordinance in each fiscal year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the principal of and interest on the Bonds. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment 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. Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan) shall be deposited into the Pledged Revenue Fund, except that (i) amounts received as Prepayments shall be deposited into the Redemption Fund and (ii) the portions of the interest rate component of the Assessments that are allocated for deposit to the Delinquency and Prepayment Reserve Account of the Reserve Fund shall be deposited to such accounts.

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

Unconditional Levy of Assessments

The City will impose Assessments on the Assessed Property to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus 0.50%, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of a Assessment, shall be due on October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be due on October 1, 2019, and will be delinquent if not paid prior to February 1, 2020.

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 when bills are mailed on or about October 1, 2019, a portion of each Annual Installment to pay the annual costs incurred by the City in the administration and operation of Improvement Area #2 of the District. The portion of each Annual Installment of an Assessment 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 annual expenses shall be due in the manner set forth in the Assessment Ordinance and billed on or about October 1 of each year and shall be delinquent if not paid by February 1 of the following year. Such portion of each Annual Installment to pay expenses does not secure repayment of the Bonds.

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

Assessments, together with interest, penalties, and expense of collection and reasonable attorneys' fees, as permitted by the Texas Tax Code, shall be a first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for State, county, school district or municipality ad valorem taxes and shall be a personal liability of and charge against the owner of the property regardless of whether the owners are named. The lien for Assessments and penalties and interest begins on the effective date of the Assessment 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. The City will covenant in the Indenture that should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of such revenues is subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City will take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur. See "APPENDIX A — Form of Indenture."

Pledged Revenue Fund

The City has created under the Indenture a Pledged Revenue Fund held by the Trustee. Immediately upon receipt thereof, and no later than February 15 of each year, beginning February 15, 2020 (with respect to the Assessments and Annual Installments that have been received by such date), the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Assessments and Annual Installments, other than the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, which shall be deposited to the Administrative Fund in accordance with the Indenture. Specifically, following the initial deposit to the Pledged Revenue Fund, the City shall transfer or cause to be transferred the following amounts from the Pledged Revenue Fund, subject to the Indenture, to the following Accounts: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund, an amount sufficient to pay debt service on the Bonds next coming due, and (ii) second, if necessary, to the Reserve Account of the Reserve Fund, an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement. Notwithstanding the foregoing, the Additional Interest shall only be utilized for the purposes set forth in the Indenture and, immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made, the Additional Interest will be transferred in the manner set forth in the Indenture. In addition, in the event the City owes Rebatable Arbitrage to the United States Government pursuant to Section 6.8 of the Indenture, the City shall provide a City Certificate to the Trustee to transfer to the Rebate Fund, prior to any other transfer under the Indenture, the full amount of Rebatable Arbitrage owed by the City, as further described in the Indenture. If any funds remain on deposit in the Pledged Revenue Fund after the foregoing deposits are made, the City shall have the option, in its sole and absolute discretion, to use such excess funds for any one or more of the following purposes: (1) to pay other costs of the Improvements, (2) to pay other costs permitted by the Act or (3) to deposit such excess into the Redemption Fund to redeem Bonds as provided in the Indenture.

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

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

The Trustee shall, pursuant to a City Certificate, transfer Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

In addition, pursuant to the Indenture, promptly after the deposit of the portion of the Assessment Revenues representing Foreclosure Proceeds into the Pledged Revenue Fund, the Trustee shall, pursuant to a City Certificate, transfer such Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the particular Assessed Property to which the Foreclosure Proceeds relate, and second, to the Redemption Fund. After deposit of Foreclosure Proceeds into the Reserve Fund, the Trustee shall deposit such Foreclosure Proceeds first into the Reserve Account if the Reserve Account does not contain the Reserve Account Requirement until such account contains the Reserve Account Requirement, and second, such Foreclosure Proceeds shall be deposited into the Delinquency and Prepayment Reserve Account. If both the Reserve Account and Delinquency and Prepayment Reserve Account contain their respective amounts required to be on deposit, the Trustee shall transfer such Foreclosure Proceeds to the Redemption Fund.

After satisfaction of the requirement to provide for the final payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Fund, the Trustee shall transfer any Pledged Revenues remaining in the Pledged Revenue Fund as directed by the City, which monies may be used for any lawful purpose for which Assessments may be used under the PID Act.

Bond Fund

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as provided in the Indenture. If amounts in the Principal and Interest Account are insufficient to pay the amounts due on the Bonds on an Interest Payment Date, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency pursuant to the Indenture. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account of the Bond Fund and transferred to the Paying Agent/Registrar.

Moneys in the Capitalized Interest Account shall be used for the payment of all interest due on the Bonds on September 15, 2019. Any amounts on deposit to the Capitalized Interest Account after the foregoing payments shall be transferred to the Improvement Area #2 Bond Improvement Account of the Project Fund, or if the Improvement Area #2 Bond Improvement Account of the Project Fund has been closed as provided in the Indenture, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Project Fund

Money on deposit in the Project Fund shall be used for the purposes specified in the Indenture. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. Disbursements from the Improvement Area #2 Bond Improvement Account of the Project Fund to pay Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment, as provided in the Indenture. Except as provided in next succeeding paragraphs, proceeds of the Bonds on deposit in the Project Fund will be used solely to pay Costs.

If the City Representative determines in his or her sole discretion that amounts then on deposit in the Improvement Area #2 Bond Improvement Account of the Project Fund are not expected to be expended for purposes of the Project Fund due to the abandonment, or constructive abandonment, of one or more of the Improvement Area #2 Improvements such that, in the opinion of the City Representative, it is unlikely that the amounts in the Improvement Area #2 Bond Improvement Account of the Project Fund will ever be expended for the purposes of the Project Fund, the City Representative shall file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Area #2 Bond Improvement Account of the Project Fund that are not expected to be used for purposes of the Project Fund. If such City Certificate is so filed, the amounts on deposit in the Improvement Area #2 Bond Improvement Account of the Project Fund shall be transferred to the Bond Fund, or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfers, the Improvement Area #2 Bond Improvement Account of the Project Fund shall be closed.

Upon the filing of a City Certificate stating that all Improvement Area #2 Improvements have been completed and that all Costs have been paid, or that any Costs are not required to be paid from the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Area #2 Bond Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfers, the Project Fund shall be closed.

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 Improvement Area #2 Bond Improvement Account of the Project Fund and used to pay Costs or to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee.

Redemption Fund

The Trustee shall, pursuant to a City Certificate, cause to be deposited to the Redemption Fund from the Pledged Revenue Fund an amount sufficient to redeem Bonds on the dates specified for redemption as provided in the Indenture. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in the Indenture.

Reserve Fund

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund, held by the Trustee for the benefit of the Bonds, and initially funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be $__________, which is 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, and (iii) 10% of the proceeds of the Bonds, however, that such amount shall be reduced by the amount of any transfers made to the Redemption Fund as a result of Prepayments; and provided further that as a result of (1) an optional redemption or (2) an extraordinary optional redemption, the Reserve Account Requirement shall be reduced by a percentage equal to the pro rata principal amount of Bonds redeemed by such redemption divided by the total principal amount of the Outstanding Bonds prior to such redemption.

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first from the Delinquency and Prepayment Reserve Account of the Reserve Fund (described below) and second from the Reserve Account of the Reserve Fund to the Bond Fund the amount necessary to cure such deficiency. In such event, notwithstanding anything in the Indenture to the contrary, the Additional Interest shall be used to replenish first, the Reserve Account of the Reserve Fund and second, the Delinquency and Prepayment Reserve Account of the Reserve Fund.

Whenever, on any Interest Payment Date, or on any other date at the written request of a City Representative, the value of cash and Value of Investment Securities on deposit in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Indenture, unless within thirty days of such notice to the City Representative, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due under the Indenture, (ii) to the Administrative Fund in an amount not more than the Administrative Expenses for the Bonds or (iii) to the Improvement Area #2 Bond Improvement Account of the Project Fund to pay Costs if such application and the expenditure of funds is expected to occur within three years of the date hereof.

In the event of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds to be redeemed multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds to the date fixed for redemption of the Bonds to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall from the Delinquency and Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds. If, after such transfer, there are still 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 provide written notice of such deficiency to the City, and the City shall submit a City Certificate to the Trustee instructing the Trustee to rescind the notice of redemption relating to such extraordinary optional redemption.

Prepayment and Delinquency 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. All amounts deposited in the Reserve Account shall be used and withdrawn by the Trustee for the purpose of making the transfers set forth in the Indenture.

Beginning on February 15, 2020, and on February 15 of each year thereafter, the Trustee will transfer an amount equal to the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has been accumulated in the Delinquency and Prepayment Reserve Account. The Delinquency and Prepayment Reserve Requirement is an amount equal to 5.5% of the principal amount of the then Outstanding Bonds to be funded from Assessment Revenues deposited to the Pledged Revenue Fund. When the amount on deposit in the Delinquency and Prepayment Reserve Account equals the Delinquency and Prepayment Reserve Requirement, the Trustee shall transfer an amount equal to the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund (i) first, if necessary, to the Reserve Account of the Reserve Fund, an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, (ii) second, if necessary, to the Rebate Fund, an amount sufficient to pay Rebatable Arbitrage, and (iii) third, to the Redemption Fund. Subject to the Indenture, if at any time the amount on deposit in the Delinquency and Prepayment Reserve Account is less than the Delinquency and Prepayment Reserve Requirement, the Trustee shall resume depositing the Additional Interest into the Delinquency and Prepayment Reserve Account until the Delinquency and Prepayment Reserve Requirement has accumulated in the Delinquency and Prepayment Reserve Account. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan unless and until it receives a City Certificate directing that a different amount be used. Whenever a transfer is made from the Reserve Account to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds. The Additional Interest shall continue to be collected and deposited pursuant to the Indenture until the Bonds are no longer Outstanding.

Whenever, on any date the City approves an Annual Service Plan Update and thereafter submits a City Certificate to the Trustee requesting valuation of the Delinquency and Prepayment Reserve Account, the amounts on deposit in the Delinquency and Prepayment Reserve Account exceed the Delinquency and Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and such excess shall be transferred, at the direction of the City pursuant to a City Certificate, to the Administrative Fund for the payment of Administrative Expenses or to the Redemption Fund. In See "APPENDIX A – FORM OF INDENTURE" and "APPENDIX B – SERVICE AND ASSESSMENT PLAN."

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first from the Delinquency and Prepayment Reserve Account of the Reserve Fund and second from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency. In such event, notwithstanding any provisions in the Indenture, the Additional Interest shall be used to replenish first, the Reserve Account of the Reserve Fund and second, the Delinquency and Prepayment Reserve Account of the Reserve Fund. At the final maturity of the Bonds, the amount on deposit in the Reserve Account and the Delinquency and Prepayment Reserve Account shall be transferred to the Redemption Fund and applied to the payment of the principal of the Bonds. If, after a Reserve Account withdrawal, the amount on deposit in the Reserve Account is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account the amount of such deficiency, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments. If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of all Outstanding Bonds on the next date the Bonds may be optionally redeemed by the City at a redemption price of par, together with the unpaid interest accrued on such Bonds as of such date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds on such date.

Administrative Fund

The City has created under the Indenture an Administrative Fund held by the Trustee. Upon receipt, the City shall transfer to the Trustee, for deposit to the Administrative Fund, the portion of the Annual Installment of Assessments allocated to the payment of Administrative Expenses and Delinquent Collection Costs as set forth in the Service and Assessment Plan. Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of the Administrative Expenses and Delinquent Collection Costs. See "APPENDIX B — Form of Service and Assessment Plan."

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

Defeasance

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding within the meaning of the Indenture ("Defeased Debt"), when payment of the principal of, premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise), either (1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Neither Defeasance Securities nor such moneys 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. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

Furthermore, all rights of the City to initiate proceedings to call the Defeased Debt for redemption or take any other action amending the terms of the Defeased Debt are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for such defeasance, expressly reserves the right to call the Defeased Debt for redemption; (ii) gives notice of the reservation of that right to the owners of the Defeased Debt immediately following the defeasance; (iii) directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (iv) at or prior to the time of the redemption, satisfies the conditions of the preceding paragraph with respect to such Defeased Debt as though it was being defeased at the time of the exercise of the option to redeem the Defeased Debt, after taking the redemption into account in determining the sufficient of the provisions made for the payment of the Defeased Debt.

"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, which 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 of America, 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, (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

i. Each of the following occurrences or events constitutes an "Event of Default" under the Indenture:

ii. the failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;

iii. the failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;

iv. default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture, other than a default under (v) below, and the continuation thereof for a period of ninety (90) days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than fifty-one (51%) in principal amount of the Bonds then Outstanding; provided, however, if the default stated in the notice is capable of cure but cannot reasonably be cured within the applicable period, the City shall be entitled to a further extension of time reasonably necessary to remedy such default so long as corrective action is instituted by the City within the applicable period and is diligently pursued until such failure is corrected, but in no event for a period of time of more than one hundred eighty (180) days after such notice; and

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

Remedies in Event of Default

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than fifty-one percent (51%) in principal amount of the Bonds then Outstanding under the Indenture shall proceed to protect and enforce the rights of the Owners under the Indenture by action seeking mandamus or by other suit, action, or special proceeding in equity or at law in any court of competent jurisdiction for any relief to the extent permitted by Applicable Laws including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

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

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

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

Restriction on Owner's Actions

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing or of which it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of 51% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for sixty (60) days after such notice failed or refused to exercise the powers granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of 51% of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right thereunder except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity 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 of Bonds shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners of Bonds, then and in every such case the City, the Trustee and the Owners of Bonds shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Event of Default

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

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

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

Within 30 days of receipt of such good and available funds, the Trustee may fix a record date and a payment date for any payment to be made to Owners of Bonds.

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

The restoration of the 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 or Account, other than the Reserve Account, shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Account shall be invested in such Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Certificate shall be a certification that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and average weighted maturity requirements set forth in the preceding sentence. Such investments shall be valued each year in terms of the Value of Investment Securities as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in the Funds and Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default under the Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee may invest cash balances in 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, Texas Government Code, Chapter 2256, as amended, or any successor law, as in effect from time to time, so long as such investments constitute Investment Securities and the money required to be expended from any Fund will be available at the proper time or times.

Obligations purchased as an investment of moneys in any fund or account established pursuant to the Indenture 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.

Additional Obligations

The City reserves the right to issue 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.

The City is not authorized to issue additional bonds secured by the Pledged Revenues on parity with the Bonds other than Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds and to pay all costs incident to the issuance of such Refunding Bonds.

The City may 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.

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SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and additional funds received from the Developer:

Sources of Funds:	
Principal Amount	$
Total Sources	$
Use of Funds:	
Deposit to Improvement Area #2 Bond Improvement Account of Project Fund	$
Deposit to Capitalized Interest Account of Bond Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to Costs of Issuance Account	
Underwriter's Discount[1]	
Total Uses	$

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

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DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending (September 30)	Principal	Interest	Total
2020			
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			
Total	$	$	$

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OVERLAPPING TAXES AND DEBT

The land within Improvement Area #2 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. Each lot owner in Improvement Area #2 of the District will pay a maintenance and operation fee and/or a property owner's association fee to a homeowner's association (the "HOA"), which has been formed by the Phase #1 Developer. HOA fees in the Development are currently $660 per year. In addition to the City, Rockwall County and the Rockwall Independent School District ("Rockwall ISD") may each levy ad valorem taxes or special assessments upon land in Improvement Area #2 of the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. Improvement Area #2 of the District is located entirely within Rockwall County.

The following table reflects the overlapping ad valorem tax rates currently levied on property located in Improvement Area #2 of the District and the average Annual Installment as a tax rate equivalent for each lot type in Improvement Area #2 of the District.

Taxing Entity	Tax Year 2018 Ad Valorem Tax Rate [1]			
	Half Acre	90' Lot	70' Lot	60' Lot
The City	$ 0.1500	$ 0.1500	$ 0.1500	$ 0.1500
Rockwall County, Texas	0.3284	0.3284	0.3284	0.3284
Rockwall Independent School District	1.4300	1.4300	1.4300	1.4300
Total Existing Tax Rate	$ 1.9084	$ 1.9084	$ 1.9084	$ 1.9084
Estimated Average Annual Installment of Assessments for Improvement Area #2 Improvements as a tax rate equivalent [3]	$0.7500	$0.6700	$0.5800	$0.5800
Estimated Total Tax Rate and Average Annual Installment in Improvement Area #2 of the District as a tax rate equivalent	$2.6584	$2.5784	$2.4884	$2.4884

[1] As reported by Rockwall Central Appraisal District. Per $100 taxable appraised value.
[2] Source: Municap, Inc. See APPENDIX B. The Estimated Average Annual Assessment in Improvement Area #2 of the District as tax rate equivalent per Equivalent Unit is calculated using the Estimated Average Home Value as reported in the Service and Assessment Plan.
Source: Rockwall Central Appraisal District & MuniCap, Inc.

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As noted above, Improvement Area #2 of the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or special assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Improvement Area #2 of the District, as of May 15, 2019 and City debt to be secured by the Assessments:

Taxing or Assessing Entity	Gross Outstanding Debt as of 5/15/19	Estimated Percentage Applicable[(1)]	Direct and Estimated Overlapping Debt[(2)]
The City (Assessments - The Bonds)	$ 6,225,000[(2)]	100.00%	$6,225,000
The City (Ad Valorem Taxes)	1,700,000	3.095%	52,619
Rockwall County	92,120,000	0.116%	106,730
Rockwall Independent School District	515,570,826	0.142%	734,328
	$615,615,826		$7,118,677

[(1)] Based on the ratio of the value of lots in Improvement Area #2 of the District (based on lot prices) and on the Tax Year 2018 Net Taxable Assessed Valuations for the taxing entities as reported by Rockwall Central Appraisal District.
[(2)] Preliminary, subject to change.
Source: Municipal Advisory Council of Texas

ASSESSMENT PROCEDURES

General

As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area #2 Improvements through Assessments, it must adopt a resolution generally describing the Improvement Area #2 Improvements and the land within Improvement Area #2 of the District to be subject to Assessments to pay the costs therefor. The City has caused an assessment roll to be prepared (the "Assessment Roll"), which Assessment Roll shows the land within Improvement Area #2 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 was 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 Improvement Area #2 Improvements and funding the same with Assessments. The City levied the Assessments and adopted the Assessment Ordinance on June 13, 2017. After such adoption, the Assessments became legal, valid and binding liens upon the property against which the Assessments were made. The collection of the first Annual Installment for the Assessments is to commence upon the earlier of: (i) the 1st day of the first full month immediately following the recording of the final plat for that Lot or Parcel in the official public records of Rockwall County, Texas, (ii) the issuance of one or more series of bonds, or (iii) the two year anniversary of the levy of Assessments on the applicable Assessed Property. Such first Annual Installment shall be due by January 31st of the following calendar year. No plats have been filed, nor have bonds been issued, for Improvement Area #2. The two year anniversary of the levy is June 12, 2019. Accordingly, no Assessments have been billed or collected as of the date hereof. The Service and Assessment Plan is expected to be updated in connection with the issuance of the Bonds and collection of the Assessments will begin to occur in tax year 2019, with the Annual Installments of such Assessments being late if not paid by January 31, 2020. See "APPENDIX B — Form of Service and Assessment Plan."

Under the PID Act, the costs of Improvement Area #2 Improvements may be assessed by the City against the assessable property in Improvement Area #2 of the District so long as the special benefit conferred upon the assessed property by the Improvement Area #2 Improvements equals or exceeds the Assessments. The costs of the Improvement Area #2 Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on assessed property similarly benefited. The allocation of benefits and assessments to the benefitted land within Improvement Area #2 of the District is presented in the Service and Assessment Plan, which should be read in its entirety. See "APPENDIX B — Form of Service and Assessment Plan."

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property as a result of the Improvement Area #2 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 Improvement Area #2 Improvements allocable to Improvement Area #2 of the District to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #2 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues.

As set forth in the Service and Assessment Plan, the benefits received by the Improvement Area #2 Improvements are currently spread among the existing parcels in Improvement Area #2 of the District (the "Assessed Property") based on the ratio (or Equivalent Unit Factor) of the Equivalent Units within Improvement Area #2 of the District to the total Equivalent Units within the District. As the existing parcels are subsequently divided, the Assessments will be further apportioned pro rata based on the Equivalent Units of the newly created parcels. "Equivalent Units" means, as to any parcel, the number of dwelling units by lot type expected to be built on the parcel multiplied by the factors shown below.

Land Use Class	Planned No. of units	Equivalent Unit Factor	Total Equivalent Units
Land Use Class 2 (Residential - One-half acre lot)	12	0.83	9.96
Land Use Class 3 (Residential - 90 Ft lot)	8	0.64	5.12
Land Use Class 5 (Residential - 60 Ft lot)	100	0.46	46.00
Land Use Class 10 (Residential - 70 Ft lot)	93	0.52	48.69
Subtotal – Improvement Area #2	*213*		*109.77*

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The following table provides additional analysis with respect to special assessment methodology, including the value to assessment burden ratio per unit (lot), equivalent tax rate per unit, and leverage per unit. The information in the tables was obtained from and calculated using information provided in the Service and Assessment Plan. See "APPENDIX B — Service and Assessment Plan."

LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND ASSESSMENT RATIO PER LAND USE CLASS IN THE DISTRICT*

Land Use Class	Planned No. of Units	Estimated Average Lot Value(2	Estimated Average Home Value(2)	Assessment per Unit	Estimated Average Annual Installment of Assessment per Unit(1)	Tax Rate Equivalent of Average Annual Installment (per $100 Lot Value (3)	Tax Rate Equivalent of Average Annual Installment (per $100 Home Value) (3)	Ratio of Assessment to Lot Value	Ratio of Assessment to Average Home Value
Land Use Class 2 (half acre)	12	$90,000	$475,000	$47,067.42	$3,582.31	$3.98	$0.75	1.91	10.09
Land Use Class 3 (90')	8	$75,000	$410,000	$36,292.95	$2,762.27	$3.68	$0.67	2.07	11.30
Land Use Class 5 (60')	100	$60,000	$340,000	$26,085.56	$1,985.38	$3.31	$0.58	2.30	13.03
Land Use Class 10 (70')	93	$63,000	$387,500	$29,691.31	$2,259.81	$3.59	$0.58	2.12	13.05
Total	**213**								

(1) Calculated based on the estimated annual assessments per lot type provided by MuniCap.
(2) Estimated average home values provided by the Developer.
(3) Calculated using average Annual Installment of Assessments in Improvement Area #2 per $100 of the estimated average home values for each lot type.
* *Preliminary, subject to change.*

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The City has determined that such method of allocation will result in the imposition of equal shares of the Assessments on parcels similarly situated within Improvement Area #2 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, all other current owners of property within the District and all future owners and developers within the District. See "APPENDIX B — Form of Service and Assessment Plan."

Collection and Enforcement of Assessment Amounts

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as regular ad valorem taxes of 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 municipal ad valorem taxes. See "BONDHOLDERS' RISKS — Assessment Limitations" herein.

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

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

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

The City will determine or cause to be determined, no later than March 15 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 Improvement Area #2 Assessed Parcel.

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

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

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

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

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

Assessment Amounts

Assessment Amounts. The maximum amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan. The Assessment Roll sets forth for each year the Annual Installment for each Parcel consisting of (i) the annual portion allocable to the Bonds for each Parcel, including 0.50% additional interest for a prepayment reserve and a delinquency reserve, and other uses allowed by the Act, and (ii) the component of the Annual Installment allocable to Administrative Expenses. The Annual Installments for Improvement Area #2 may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the parcels comprising the Improvement Area #2 Assessed Property as indicated on the Assessment Roll. See "APPENDIX B — Form of Service and Assessment Plan" and "APPENDIX E — Form of Finance Agreement."

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

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be initially allocated to the Improvement Area #2 Assessed Property based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel to the total Equivalent Units within the District. As the existing parcels are subsequently divided, the Assessments will be further apportioned pro rata based on the Equivalent Units of the newly created parcels. See "APPENDIX B — Form of Service and Assessment Plan." See "ASSESSMENT PROCEDURES — Assessment Methodology." The Service and Assessment Plan establishes certain residential land use classes for the District as described below:

Land Use Class	Description
Residential	
Land Use Class 2	One-half acre Lots
Land Use Class 3	90 Ft Lots
Land Use Class 5	60 Ft Lots
Land Use Class 10	70 Ft Lots

The Assessments relating to the Bonds for each Land Use Class in Improvement Area #2 are shown below:

Type	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit		Total Assessments
Land Use Class 2 (Half Acre)	$56,707.70	0.83	$47.067.42	per dwelling unit	$564,809
Land Use Class 3 (90')	$56,707.70	0.64	$36,292.95	per dwelling unit	$290,344
Land Use Class 5 (60')	$56,707.70	0.46	$26,085.56	per dwelling unit	$2,608,556
Land Use Class 10 (70')	$56,707.70	0.52	$29,691.31	per unit	$2,761,292
Total					**$6,225,000**

The estimated average Annual Installment for each Land Use Class is as follows:

Type	Estimated Average Annual Installment
Land Use Class 2 (Half Acre)	$3,582.31
Land Use Class 3 (90')	$2,762.27
Land Use Class 5 (60')	$1,985.38
Land Use Class 10 (70')	$2,259.81

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

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 lot or parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

Priority of Lien

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

Foreclosure Proceedings

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

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

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

The City will create the Delinquency and Prepayment Reserve Account under the Indenture 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 Pledged Revenues 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 south central Rockwall County, 24 miles west of Dallas and approximately six miles southeast of the City of Rockwall, Texas. Access to the City is provided by State Highways 205 and 550. The City covers approximately 9.9 square miles. The City's location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The City was incorporated in 1969. The City's 2010 census population was 1,373. The City's current population estimate is 2,983.

City Government

The City is a political subdivision and is a Type A general law municipal corporation of the State of Texas, duly organized and existing under the laws of the State. The City was incorporated in 1969. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers who are elected for staggered two-year terms. The Mayor is the chief administrative officer for the City. The City Council formulates operating policy for the City, while the City Administrator is the chief administration officer.

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

Council Member	Term Expires
Keith Short, Mayor	May 2020
Trudy Woessner	May 2021

William Dahl	May 2021
Herman Larkin	May 2020
Jim Bloom	May 2020
Lorna Kipphut	May 2021

The principal administrators of the City include the following:

Name	Position
Lisa Palomba	City Administrator/Secretary

Historical Employment in Rockwall County[(1)]

	Average Annual				
	2019[(2)]	2018	2017	2016	2015
Civilian Labor Force	51,474	50,192	49,026	47,370	44,934
Total Employed	49,729	48,576	47,378	45,712	43,251
Total Unemployed	1,745	1,616	1,648	1,658	1,683
Unemployment Rate	3.4%	3.2%	3.4%	3.5%	3.7%

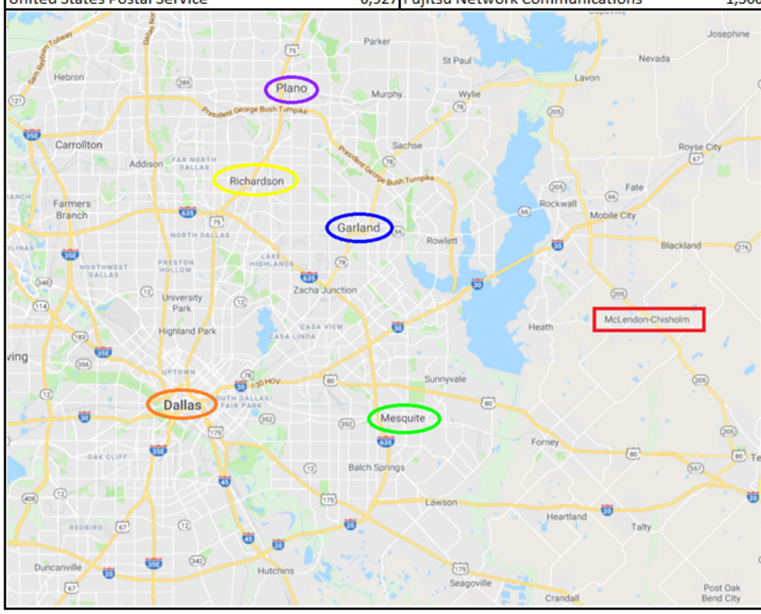
[(1)] Source: Texas Workforce Commission.

[(2)] Data through February 2019.

Surrounding Economic Activity

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

City of Dallas		City of Richardson		City of Plano	
Approximately 25 miles from the City		Approximately 22 miles from the City		Approximately 23 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Dallas ISD	19,740	State Farm Insurance	8,000	Capital One Finance	5,500
City of Dallas	12,538	AT&T	5,000	Bank of America Home Loans	3,400
The University of Texas SW Medical Center	11,861	Blue Cross Blue Shield of Texas	3,100	HP Enterprise Services	3,250
Texas Instruments, Inc.	10,961	University of Texas at Dallas	2,674	Ericsson	3,200
Parkland Health System	9,968	Richardson ISD	2,500	Toyota Motor North America, Inc.	2,900
Southwest Airlines Co.	9,931	RealPage	2,100	Frito-Lay	2,500
Baylor Health Care System	9,749	GEICO	1,800	J.C. Penny Co., Inc.	2,420
AT&T Inc.	9,563	Raytheon	1,700	Dell Services	2,250
Dallas County	7,162	United Healthcare	1,700	Texas Health Presbyterian Hospital Plano	1,680
United States Postal Service	6,927	Fujitsu Network Communications	1,500	Medical Center of Plano	1,600



City of Garland	
Approximately 16 miles from the City	
Employer	Employees
Kraft Foods	650
US Food Service	520
Hatco (Resistol)	401
L3 Communications	400
Anderson Windows	400
KARLEE, Inc.	330
Atlas Copco	300
Interceramic	300
Plastipak Packaging	269
General Dynamics	250

City of Mesquite	
Approximately 14 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
Pepsi Beverages Co.	600
Wal-Mart Supercenter	500
Baker Drywall	450
Orora Visual	420

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 Resolution No. 2007-21 of the City adopted on September 10, 2007 in accordance with the PID Act (the "Creation Resolution") for the purpose of undertaking and financing, in phases, the cost of certain public improvements within the District, including the Improvement Area #2 Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the portion of the District property being developed in a phase. The District is not a separate political subdivision of the State and is governed by the City Council. 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 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 Improvement Area #2 Improvements. See "THE IMPROVEMENT AREA #2 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 roadway, water, wastewater and drainage public improvements within Improvement Area #2 of the District comprising the Improvement Area #2 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."

Collection and Delinquency History of the District

Phase #1. On November 17, 2015, the City levied the Phase #1 Assessments in Phase #1 through the City Council's adoption of an assessment ordinance and approval of the Service and Assessment Plan. Upon such adoption, the Phase #1 Assessments became legal, valid and binding liens upon the property against which the Phase #1 Assessments are made. The initial annual installment of Phase #1 Assessments was due and payable on or before January 31, 2017. The following table shows the collection and delinquency history of the Phase #1 Assessments.

COLLECTION AND DELINQUENT HISTORY OF PHASE #1 ASSESSMENTS

Collected in Fiscal Year Ending 9/30	Assessment Billed	Parcels Levied[2]	Delinquent Amount as of 3/1	Delinquent Amount as of 9/1	Assessments Collected
2015[1]	n/a	0	n/a	n/a	n/a
2016	$860,512	182	$0	$0	$860,512
2017	$860,103	182	$0	$0	$860,103
2018	$887,316	374	$36,393	$0	$887,316
2019	$844,492	374	$23,552	$17,879[3]	$820,940

(1) Assessments were not billed in FYE 9/30/2015 as the Assessment was re-levied in January 2015 with the first Assessment billing occurring in FYE 9/30/2016.
(2) Parcels levied include common area parcels that are included within the annual Phase #1 Assessment Roll.
(3) Per Rockwall Central Appraisal District online records, delinquent amount shown for FYE 9/30/2019 ($17,789) are delinquent as of 5/21/2019.

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

Improvement Area #1C and Improvement Area #2.

The Assessments and the Improvement Area #1C Assessments. On June 12, 2017, the City levied the Assessments in Improvement Area #2 and of the District and assessments on 41 lots comprising Improvement Area #1C of the District (the "Improvement Area #1C Assessments"). The collection of the first Annual Installment for the Assessments and the Improvement Area #1C Assessments is to commence upon the earlier of: (i) the 1st day of the first full month immediately following the recording of the final plat for that Lot or Parcel in the official public records of Rockwall County, Texas, (ii) the issuance of one or more series of bonds, or (iii) the two year anniversary of the levy of Assessments and the Improvement Area #1C Assessments on the applicable Assessed Property. Such first Annual Installment shall be due by January 31st of the following calendar year. No plats have been filed, nor have bonds been issued, for Improvement Area #2 and Improvement Area #1C. The two year anniversary of the levy is June 12, 2019. Accordingly, no Assessments or Improvement Area #1C Assessments have been billed or collected as of the date hereof. Billing and collection of the Assessments and the Improvement Area #1C Assessments will begin in Tax Year 2019, and the first Annual Installment thereof will be delinquent if not paid by February 1, 2020. **The Improvement Area #1C Assessments are not pledged to and shall not serve as security for the Bonds.**

THE IMPROVEMENT AREA #2 IMPROVEMENTS

General

The Improvement Area #2 Improvements consist of the costs of the internal infrastructure benefitting only Improvement Area #2 of the District and the portion of the Major Improvement benefitting Improvement Area #2 of the District. A portion of the costs of construction of the Improvement Area #2 Improvements will be funded with proceeds of the Bonds. The balance of the costs of the Improvement Area #2 Improvements will be financed by the Developer without reimbursement by the City. The Improvement Area #2 Improvements will be dedicated to the City. See " — Ownership and Maintenance of Improvements" below. The Developer is responsible for the completion of the construction, acquisition or purchase of the Improvement Area #2 Improvements, and the Developer or its designee will act as construction manager. The City will pay project costs for the Improvement Area #2 Improvements from proceeds of the Bonds as follows: (a) the Developer, as applicable, will be reimbursed on a monthly basis for costs actually incurred in developing and constructing the Improvement Area #2 Improvements within Improvement Area #2 and (b) the Developer, as applicable, will be paid for costs actually incurred in developing and constructing the Improvement Area #2 Improvements within the District upon completion of such projects and dedication to, and acceptance by the City, as appropriate. See "THE DEVELOPMENT — Development Plan".

Improvement Area #2 Internal Improvements. A portion of the Improvement Area #2 Improvements consist of the internal roadway, water, wastewater and drainage improvements benefitting Improvement Area #2 of the District, a portion of which are being financed with proceeds of the Bonds.

> Road Improvements. The Improvement Area #2 roadway improvements include a portion of the construction of 850 linear feet of a 37-foot wide, 3600-psi concrete curb and gutter pavement. This section commences at the northern point of the main round-about near the main amenity center and continues northward through the first intersection at which point the road will become a 31-foot wide paving section. The roadway construction will consist of grading, lime stabilization, striping, signage and erosion control measures during construction. This project will be constructed to City standards and specifications and will be owned and maintained by the City. Other roadway improvements within Improvement Area #2 include construction of interior streets consisting of 6" thick, 31-foot wide, concrete pavement with curb and gutter. The concrete will be 3,600 pounds per square inch (psi) strength. Excavation for the roadway subgrade will consist of cut and fill activities and all excavation filling activities will have compaction testing by a third

party as a part of the construction process. Following excavation, the sub-grade will be lime stabilized and compacted. Turn lanes, intersections, signage, Accessible wheel chair ramps at intersections, lighting, street signs and re-vegetation of all disturbed areas within the right of way are included as a part of the Improvement Area #2 roadway improvements. These roadway improvements include streets that will provide access to each lot within Improvement Area #2. Also, an asphalt overlay of the existing League Roadway from the southern end of Via Toscana Lane to the west to State Highway 205 will be completed. All roadway projects will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City. These projects will provide access to community roadways and state highways.

Water Distribution System Improvements. The Improvement Area #2 water distribution system improvements include:

- 12" Water Line Segments - This project consists of constructing approximately 7,100 linear feet of 12" diameter water transmission main along Cortona from the amenity center round-about to the Northern project boundary, and a second 12" line constructed from the Southern Via Toscana Round-about north along San Donato to Edwards Road. The waterline improvements will include connection to the water- mains within the development and at Edwards Road for a completely looped system. In addition to the Waterlines, the improvements include the installation of twenty-five 12" valves, 24 fire hydrants, 7 tons of ductile iron fittings, and associated erosion control, trench safety and waterline testing. The line will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City.

- 8" Water Line Segments - These waterline improvements consists of constructing 8" PVC water lines, fire hydrants, associated 8" and 6" gate valves. One-inch diameter water services will be provided to each of the 252 lots within Improvement Area #2. All associated waterline testing, trench safety and erosion protection during construction are included. The waterline will be connected to the 12" water line constructed in Via Toscana, Cortona, and San Donato. These lines will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City. These lines will include the necessary appurtenances to be fully operational transmission lines extending water service to Improvement Area #2 and all lots within Improvement Area #2.

Sanitary Sewer Improvements. The Improvement Area #2 sanitary sewer collection system improvements include:

- Wastewater Line West (12" Gravity Line) – These improvements consists of constructing approximately 4,400 linear feet of 12" gravity sewer line along Cortona, crossing Hackberry Creek and flowing to the existing lift station #1. This project will consist of constructing manholes, associated erosion control, trenchsafety and sewer line testing.

- Wastewater Line East (12" Gravity Line) – These improvements consists of constructing approximately 2,700 linear feet of 12" gravity sewer line flowing south along San Donato, connecting to the existing sanitary sewer main at Via Toscana south round-about and continuing to existing lift station #2. This project will consist of constructing manholes, associated erosion control, trench safety and sewer line testing.

- Wastewater Line (8" Gravity Line) - These improvements include construction of a series of 8" gravity sanitary sewer lines that connect to the various 12" trunk mains described above. Construction includes connection at multiple points through concrete manholes. Services to individual lots are by 4" gravity sewer services. Cleanouts will be constructed at the various upstream end runs to facilitate maintenance.

All sanitary sewer collection system improvements will be designed and constructed in accordance with City and TCEQ standards and specifications and will be owned and operated by the City. These lines will include the necessary appurtenances to be fully operational extending wastewater service to the limits of Improvement Area #2.

Storm Drainage Improvements. The storm drainage portion of the Improvement Area #2 Improvements consist of underground storm sewer pipes, storm water detention ponds and associated inlets, erosion control and Storm Water Pollution Prevention devices. The main means of conveyance of storm drainage within Improvement Area #2 is within roadways and underground storm drain pipes. The roadway pavement section incorporates the use of curbs with integrated drainage inlets to control runoff and conveyance of storm-water throughout the drainage basins associated with Improvement Area #2. The system includes approximately 3,500 linear feet of underground reinforced concrete pipe (RCP) with associated headwalls, safety end treatments, manholes and storm sewer energy dissipaters at the points of discharge. All of the drainage areas within Improvement Area #2 will be designed in accordance with City drainage policy. Excavation of detention ponds and channel improvements are included in the drainage improvements. The drainage culvert will include precast headwalls. All storm drainage collection system improvements will be constructed in accordance with City standards and specifications.

Improvement Area #2 Major Improvements. A portion of the Improvement Area #2 Improvements consist of the portion of the major roadway, water, wastewater and drainage improvements constructed to benefit the District that benefit Improvement Area #2, a portion of which are being financed with proceeds of the Bonds.

The Major Improvements are described below.

Roadway Improvements: The roadway improvements portion of the project consist of the construction of a Texas Department of Transportation (TxDOT) approved left turn lane re-striping along State Highway 205 to accommodate south bound left turns. This will provide access off of SH 205 into the PID by Via Toscana. This improvement will be constructed to TxDOT standards.

In addition the roadway improvements portion of the project also includes construction of concrete paving of the extension of Via Toscana from the end of the residential areas to the south to League Road, and asphalt overlay of approximately 5,100 linear feet of the existing League Roadway to the west to State Highway 205. This is being done to provide a secondary access point to the project. This improvement will be constructed to Rockwall County standards (League Road is a County Roadway) and will be owned and maintained by the City of McLendon Chisholm and Rockwall County.

Water Distribution System Improvements: The water distribution system improvements include 12" waterline to be constructed from RCH's waterline located on Edwards Road and extended to the west along League Road for a distance of approximately 1,895 linear feet to the intersection of Via Toscana and League Road. The waterline improvements will include connection to the exiting water-main, installation of associated 12" valves, fire hydrants, ductile iron fittings, erosion control, trench safety and waterline testing. All water improvements will be constructed according to City standards and specifications.

The PID is within the City limits. The City has a contract for water service from the RCH Water supply corporation who is a customer city of the North Texas Municipal Water District (NTMWD) and receives wholesale treated water through a major transmission line from the NTMWD Wylie water treatment plant. As a result, there will be no water treatment plant upgrades required.

Sanitary Sewer Collection System Improvements: The sanitary sewer collection system improvements consist of constructing a lift station approximately 380 feet north of Via Toscana and 220' west of Hackberry Creek with a wet well and approximately 27,309 linear feet of 8" sanitary sewer force main and 2,303 linear feet of 8" and 12" sanitary sewer gravity line generally following the Right of Way of FM 550 to the west and connecting to the NTMWD Buffalo Creek Sewer Interceptor. Cutoff valves, air release valves and a pig launching and receiving station for the system will be constructed in accordance with NTMWD and TCEQ regulations. The proposed lift station, wet-well and pumps are sized appropriately to accept and pump waste for Phase #1 and will be modified with additional pumps as future phases come on line. The 8" force main and pumps were designed to maintain the 3.0 fps minimum velocity. The sanitary sewer collection system improvements will be designed and constructed according to City standards and specifications.

Storm Drainage Collection System Improvements: The storm drainage collection system improvements consist of drainage improvements to support the installation of the left turn lane at Via Toscana and SH 205 and storm water detention capacity that benefits the entire project area. This includes underground re-enforced concrete sewer pipe, inlets and rock rip rap protection at outfalls. The storm drainage collection system improvements will be constructed according to City standards and specifications.

The following table reflects the total expected costs of the Improvement Area #2 Improvements. See "APPENDIX B — Form of Service and Assessment Plan".

Improvement Area #2 Improvements	Cost
Roadway improvement costs	$1,931,322
Water distribution system improvement costs	$828,596
Sanitary sewer collection system improvement costs	$756,889
Storm drainage collection system improvements	$1,461,043
Engineering, design, surveying, geotechnical and materials testing and other soft costs	$2,970,058
Subtotal	*$7,947,908*
Improvement Area #2 share of estimated Major Improvement Costs	$410,347
Total Estimated Improvement Area #2 Improvement Costs	**$8,358,255**

The Development Agreement (as defined herein) provides certain rules and regulations for design and construction of the Improvement Area #2 Improvements and the process for the development of all property within the District. As the District will lie completely within the city limits of the City, the City's zoning and subdivision regulations provide land use rules and regulations for the development of the property within the District. See "THE DEVELOPMENT — Zoning/Permitting".

Ownership and Maintenance of Improvements

The Improvement Area #2 Improvements will be dedicated to and accepted by the City and will constitute a portion of the City's infrastructure improvements. The City will provide for the ongoing operation, maintenance and repair of the Improvement Area #2 Improvements constructed and conveyed to the City, as outlined in the Finance Agreement.

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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 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 Development, commonly known as Sonoma Verde, is an approximately 548 acre master planned project located within the city limits of the City and situated on SH 205, the main north-south highway in Rockwall County, approximately seven miles south of Interstate 30.

The entrance to the Development is on SH 205, but the main area of the Development is in the northwest quadrant of the intersection of League Rd. and Edwards Rd. The Development is located in a fast growing development area situated in the northeastern quadrant of the City. The Development is located approximately seven miles south of Interstate 30, less than one mile south of FM 550 and less than two miles north of the commercial area of the City. The City, located in the eastern region of the Dallas-Fort Worth-Arlington TX Metropolitan Statistical Area (the "DFW MSA"), is poised for significant growth as the overall DFW MSA continues its growth trajectory. See "THE CITY — General Economic Information Regarding Rockwall County and the Surrounding Area" above". The Development is located in Rockwall ISD.

Chisholm Properties, L.P. ("Chisholm") and the City entered into that certain Development Agreement dated effective June 11, 2007 relating to the District (the "Original Development Agreement"). The Original Development Agreement was subsequently: (a) amended by that certain First Amendment to Development Agreement dated effective January 28, 2008, entered into by and between Chisholm and the City (b) assigned by Chisholm to MC 550 Land Holdings, L.P. pursuant to that certain Assignment and Assumption of Development Agreement dated effective September 17, 2008; (c) amended by that certain Second Amendment to Development Agreement dated effective September 15, 2012, entered into by and between MC 550 Land Holdings, L.P. and the City; (d) partially assigned by MC 550 Land Holdings, L.P. to MC 550 Investors, L.P. ("MC Investors") pursuant to that certain Partial Assignment and Assumption of Development Agreement dated effective December 26, 2012; (e) amended by that certain Third Amendment to Development Agreement dated effective January 14, 2014, entered into by and between MC 550 Land Holdings, L.P., MC Investors and the City, and (f) partially assigned by MC 550 Land Holdings, L.P. to MC Investors pursuant to that certain Partial Assignment and Assumption of Development Agreement dated effective June 15, 2015 (the Original Development Agreement, as amended and assigned as set forth above, is hereinafter referred to as the "Development Agreement"). MC 550 Land Holdings, L.P. assigned its rights in the Development Agreement relating to Improvement Area #2 and the future phases to the Developer pursuant to a Partial Assignment and Assumption of Development Agreement effective as of August 17, 2018.

Property within the District comprising the Development was acquired by the Phase #1 Developer on September 17, 2008 as a long-term development to consist primarily of residential land use with some small parcels reserved for potential commercial land use and approximately 17 acres for an elementary school and public park area, which site was acquired by the Rockwall ISD. The Developer acquired the land within Improvement Area #2 of the District on August 17, 2018. See "THE DEVELOPER AND THE FEE DEVELOPER — History and Financing of the District."

Status of Development in the District

The District is expected to developed in five phases, which began in 2015 with the concurrent development of a portion of the major infrastructure to serve the entire District as well as local infrastructure to serve Phase #1 of the District by the Phase #1 Developer. As of April 25, 2019, the Phase #1 Developer has completed development of the 339 of the 356 single family lots within Phase #1 of the District and 339 lots have been sold to homebuilders.

The status of closings and completions under such contracts, as of March 31, 2019 based upon information filed with the MSRB by the Phase #1 Developer, is as follows:

STATUS OF RESIDENTIAL DEVELOPMENT IN PHASE 1

Homebuilder	Lot Type	Lots Under Contract	Lots Completed	Lots Closed
Lennar Homes	80 ft.	49	49	49
	90 ft.	19	19	19
	100 ft.	8	8	8
Megatel Homes	80 ft.	46	46	46
	90 ft.	6	6	6
Altura Homes	60 ft.	172	172	172
	90 ft.	1	1	1
Highland Homes	80 ft.	13	13	13
	90 ft.	1	1	1
CastleRock Homes	90 ft	1	1	1
	100 ft	18	18	18
Bloomfield Homes	80 ft	1	1	1
	TOTAL	335[1]	335[2]	335

The status of home construction and sales within Phase #1 of the District, as of March 2019 based upon information filed with the MSRB by the Phase #1 Developer, is as follows:

Builder	Planned Number of Units	No. of units under construction	No. of units completed	No. of Homes Sold	Average Sales Price
Lennar Homes	76	0	76	76	$343,000
Megatel Homes	52	0	52	48	$386,000
Altura Homes	173	5	122	125	$306,300
Highland Homes	14	2	9	9	$413,000
CastleRock Homes	19	3	6	9	$404,000
Bloomfield Homes	1	0	0	0	
Total	**335**	**10**	**265**	**267**	

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Below are photographs of development in Phase #1 of the District:

The Developer has engaged the Fee Developer to complete the development of lots in Improvement Area #2 of the District. The future development within the District is expected to proceed with the construction of the internal improvements within each of the approximately remaining three phases of the Development. For further depiction of the subphases described herein, see "MAP SHOWING MASTER DEVELOPMENT PLAN FOR THE DISTRICT AND BOUNDARIES OF PHASES" on page v. The Developer does not own land within Phase #1 of the District and makes no assurances with respect to the information relating to the status of development within Phase #1 of the District.

The Amenity Center located in the District has been completed. See "—Amenities" below.

Development in Improvement Area #2

The land in Improvement Area #2 of the Development is owned by the Developer, Land Solutions SV LLC, as described below under "THE DEVELOPER AND THE FEE DEVELOPER — Description of the Developer." The Phase #1 Developer partially assigned its rights in the Development Agreement (as defined herein) relating to all phases of the District excluding Phase #1, which phases include Improvement Area #2 of the District, to the Developer effective August 17, 2018. Such assignment was concurrent with the Developer's purchase of the land in the District excluding Phase #1 from the Phase #1 Developer. The Developer intends to develop infrastructure and sell residential lots to production homebuilders under lot takedown contracts within the District. The Developer has engaged the Fee Developer, TDI SV Management LLC, pursuant to a Development and Management Agreement dated as of August 17, 2018 (the "Fee Developer Agreement") to develop the lots within Improvement Area #2 of the District. The Fee Developer is an affiliate of TDI Sonoma Verde LLC, the minority member of the Developer. See "THE DEVELOPER AND THE FEE DEVELOPER -- Executive Biographies of Principals of the Fee Developer." The Developer began development of the Improvement Area #2 Improvements in May 2018 and expects to complete the Improvement Area #2 Improvements in July 2019. As of May 13, 2019, the Developer has expended approximately $4,840,794 on the Improvement Area #2 Improvements.

The Developer has already entered into lot takedown contracts for 193 of the 213 residential lots in Improvement Area #2 with Highland Homes-Dallas, LLC, Castlerock Communities, LP and Bloomfield Homes, LP. The Developer has received $693,000 in earnest money from the various homebuilders under the lot takedown contracts, and all earnest money deposits are hard with the Developer.

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The following table summarizes the residential lot size and number of lots relating to each takedown contract.

Builder	**Number of Lots Contracted**	**Lot Price**	**Earnest Money Received**	**Lot Takedown Schedule**	**Expected Final Lot Delivery Date**
Highland Homes-Dallas, LLC	47 – 70’	$63K (Base Price) – Initial Closing $1K (per lot) – Marketing Fee $2K (per lot)– Soils Remediation Fee ($63K + 7% annum) – per lot price after Initial Closing	$47K	Initial Closing (“IC”): 10 lots 6 lots within 3 months of IC 6 lots within 6 months of IC 6 lots every 3 months thereafter	4Q 2020
Highland Homes – Dallas, LLC	50 – 60’	$60K (Base) – Initial Closing (Base + 7% per annum escalation per lot after Initial Closing $1K/lot – marketing fee $1K/lot – Amenity Fee $2K/lot – tap water fees	$300K	Initial Closing (“IC”): model home + 6 lots 6 lots every quarter after IC	2Q 2021
Castlerock Communities LP	46 – 70’	$63K (Base Price) – Initial Closing $1K (per lot) – Marketing Fee $2K (per lot)– Soils Remediation Fee ($63K + 7% annum) – per lot price after Initial Closing	$46K	Initial Closing (“IC”): 10 lots 6 lots within 3 months of IC 6 lots within 6 months of IC 6 lots every 3 months thereafter	4Q 2020
Bloomfield Homes, LP	50 – 60’	$60K (Base) – Initial Closing (Base + 7% per annum escalation per lot after Initial Closing $1K/lot – marketing fee $1K/lot – Amenity Fee $2K/lot – tap water fee	$300K	Initial Closing (“IC”): model home + 6 lots 6 lots every 90 days after IC	2Q 2021

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The following table summarizes the expected development in Improvement Area #2.

ESTIMATED LOT AND HOME PRICES AND LOT SALE DATES IN IMPROVEMENT AREA #2 OF THE DISTRICT

Lot Size (Sq. Ft.)	Quantity	Base Lot Price	Average Base Home Price	Expected Final Lot Sale Date
60’	100	$60,000	$340,000	2Q 2021
70’	93	$63,000	$387,500	2Q 2021
100’ (90’ Use Class)	8	$75,000	$410,000	2Q 2021
120’ (One-half acre)	12	$90,000	$475,000	2Q 2021
Total	213			

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 (i) local improvements benefitting Phases 3 (ii) local improvements benefitting Phase 4 and (iii) local improvements benefitting Phase 5 are anticipated to be issued in the future. The estimated costs of the local improvements benefiting Phases 3-5 of the District will be determined at the time Phases 3-5 are developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within Phases 3-5 of the District 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 Phases 3, Phase 4 or Phase 5 of the District, as applicable.

The 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.

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Community Amenities

Community amenities within the Development include an amenity and swim center, which includes a large swimming pool and playground available to all residents of the Development. The development also includes a private clubhouse, walking trails, a sand volleyball court, a catch-and-release pond with a fountain, a community park, open green spaces, picnic areas, a basketball court, a soccer field (to be built in Improvement Area #2) and a tennis court.

There is also an elementary school site in the middle of the Development which has been purchased by the Rockwall ISD, which includes about 5 extra acres to be used also as a public park, which will be available to the residents of the Development. In addition, a tennis center and private club is located a few miles outside of the Development, which is on the way from Interstate 30 to the Development and has indoor and outdoor tennis facilities, as well as an indoor trampoline park, swimming pool and volleyball courts. The trampoline park is available to the public and the rest of the facilities are available to members, which requires typical membership fees.

Education

Children in the District attend schools in the Rockwall Independent School District ("RISD") which encompasses 108 square miles. RISD serves the City and other portions of Rockwall County. RISD enrolls over 16,500 students in three high schools, three middle schools, and fourteen elementary schools. According to RISD, RISD's 20 campuses earned the state's highest rating, Met Standard, while the district accountability rating received an A, according to the Texas Education Agency's preliminary accountability rating system that will go into effect 2019-2020. The new A-F accountability rating is based on student achievement on the high-stakes STAAR test.

Zoning/Permitting

Pursuant to the City-approved Ordinance No. 2007-20 for Planned Development zoning for the Development, as amended (the "PD Zoning Ordinance"), the Developer secured planned development district ("PDD") zoning, which allows flexibility for each phase of the Development to be developed in a manner that can be adjusted to changes in demand at the time of development of each phase, including a mixture of residential, commercial, public school and open space uses within the Development in conformity with the limitations and conditions set forth in the PD Zoning Ordinance. In addition, PDD zoning provides for tailored design regulations within the Development. Copies of the PD Zoning Ordinance are available from the City.

Environmental

A Phase One Environmental Site Assessment (a "Phase One ESA") of approximately 550.38 acres of the District was completed on June 15, 2012. Based on the information presented in the Phase One ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review, historical source review and testing identified in the Phase One ESA revealed no evidence of recognized environmental conditions involving the site.

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

Utility Services

The City provides both water and wastewater service to the District. The City purchases its water wholesale from the North Texas Municipal Water District through the RCH Water Supply Corporation, and the City maintains its own water distribution system. The City has purchased wastewater collection, discharge and treatment capacity for the entire District through an intergovernmental agreement with the Cities of Heath and Rockwall. The City's water distribution system and wastewater collection, discharge system and treatment system will have sufficient capacity to provide water and wastewater service to Improvement Area #2 of the District.

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

THE DEVELOPER AND THE FEE DEVELOPER

The following information has been provided by the Developer and the Fee Developer, as indicated. 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 AND THE FEE DEVELOPER" nor (ii) the information relating to the Developer under the subcaption "BONDHOLDERS' RISKS — Dependence Upon 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. The Fee Developer has reviewed this Limited Offering Memorandum and warrants and represents that the information herein under the caption "THE DEVELOPER AND THE FEE DEVELOPER" pertaining to the Fee Developer 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.

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 the revenue bonds, such as the Bonds, issued by a municipality for a public improvement district. A developer is generally under no obligation to develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

Description of the Developer

The Developer, Land Solutions SV LLC, is a limited liability company, the members of which are TDI Sonoma Verde LLC (an affiliate of Taylor Duncan Interests, LLC) and CL V Investments USA LLC ("CL V").

CL V is the Managing Member of the Developer and owns a 95% interest therein. The managing member of CL V is Castlelake V GP, L.P., which serves as the general partner of Castlelake V, L.P., and is a wholly owned subsidiary of Castlelake, L.P. ("Castlelake").

Castlelake was founded in 2005 by Rory O'Neill, an innovator in distressed and alternative investing with more than 27 years of experience. Castlelake is focused on investments in alternative assets, sub-performing loans, specialty finance and special situations, and is an experienced leader in aircraft ownership and servicing. Castlelake's team is comprised of approximately 150 professionals who work to generate non-correlated returns by acting as a preferred liquidity provider in complex, small-to-mid-size opportunities.

As of December 31, 2018, Castlelake manages approximately $13.5 billion in assets on behalf of more than 140 endowments, foundations, public and private pension plans, private funds, family offices, insurance companies and sovereign wealth funds. Our specialization in niche markets, ability to act quickly and focus on developing long-term relationships built on trust, fairness and transparency, leads to greater results for all participants.

TDI Sonoma Verde LLC holds a 5% interest in the Developer and is the minority member.

The Developer was created for the sole purpose of owning, managing, and ultimately conveying property in Improvement Area #2 and future phases of the District to third parties, as described under the caption "THE DEVELOPMENT—Development in Improvement Area #2", in accordance with the recommendations of CL V. The primary asset of the Developer is the unsold property within the District. The Developer may 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, fund from its members and third party banking sources. 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.

Description of the Fee Developer

TDI SV Management LLC serves as the Fee Developer for Improvement Area #2 of the District. The Fee Developer is an affiliate of Taylor-Duncan Interests, LLC ("Taylor-Duncan Interests") and is an affiliate of TDI Sonoma Verde LLC, the minority member of the Developer. See "—Executive Biography of Principals of the Fee Developer" below for a description of key individuals associated with the Fee Developer and Taylor Duncan Interests, LLC.

Taylor-Duncan Interests is a Dallas-based real estate development company which was formed in 1992. and focuses on planning, designing, developing and marketing residential communities. Over the firm's history, Taylor-Duncan has developed properties in the Texas markets of Dallas-Fort Worth, Austin and San Antonio as well as in the Nashville, Tennessee market. The primary focus has been in procuring land and developing residential single family and townhome lots for major builders in the markets. Their expertise in managing developments has ranged from small projects to large master- planned communities consisting of over 1700 lots.

The Fee Developer Agreement

The Developer has engaged the Fee Developer, TDI SV Management LLC, pursuant to a Development and Management Agreement dated as of August 17, 2018 (the "Fee Developer Agreement") to develop the lots within Improvement Area #2 of the District.

Under the Fee Developer Agreement, the Fee Developer has agreed to perform, within the limits of applicable licensing requirements and subject to the approval of CL V, all services necessary for the development, construction, protection and maintenance of the development of the lots in Improvement Area #2 of the District (as used in this paragraph, the "Project"). The Fee Developer shall be responsible for managing, supervising and overseeing all aspects of the development of the project, including managing the construction of the remaining infrastructure improvements, acting as principal liaison with the municipalities and other governmental authorities involved in the development of the Project, managing the development of lots and other improvements on the lots. Other services provided by the Fee Developer under the Fee Developer Agreement are project marketing, negotiation of contracts with home builders, purchase contract closing services, permitting and other governmental compliance requirements, budgeting, maintenance of insurance policies on the Project, payment of taxes and assessments, maintenance of bank accounts, and reports and record keeping.

The Fee Developer shall be compensated for its services pursuant to the terms of the Fee Developer Agreement.

Executive Biographies of Principals of the Fee Developer

Phillip Duncan**:** Mr. Duncan is a principal of Taylor-Duncan Interests. He has over thirty years of experience in real estate, including development, property management, brokerage and investments. He has been involved as a partner in numerous real estate ventures. These various projects include homebuilding, the acquisition and management of multi-family communities, the development and management of industrial properties, the development of rural "ranchette" acreage and the build-to-suit development of office space for several governmental agencies throughout Texas. He has spent the past twenty years as a partner at Taylor-Duncan Interests, where he has developed thousands of single-family lots and worked closely with many regional and national volume homebuilders. He served on the board of directors of Goodman Family of Builders for over five years. Mr. Duncan graduated from Southern Methodist University in 1984 with a BBA, with an emphasis in Real Estate and Finance. He received an Executive MBA from SMU in 1997, and is a licensed Texas real estate broker.

Spencer M. Taylor**:** Mr. Taylor is Vice President and became a partner in 2013 of Taylor-Duncan Interests, LLC. Mr. Taylor grew up in Dallas and has over thirteen years of experience in the real estate industry with a primary focus in land acquisition and disposition, market research, business relations, property management and real estate sales. He received his Bachelor of Arts Degree in Psychology from Southern Methodist University. While attending college Mr. Taylor obtained valuable experience in the home building industry working for Centex Homes in sales and marketing for their Fox & Jacobs series. Mr. Taylor joined Taylor-Duncan Interests after graduating from SMU in 2005. He is very active in the DFW real estate community and holds his Texas real estate sales license. His is a member of the Texas Real Estate Council, and was a member of the North Texas Urban Land Institute, and the International Council of Shopping Centers. Mr. Taylor also oversees Taylor-Duncan's infill development arm, Taylor-Duncan Intown.

Stephen M. Davis**:** Mr. Davis who joined Taylor-Duncan Interests in 2013 is Senior Vice President and oversees all of the company's land development activities. He is an accomplished real estate developer with more than twenty-two years in the industry. His vast real estate background features a multitude of single-family residential and highly amenitized master-planned communities, including serving as Divisional President and Senior Vice President for a national NYSE land developer. Mr. Davis has directed all aspects of development, sales and marketing for master-planned communities across the United States and has been involved in over $800 million worth of real estate transactions. His development skills span from leisure projects, upscale amenity complexes to 18-hole championship golf courses. Mr. Davis earned his Bachelor of Business Administration and an Executive MBA from Baylor University where he graduated with honors. Mr. Davis played an active role in the local real estate market as a member of ULI and various chambers of commerce. He also serves on the Board of Directors for One Hope Ministry.

Richard D. Alberque**:** Mr. Alberque is Vice President at Taylor-Duncan Interests and joined the company in 2015. He has a broad background in homebuilding and land development. Mr. Alberque started his career as a Project Manager in a civil engineering firm, specializing in residential and commercial site planning and design. He then embarked on a distinguished career working for some of the country's largest public homebuilders. His positions have included Vice President of Operations, Regional Vice President of Land Acquisition and Development, and Division President for Centex Homes Corporation as well as Vice President of Acquisition and Land Development and Division President for Engle/Newmark Homes. Mr. Alberque has worked as Division President and in other operational capacities for other volume homebuilders. In addition, he has analyzed and underwritten land development opportunities for both Taylor-Duncan and another New York based private equity firm. Mr. Alberque currently assists Taylor-Duncan in Project Management and other operational functions.

History and Financing of the District

Property Acquisition. On August 17, 2018, the Developer acquired the property within Improvement Area #2 and future phases of the District under the terms of a purchase contract for an aggregate purchase price of $14,231,000.

Acquisition and Development Financing. The Developer obtained financed the acquisition and development of the land within Improvement Area #2 and future phases of the District with a loan (the "Acquisition and Development Loan") made by First United Bank and Trust (the "Lender"). The Acquisition and Development Loan has an outstanding principal balance of $7,282,014.41 as of April 1, 2019. The Acquisition and Development Loan bears interest at the floating rate of prime plus 1% per annum, with a floor of 6.5% per annum. Payments are due monthly and the Acquisition and Development Loan matures on August 17, 2021. The Acquisition and Development Loan is secured, inter alia, by a first lien deed of trust lien on all of the property within Improvement Area #2 of the District.

Castlelake V., L.P. is a guarantor of the Acquisition and Development Loan.

The PID Act provides that the Assessment Lien is a first and prior lien against the assessed property within Improvement Area #2 of the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, each Development Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing its respective Development Loan to the assessment liens on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the liens on the property within the District securing the Development Loans.

THE ASSESSMENT CONSULTANT

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

The Assessment Consultant, MuniCap Inc., is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. MuniCap currently acts as the administrator for 175 special assessment and taxing districts in 17 states, including 45 public improvement districts in Texas (including the District).

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.

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 Improvement Area #2 of the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots within the District, it being understood that poor economic conditions within the 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 expeditious liquidation of the lands within Improvement Area #2 of the District. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the 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 Improvement Area #2 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 (including 0.50% additional interest for a delinquency and prepayment reserve the annual payment), and the annual 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 Improvement Area #2 of the District, any Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

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

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance ("Pre-existing Homestead Rights") for as long as such rights are maintained on the property. It is unclear under 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 had 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 Parcels superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the City.

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

THE ASSESSMENTS CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND IS A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #2 OF THE DISTRICT.

Risks Related to the Current Real Estate Market

During recent years, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market difficult. These downturns in the real estate market and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of lot and home sales within the District. There have been reports of various public-private efforts to relieve the subprime mortgage crisis but as of yet no one can predict with certainty when the real estate market will rebound.

Competition

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

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 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 Indenture provides that if, after a withdrawal from the Reserve Fund, the amount in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Fund sufficient to cure such deficiency, as described under "SECURITY FOR THE BONDS — Reserve Fund" herein.

Hazardous Substance

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

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

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

See "THE DEVELOPMENT — Environmental" for discussion of previous Phase I ESA and Supplemental Report 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.

100-Year Flood Plain

Approximately eleven (11) acres of Improvement Area #2 of the district lies within an official Federal Emergency Management Agency ("FEMA") 100-year flood plain, as shown on the current FEMA Insurance Rate Map No. 48397C0130L, dated September 26, 2008, panel 130 of 145 (the "Flood Plain"). The majority of this Flood Plain is contained along and including Hackberry Creek and Berry Creek. The floodplain within the property is classified as Zone A by FEMA, and therefore, has no established flood elevations. The Developer has hired flood plain/hydrology engineers to determine the 100-year flood plain elevations along the areas of the streams where proposed development may be near or adjacent to the Flood Plain. All lots within Improvement Area #2 of the district have been constructed such that house pads are a minimum of 2.0 feet above the determined flood plain elevations. In Improvement Area #2 there are 47 residential lots that are developed adjacent to the floodplain and those house pads have been constructed more than 2.0 feet above the established floodplain elevations.

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 the owners of the Bonds of not less 51% in principal amount of the Outstanding 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 Bonds or the Indenture and the City's 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. 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 the 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 monies 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 projects comparable to the Development.

General Risks of Real Estate Investment and Development

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer. Furthermore, the operating revenues of the Developer may be materially adversely affected if specific conditions in the lot purchase contracts are not met. Failure to meet the lot purchase contract's conditions allows the applicable lot purchaser to terminate its obligation to purchase lots from the Developer and obtain its earnest money deposit back. See "THE DEVELOPMENT — Expected Build-Out Schedule of Development" herein.

The Development cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of each phase 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

Initial Liability for Assessments. The Developer, as the owner of all land in Improvement Area #2 of the District currently has the obligation for payment of 100% of the total 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 sole 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 remaining lots proposed for the District also consists of proceeds from Additional Bonds and Phased PID Bonds and proceeds of lot sales, as well as possible bank financing and equity contributions by the Developer and its partners. 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 the Developer, or the Developer's designee, from proceeds of the Bonds for project costs actually incurred in developing and constructing the Improvement Area #2 Improvements within the District. See "THE IMPROVEMENT AREA #2 IMPROVEMENTS — General" and "THE DEVELOPMENT — Development Plan". 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

In October 2017, the 85th Texas Legislature House of Representatives and the 85th Texas Legislature Senate issued interim charges to the 85th Texas Legislature House Committee on Special Purpose Districts and the 85th Texas Legislature Senate Intergovernmental Relations Committee (collectively, the "Interim Committees"), respectively, requesting the study of special purpose districts and potential bond issuance reforms. The charges to the Interim Committees included review, hearings and testimony related to changes to and oversight of bonds secured by special assessments.

In December 2018, the 85th Texas Legislature House Committee on Special Purpose Districts released its Interim Report to the 86th Texas Legislature (the "House SPD Report"). The House SPD Report recommended that a Senate committee substitute to a bill proposed during the 82nd Texas Legislature in 2011, HB 1400 (the "HB 1400 Committee Substitute") which set forth a tiered system for the findings required by a county or municipality prior to the issuance of bonds, be resurrected and re-examined in order to provide oversight for assessment. Under the HB 1400 Committee Substitute:

- Prior to the issuance of bonds or obligations wholly or partly payable from or secured by assessments, the governing body of a municipality with a population of 250,000 or less or the governing body of a county with a population of 1 million or less issuing the bonds or obligations must find and determine the following:
    - construction of all underground water, wastewater, and drainage facilities and roadways to serve the real property liable for assessments necessary to support the payment of the bonds or obligations is at least 95 percent complete; and
    - construction of at least 25 percent of the houses or other buildings on the real property liable for assessments and necessary to support the bonds or obligations has been completed.
- Prior to the issuance of bonds or obligations wholly or partly payable from or secured by assessments, a municipality with a population of more than 250,000 or a county with a population of more than 1 million issuing the bonds or obligations must obtain an independent market study from a firm recognized in the area of real estate market analysis supporting the development projects for the real property liable for assessments and necessary to support the payment of the bonds or obligations.

The findings of the House SPD Report suggested committee support applying standards similar to those applied by the Texas Commission of Environmental Quality (the "TCEQ") to bonds issued by municipal utility and other independent special purpose districts to bonds issued by cities and counties under the PID Act.

In December 2018, the 85th Texas Legislature Senate Intergovernmental Relations Committee released its Interim Report to the 86th Texas Legislature (the "Senate IGR Report"). The Senate IGR Report found that, based on testimony received by the committee, standards imposed by cities relating to the issuance of assessment-backed public improvement district bonds exceeded the standards applied by the TCEQ to bonds issued by municipal utility and other independent special purpose districts. The Senate IGR Report did not recommend any further action to the 86th Texas Legislature relating to assessment backed bonds.

The Texas Legislature convenes in odd numbered years, and the 86th Texas Legislature convened on January 8, 2019. The House of Representatives of the 86th Texas Legislature did not convene a House Special Purpose Districts Committee, and instead transferred portions of its jurisdiction to the 86th Texas Legislature House Committee on Natural Resources and the 86th Texas Legislature House Committee Urban Affairs. The Senate of the 86th Texas Legislature has convened the Intergovernmental Relations Committee. During the session, no legislation was introduced in the 86th Texas Legislature which proposed the provisions of the HB 1400 Committee Substitute, and the sine die for the 86th Texas Legislature Regular Session occurred on May 27, 2019.

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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D – FORM OF OPINION OF BOND COUNSEL."

In rendering its opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which 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 the treatment 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.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local And Foreign Taxes

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

Future and Proposed Legislation

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.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in**

excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

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 proceeds of the Pledged Revenues and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

McCall, Parkhurst & Horton L.L.P., Dallas, Texas, 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 of and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS." A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX C —Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of 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" (except for the last paragraph thereof), "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General" and the last sentence under the subcaption "Pledged Revenues"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT – General," "THE DISTRICT – Powers and Authority," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings" (first paragraph only), "LEGAL MATTERS — Legal Opinions," "CONTINUING DISCLOSURE— The City" (first paragraph only), "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, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Assessment Ordinance, 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 that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a "Material Adverse Effect"). Additionally, principals of the Developer and their affiliated entities have been and are parties to pending and threatened litigation related to their commercial and real estate development activities. Such litigation occurs in the ordinary course of business and is not expected to have a Material Adverse Effect.

Litigation — The Fee Developer

Taylor-Duncan Interests and Phillip Duncan, individually, are one of eight (8) defendants sued in Hays County in cause number 18-1827 which was filed on August 9, 2018. The suit was filed by homeowners who allege that they purchased homes in the Caliterra subdivision in Dripping Springs and that the land use of adjoining tract of land was not accurately described at the time of their purchase. Taylor-Duncan Interests, Mr. Duncan, and all other defendants intend to vigorously defend the lawsuit. The case is recently filed and there is no trial setting. Taylor-Duncan Interests, Mr. Duncan and the other defendants have filed general denial and affirmative defenses denying liability. Such lawsuit is not expected to have a Material Adverse Effect on the ability of the Developer or the Fee Developer to complete the development in Improvement Area #2 of the District, but no assurance can be given regarding the outcome of the lawsuit.

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

SUITABILITY FOR INVESTMENT

Investment in the Bonds poses certain economic risks. See "BONDHOLDERS' RISKS". The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the 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, 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 Private Placement 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 and the Trustee (as dissemination agent) will enter into a Continuing Disclosure Agreement (the "Developer's 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's Disclosure Agreement, certain information regarding the Development and the Improvement Area #2 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 DISCLOSURE AGREEMENT OF DEVELOPER." Under certain circumstances, the failure of the Developer to comply with its obligations under the Developer's 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's Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The Developer has agreed to update information and to provide notices of certain specified events only as provided in the Developer's 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's 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's Disclosure Agreement or from any statement made pursuant to the Developer's Disclosure Agreement.

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.

INFORMATION RELATING TO THE FINANCIAL ADVISOR

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

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the 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 Improvement Area #2 Improvements generally and, in particular, the information included in the sections captioned "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Improvement Area #2 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.

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 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 authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

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APPENDIX A

FORM OF INDENTURE

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APPENDIX B

FORM OF SERVICE AND ASSESSMENT PLAN

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D-1

FORM OF DISCLOSURE AGREEMENT OF ISSUER

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APPENDIX D-2

FORM OF DISCLOSURE AGREEMENT OF DEVELOPER

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APPENDIX E

FORM OF FINANCE AGREEMENT

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HONORABLE CITY COUNCIL CITY OF MCLENDON-CHISHOLM, TEXAS

Report Prepared by: Michael R. Coker

Date Prepared: May 24, 2019
City Council Consideration May 28, 2019

APPLICANT: C & G Ros Development LLC
3095 Wincrest Drive
Rockwall, Texas 75032

LOCATION: 411 S. State Highway 205/Rockwall County ID# 11440/on the east side of SH 205

SIZE OF REQUEST: 25.01 acres of land

REQUEST:

REQUEST FOR APPROVAL OF A PRELIMINARY PLAT CREATING TWO LOTS ON 25.01 ACRES OF LAND LOCATED ON THE EAST SIDE OF SH 205, ROCKWALL COUNTY APPRAISAL DISTRICT PARCEL IDENTIFICATION NO. 11440. ROSINI ADDITION, BLOCK A, LOTS 1 AND 2.

PROPERTY OWNER: C&G Ros Development LLC
3095 Wincrest Drive
Rockwall, Texas 75032

REPRESENTATIVE: Carol Rosini

Planning and Zoning Commission consideration: May 16, 2019

PLANNING AND ZONING COMMISSION RECOMMENDATION:
The Planning and Zoning Commission held a public hearing and considered the requested subdivision on May 16, 2019. The Planning and Zoning Commission recommended approval of the preliminary plat subject to compliance with the conditions listed in the Staff Report.
[Note: The City Engineer's Comments are attached to this report]

STAFF RECOMMENDATION:

I have reviewed the final plat and the preliminary civil engineering and find that they are consistent with the comprehensive plan, the zoning ordinance and the requirements of the subdivision regulations for the subject property.

I recommend that the Planning and Zoning Commission recommend approval of the preliminary plat subject to the conditions listed in this report.

CONDITIONS:

Prior to the issuance of any authorization for construction of infrastructure, drainage, or structures, the final civil engineering plans be reviewed and approved by the City's Engineer.

Provide written verification from the Texas Department of Transportation of approval of the location and design of the shared access driveway prior to the issuance of any permit for construction on the subject property.

BACKGROUND INFORMATION:
In 2018 C&G Ros Development LLC requested a change in zoning on the subject property from General business and single family residential to a planned development district to allow for a Winery and Wine Tasting Room with supporting outdoor deck and barrel room to be located on the front 352 feet of the subject property. The requested change in zoning was approved by the City Council as recommended by the Planning and Zoning Commission.

The subject property is not platted and any new construction requires that property be platted in order to conform to the requirement to create a building site. The property owners are moving forward with the development of the Winery and need to create a conforming building site. In order to receive construction permits.

The Planned Development District establishes the shared access driveway to connect SH 205 to proposed Lot 2. The preliminary plat establishes the shared access driveway to Lot 2 from SH 205.

The applicant is also dedicating fifteen [15] feet of additional right of way for the future widening of SH 205.

The Subdivision Ordinance provides for the combination of the preliminary and final plats into one submission providing that the application complies with certain conditions. This application satisfies all of the requirements for consideration as a final plat.

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Thoroughfares/streets:
The subject property fronts on State Highway 205. SH 205 is designated on the Thoroughfare Plan as a six-lane divided highway contained within 150 feet of right of way. When this property is platted the City will require the dedication of 15 additional feet of right of way from the subject property.

Zoning:
The current zoning is a combination of Planned Development District [fronting on SH 205] and low density single family residential [minimum 2.5 acres per lot] on proposed Lot 2.

NATHAN D. MAIER
CONSULTING ENGINEERS, INC.
12377 Merit Drive, Ste 700, Dallas, TX 75251
Texas Reg. No. F-356 | TBPLS Reg. No. 100189-00
www.ndmce.com | WBE/SBE/HUB
214.739.4741 | 214.739.5961 (F)

Memorandum

To:	Carlos Contreras, CBG Surveying, Inc.
From:	Douglas Showers, PE
CC:	Lisa Palomba, City of McLendon-Chisholm; 19-020 A2.02
Date:	May 21, 2019
Subject:	Rosini Winery Preliminary Plat Review #2

General:

1. Nathan D Maier Consulting Engineers, in our capacity as City Engineer has reviewed the **Preliminary Plat** (revised May 20, 2019) submittal for the referenced Rosini Winery Subdivision.

   Comments:
   The plat generally adheres to the subdivision platting requirements of the City of McLendon-Chisholm. Minor comments are as listed:

   Please provide plat file no: Cab.A/Pg. 93; Cab.B /Pg. 93; Cab.B/Pg. 303; Cab.B/Pg. 74; Cab.B/Pg. 105; and Parent tract Inst. No. 20180000001672 from CBG Surveying Texas Inc., so that we can perform our due diligence.

   Please comply with Item (6) on the preliminary plat checklist. "Existing Features inside Subdivision". Please show Topographic information with contour lines at one-foot intervals within Subdivision, and assumed 10 feet Minimum outside Platted Subdivision (Ordinance does not provide dimension). Per City code of McLendon-Chisholm.

   Please add correct statement in surveyor signature line. "Preliminary, this document shall not be recorded for any purpose and shall not be used or viewed or relied upon as a final survey document." (Release Date: xx/xx/2019)

   Please show all adjoining monumentation to support the proposed boundary location. Per State/County/City requirements.

   Please provide at a typical engineers scale (1"=100', 1"=200'…etc.)

   Please forward at the earliest opportunity so that we can complete our review and provide a recommendation to the City.

Respectfully Submitted,

Douglas Showers

Douglas Showers, PE

CITY OF McLENDON-CHISHOLM
PLAT APPLICATION

Application Date: 4/18/19

Items Submitted. Check all that Apply:

[X] Preliminary Plat: $175 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs $600

[ ] Final Plat: $150 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs

[ ] Replat/ Amended Plat: $150 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs

[ ] Digital Copy of Submitted Plat/Plan (required)

[X] Site Plan

[ ] Concept Plan

[ ] Planned Development

[ ] Vacation of Plat

General Information:

Addition Name (if platted): ______ Current Zoning: ______

No. of Acres: 25 No. of Lots: 2 Proposed Zoning: ______

General Location of Property: 411 State Highway 205

Proposed Use for Property: Lot-1 winery/vineyard Lot 2- Resi +Ag

Applicant Name: Carol Rosini

Company: C+G Ros Development LLC

Address: 3095 Wincrest Dr City, State, Zip: Rockwall, TX 75032

Phone(s): 214-538-2678 Email: carol_rosini@yahoo.com

Owner Name: same

Address: ______ City, State, Zip: ______

Legal Description of the Property: A0133 K Latham, Tract 63-2, Acres 25

County Parcel ID: 1144D

Other Information: ______

Page 1 of 2

Waiver

I agree to waive, and do hereby waive, the statutory time limit for plat approval in accordance with Section 212.009 of the Local Government Code. Yes X No ____
Signature: ____________________

Development Fees

The City recognizes that professional guidance is necessary when undertaking any land use project including platting, zoning or Board of Adjustment applications. Therefore, the City will provide a one-hour or 2 one-half hour complimentary professional consultation with the City Planner and/or City Engineer. These complimentary consultation(s) will be arranged by City Staff. Limit of one complimentary consultation per property.

The applicant must pay the actual fee (very small & simple projects) or deposit the estimated fee with the City prior to the consultants beginning work on their application. Should the actual consultant cost exceed the estimate, the applicant will be required to deposit additional monies with the City before work on their application continues. Unused deposit monies will be refunded to applicant within 60 days of project conclusion.

ALL Consulting Costs - Includes City Planning, City Engineer, Legal Fees and any other outside Consultant costs incurred by the City. All outstanding fees must be paid by the applicant prior to their application being placed on the agenda of the Planning & Zoning Commission, City Council or BOA, nor will building permits be issued with fees outstanding.

I hereby certify that I am the owner, or duly authorized agent of the owner, for the purpose of this application. All information submitted herein is true and correct and the application fee of $ 600 to cover the cost of this application, has been paid to the City of McLendon-Chisholm on this 18 day of April, 2019.

Further, I hereby certify that I understand and agree to the development and consulting fees and costs as stated above and agree to pay all outstanding fees and costs to the City prior to the application being placed on the agenda for consideration by the Planning & Zoning Commission and/or City Council.

Signature of Applicant: ____________________ (Seal)

City Secretary: ____________________

Page 2 of 2

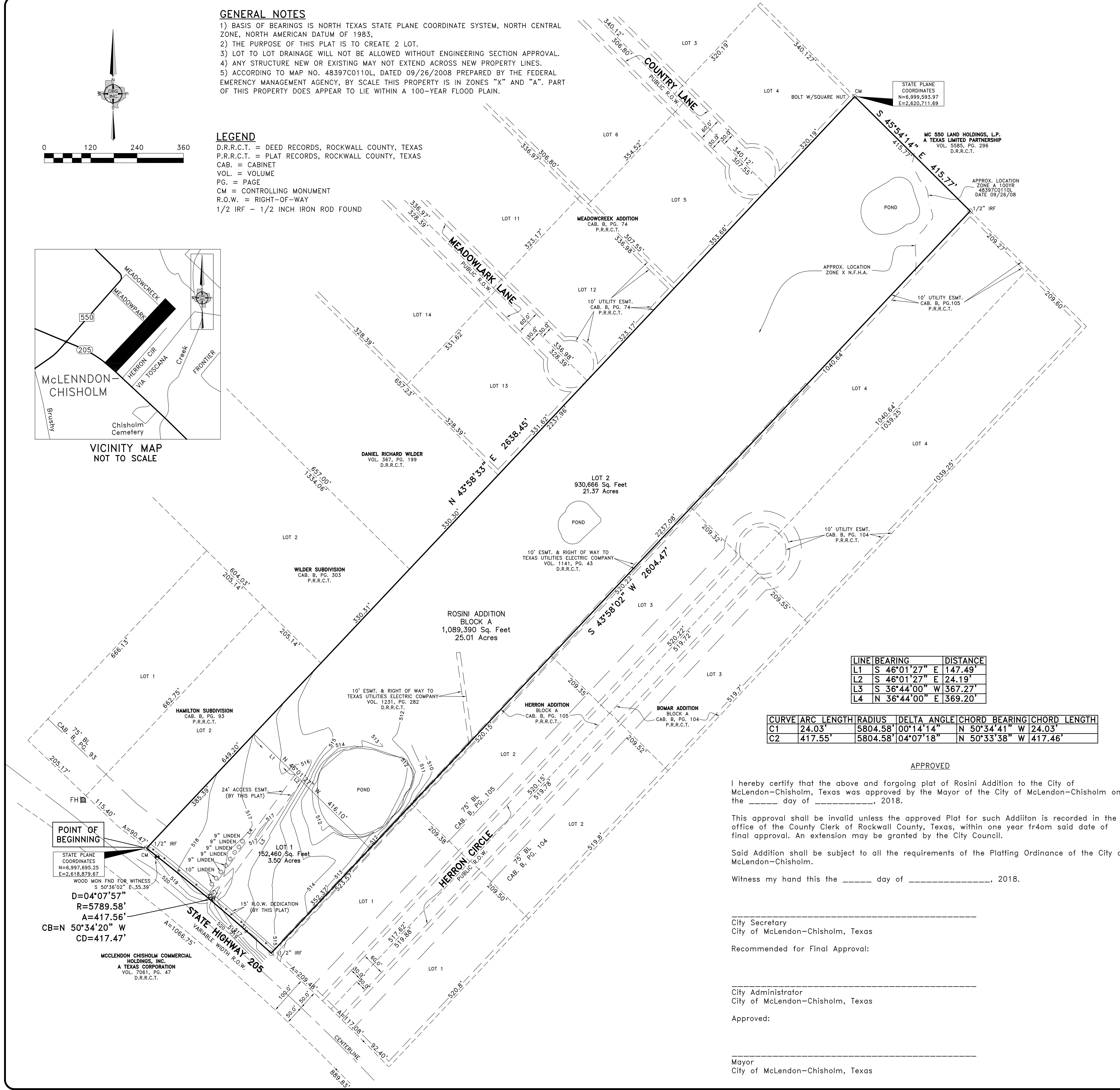
Plat Application 10/09/2017

GENERAL NOTES

1) BASIS OF BEARINGS IS NORTH TEXAS STATE PLANE COORDINATE SYSTEM, NORTH CENTRAL ZONE, NORTH AMERICAN DATUM OF 1983.
2) THE PURPOSE OF THIS PLAT IS TO CREATE 2 LOT.
3) LOT TO LOT DRAINAGE WILL NOT BE ALLOWED WITHOUT ENGINEERING SECTION APPROVAL.
4) ANY STRUCTURE NEW OR EXISTING MAY NOT EXTEND ACROSS NEW PROPERTY LINES.
5) ACCORDING TO MAP NO. 48397C0110L, DATED 09/26/2008 PREPARED BY THE FEDERAL EMERENCY MANAGEMENT AGENCY, BY SCALE THIS PROPERTY IS IN ZONES "X" AND "A". PART OF THIS PROPERTY DOES APPEAR TO LIE WITHIN A 100-YEAR FLOOD PLAIN.

LEGEND

D.R.R.C.T. = DEED RECORDS, ROCKWALL COUNTY, TEXAS
P.R.R.C.T. = PLAT RECORDS, ROCKWALL COUNTY, TEXAS
CAB. = CABINET
VOL. = VOLUME
PG. = PAGE
CM = CONTROLLING MONUMENT
R.O.W. = RIGHT-OF-WAY
1/2 IRF = 1/2 INCH IRON ROD FOUND



LINE	BEARING	DISTANCE
L1	S 46°01'27" E	147.49'
L2	S 46°01'27" E	24.19'
L3	S 36°44'00" W	367.27'
L4	N 36°44'00" E	369.20'

CURVE	ARC LENGTH	RADIUS	DELTA ANGLE	CHORD BEARING	CHORD LENGTH
C1	24.03'	5804.58'	00°14'14"	N 50°34'41" W	24.03'
C2	417.55'	5804.58'	04°07'18"	N 50°33'38" W	417.46'

APPROVED

I hereby certify that the above and forgoing plat of Rosini Addition to the City of McLendon–Chisholm, Texas was approved by the Mayor of the City of McLendon–Chisholm on the _____ day of ___________, 2018.

This approval shall be invalid unless the approved Plat for such Addiiton is recorded in the office of the County Clerk of Rockwall County, Texas, within one year fr4om said date of final approval. An extension may be granted by the City Council.

Said Addition shall be subject to all the requirements of the Platting Ordinance of the City of McLendon–Chisholm.

Witness my hand this the _____ day of _______________, 2018.

____
City Secretary
City of McLendon–Chisholm, Texas

Recommended for Final Approval:

____
City Administrator
City of McLendon–Chisholm, Texas

Approved:

____
Mayor
City of McLendon–Chisholm, Texas

OWNER'S CERTIFICATE

STATE OF TEXAS
COUNTY OF ROCKWALL

WHEREAS C&G Ros Development, LLC is the sole owner of a tract of land situated in the King Latham Survey, Abstract No. 133, City of McLendon–Chisholm, Rockwall County, Texas, same being a tract of land conveyed to C&G Ros Development, LLC, a Texas limited liability company by deed recorded in Instrument No. 20180000001672, Official Public Records, Rockwall County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 1/2 inch iron rod found for corner, said corner being along the Northeast right of way line of state Highway 205 (variable width right of way), said corner being the South corner of Lot 2, Hamilton Subdivision, an addition to the City of McLendon–Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet B, Page 93, Plat Records, Rockwall County, Texas;

THENCE North 43 degrees 58 minutes 33 seconds East along the Southeast line of Lot 2, said Hamilton Subdivision, a distance of 2638.45 feet to a bolt with square nut for corner, said corner being along the Southwest line of a tract of land conveyed to MC 550 Land Holdings, L.P., a Texas limited partnership by deed recorded in Volume 5585, Page 296, Deed Records, Rockwall County, Texas;

THENCE South 45 degrees 54 minutes 14 seconds East along the Southwest line of said MC 550 Land Holdings, L.P. tract, a distance of 415.77 feet to a 1/2 inch iron rod found with yellow plastic cap stamped "CBG SURVEYING" for corner, said corner being the North corner of Lot 4, Block A, Herron Addition, an addition to the City of McLendon–Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet B, Page 105, Plat Records, Rockwall County, Texas;

THENCE South 43 degrees 58 minutes 02 seconds West along the Northwest line of Lot 4, Block A of said Herron Addition, a distance of 2604.47 feet to a 1/2 inch iron rod found for corner, said corner being along the Northeast line of said State Highway 205, said corner being along a curve to the left, having a radius of 5789.58 feet, a central angle of 04 degrees 07 minutes 57 seconds, a chord bearing of North 50 degrees 34 minutes 20 seconds West, a chord distance of 417.47 feet;

THENCE along said curve to the left and the Northeast line of State Highway 205, an arc length of 417.56 feet to the POINT OF BEGINNING and containing 1,089,390 square feet or 25.01 acres of land.

OWNER'S DEDICATION

STATE OF TEXAS
COUNTY OF ROCKWALL

WHEREAS, C&G Ros Development, LLC, ((acting by and through its duly authorized officer)), does hereby adopt this plat, designating the herein described property as **ROSINI VINEYARDS ADDITION**, an addition to the City of McLendon–Chisholm, Rockwall County, Texas, and do hereby dedicate, in fee simple, to the public use forever any streets, alleys, and floodway management areas shown thereon. The easements shown thereon are hereby reserved for the purposes indicated. The utility and fire lane easements shall be open to the public, fire and police units, garbage and rubbish collection agencies, and all public and private utilities for each particular use. The maintenance of paving on the utility and fire lane easements is the responsibility of the property owner. No buildings, fences, trees, shrubs, or other improvements or growths shall be constructed, reconstructed or placed upon, over or across the easements as shown. Said easements being hereby reserved for the mutual use and accommodation of all public utilities using or desiring to use same. All, and any public utility shall have the right to remove and keep removed all or parts of any building, fences, trees, shrubs, or other improvements or growths which in any way may endanger or interfere with the construction, maintenance or efficiency of its respective system on the easements, and all public utilities shall at all times have the full right of ingress and egress to or from the said easements for the purpose of constructing, reconstructing, inspecting, patrolling, maintaining and adding to or removing all or parts of its respective systems without the necessity at any time of procuring the permission of anyone. (Any public utility shall have the right of ingress and egress to private property for the purpose of reading meters and any maintenance or service required or ordinarily performed by that utility).

This plat approved subject to all platting ordinances, rules, regulations, and resolutions of the City of McLendon–Chisholm, Rockwall County, Texas.

We do hereby dedicate the Mutual Access Easements shown for use by the Public as a means of pedestrian and vehicle access to the property shown thereon and to the adjacent property thereon.

WITNESS, my hand at Dallas, Texas, this the ______ day of ________________, 2018.

BY: ____
C&G Ros Development, LLC
Carol Rosini (Owner)

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for said County and State on this day appears Carol Rosini known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he/she executed the same for the purposes and considerations therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the ______ day of ________________, 2018.

____
Notary Public in and for Dallas County, Texas.

SURVEYOR'S STATEMENT:

I, Bryan Connally, a Registered Professional Land Surveyor, licensed by the State of Texas, affirm that this plat was prepared under my direct supervision, from recorded documentation, evidence collected on the ground during field operations and other reliable documentation; and that this plat substantially complies with the Rules and Regulations of the Texas Board of Professional Land Surveying, the City of McLendon–Chisholm Development Code. I further affirm that monumentation shown hereon was either found or placed in compliance with the City of McLendon–Chisholm Development Code, and that the digital drawing file accompanying this plat is a precise representation of this Signed Final Plat.

Dated this the__________ day of ____________________________, 2018.

RELEASED FOR REVIEW 0 PRELIMINARY, THIS DOCUMENT SHALL NOT BE RECORDED FOR ANY PURPOSES AND SHALL NOT BE USED OR VIEWED OR RELIED UPON AS A FINAL SURVEY DOCUMENT.
Bryan Connally
Texas Registered Professional Land Surveyor No. 5513

STATE OF TEXAS
COUNTY OF DALLAS

BEFORE ME, the undersigned, a Notary Public in and for the said County and State, on this day personally appeared Bryan Connally known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purpose therein expressed and under oath stated that the statements in the foregoing certificate are true.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____________ day of _____________________, 2018.

____
Notary Public in and for the State of Texas

FINAL PLAT
ROSINI VINEYARDS ADDITION
LOTS 1 AND 2, BLOCK A
1,089,390 SQ.FT. / 25.01 ACRES
KING LATHAM SURVEY, ABSTRACT NO. 133
CITY OF MCLENDON–CHISHOLM, ROCKWALL COUNTY, TEXAS

OWNER: C&G ROS DEVELOPMENT, LLC
3095 WINCREST DRIVE
ROCKWALL, TEXAS 75032
214-5382678

CBG SURVEYING TEXAS LLC
PROFESSIONAL LAND SURVEYORS
DFW - Houston - East Texas - Austin - San Antonio

PLANNING & SURVEYING
Main Office
12025 Shiloh Road, Ste. 230
Dallas, TX 75228
P 214.349.9485
F 214.349.2216
Firm No. 10168800
www.cbgínctx.com

SCALE: 1"=120' / DATE: 10/11/18 / JOB NO. 1728554-01 / DRAWN BY: TO

ORDINANCE NO. 2019-

AN ORDINANCE OF THE CITY OF McLENDON-CHISHOLM, TEXAS, AMENDING SECTION 3.01.001 OF ARTICLE 3.01 OF CHAPTER 3, "BUILDING REGULATIONS," OF THE CODE OF ORDINANCES BY AMENDING THE FEE SCHEDULE; PROVIDING A REPEALING CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, it is the intent of the City Council of the City of McLendon-Chisholm, Texas ("**City**") to protect the public health, safety and welfare of the citizens of the City and safeguard the finances of the City; and

WHEREAS, the City is authorized to impose and collect fees relating to activities regulated by the City and the City Council may amend the related fee schedule to reflect current costs incurred by the City resulting from administering such regulations; and

WHEREAS, the Texas Legislature approved H.B. 852 effective May 21, 2019, which prohibits the practice of considering valuation of a proposed residential structure in determining and calculating residential building permit fees and it is necessary that the fee schedule be amended; and

WHEREAS, the City Council finds that the fee schedule attached to this Ordinance as Exhibit A and incorporated herein levies fees that have a rational and reasonable relationship to actual costs incurred by the City for the related activities and that the fees are reasonably necessary for the administration of the activity for which the fees are charged.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF McLENDON-CHISHOLM, TEXAS:

SECTION 1. The recitals set forth in the WHEREAS clauses of this Ordinance are true and correct, constitute findings and determinations by the City Council acting in its legislative capacity and are incorporated herein.

SECTION 2. That Section 3.01.001(a) of Article 3.01 "General Provisions," of Chapter 3 "Building Regulations," is hereby amended for the sole purpose of repealing the current Exhibit A fee schedule and replacing it with the Exhibit A fee schedule attached to this Ordinance, which fees shall be effective, and shall be assessed, from and after the effective date of this Ordinance.

SECTION 3. That all provisions of the ordinances of the City of McLendon-Chisholm in conflict with the provisions of this Ordinance, to the extent of such conflict, be and the same are hereby repealed and all other provisions of the ordinances of the City of McLendon-Chisholm not in conflict with the provisions of this Ordinance shall remain in full force and effect.

SECTION 4. That should any sentence, paragraph, subdivision, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance as a whole or any part or provision hereof other than the part so decided to be invalid, illegal or unconstitutional, and shall not affect the validity of the Code of Ordinances as a whole.

SECTION 5. It is hereby officially found and determined that the meeting at which this ordinance was passed was open to the public as required and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code.

SECTION 6. This Ordinance shall take effect immediately after its passage and the publication of the caption, as the law in such cases provides.

DULY PASSED and APPROVED by the City Council of the City of McLendon-Chisholm, Texas, on the 28th day of May 2019.

APPROVED:

____
Keith Short, Mayor

ATTEST:

____
Lisa Palomba, City Secretary

City of McLendon-Chisholm
Master Fee Schedule

EXHIBIT A
Ordinance 2019-

MISCELLANEOUS FEES

Fence Permit	$ 50
Trade Permits (Other)	$100
Building Permit (Plumbing)	$150
Building Permit (Electrical)	$150
Commercial Certificate of Occupancy	$150
Use of Credit Card	5% of fee
Sewer Tap Fee	$3,000
Sewer Customer Deposit	$135 ($110 refundable)
Sewer Monthly Rate-Residential	$ 55

FOOD ESTABLISHMENT PERMIT FEES

Temporary Establishment	$ 50
Food Establishment	$300
Catering Truck	$300
Day Care Facility	$300
Grocery Store (Per Outlet)	$300
Limited Service	$300
Additional Inspections Required	$100
Seasonal Events	$150
Prepackaged Food and Beverage	$150

CONTRACTOR REGISTRATION FEES

(1) Mechanical License (All State HVAC Levels)	$100
(2) OSSF Contractor / Installer	$100
(3) Irrigator (Landscape)	$100
(4) Backflow Tester	$100
(5) Electrical (All State Levels)	$ 0
(6) Plumbing (All State Levels)	$ 0

OSSF PERMIT / INSPECTION FEES

OSSF Permit Fee	$500
Re-Submittal Fee	$100
Follow-Up Inspection Fee	$100
Pool Installation OSSF review fee (no inspection)	$ 50
Modification fee (includes inspection)	$200

Development Fees**

Application and Process Fees Only

Plat Fees

ETJ Preliminary	=	City Fees + $500 County Fee
ETJ Final Plat	=	City Fees + $500 per Lot County Fee

Applicants must also contact Rockwall County
InterlocalAgreement - January 30, 2006

Preliminary Plat
$175.00 per lot + 10.00 per acre (acreage rounded up to next whole acre) + ALL Consultant Costs

Final Plat
$150 .00 per lot + 10.00 per acre (acreage rounded up to next whole acre) + ALL Consultant Costs

Replat or Amended Plat
$150.00 per lot + 10.00 per acre (acreage rounded up to next whole acre) + ALL Consultant Costs

Zoning Fees

Application and Process Fees Only

Zoning Board of Adjustment Application = $400.00 + ALL Consultant Costs
= Special Use Permit Application $400.00 + ALL Consultant Costs

Zoning Ordinance Amendment = $600.00 per lot + 10.00 per acre (acreage rounded upto next whole acre) + ALL Consultant Costs

Note** All land use projects begin by contacting City Staff at 972-524-2077.

**The City recognizes that professional guidance is necessary when undertaking any land use project including platting, zoning or Board of Adjustment applications. Therefore ,the City will provide a one-hour or 2 one-half hour complimentary professional consultation with the City Planner and/or City Engineer. These complimentary consultation(s) will be arranged by City Staff. Limit of one complimentary consultation per property.

The applicant must pay the actual fee (very small & simple projects) or deposit the estimated fee with the City prior to the Consultants beginning work on their application. Should the actual Consultant cost exceed the estimate the applicant will be required to deposit additional monies with the City before work on their application continues. Unused deposit monies will be refunded to applicant within 60 days .

ALL Consulting Costs - Includes City Planning, City Engineer, Legal Fees and any other outside Consultant costs incurred by the City. All outstanding fees must be paid by the applicant prior to their application being placed on the agenda of the P&Z Commission, City Council or BOA, nor will building permits be issued with fees outstanding .

Permit Fees (Not Including Residential Building Permits)

TOTAL VALUATION	FEE
$1 to $5,000	Actual Inspection Charges + $50 Filing Fee
$5,001 to $250,000	Actual Inspection Charges + 1.000% of Valuation rounded up to next $1,000
$250,001 to $450,000	Actual Inspection Charges + 1.050% of Valuation rounded up to next $1,000
$450,001 to $650,000	Actual Inspection Charges + 1.075% of Valuation rounded up to next $1,000
$650,001 to $850,000	Actual Inspection Charges + 1.100% of Valuation rounded up to next $1,000
$850,001 to $1,000,000	Actual Inspection Charges + 1.125% of Valuation rounded up to next $1,000
Over $1,000,000	Actual Inspection Charges + 1.150% of Valuation rounded up to next $1,000

Valuation is based on construction valuation for project / Permit applicant pays this fee

Residential Building Permits/Remodel Permits

$1.17 per square foot (Includes all square footage) plus inspection fees

Plan Review Fees Review Fees are not applied toward building permits.

Residential New Construction	$125.00 (paid at time of permit submittal)
Pools	$125 .00 (paid at time of permit submittal)
Other than Single-Family Builds	$75.00 (paid at time of permit submittal)
Commercial New Construction	2% of Valuation ($500 Minimum) Plus $500 paid at time of submittal

Fire Code Plan Review Services (fire alarm and/or sprinkler system)

Up to $250,000	$500
$250,001 to $500,000	$850
$500,001 to $1,000,000	$1, 100
$1,000,001 to $3,000,000	$1,600
$3,000,001 to $6,000,000	$2,400
$6,000,001 and up	$2,400 plus $0.25 for each additional $1,000

Fire Code Inspection Services <fire alarm and/or sprinkler system)

Up to $250,000	$750
$250,001 to $500,000	$1,050
$500,001 to $1,000,000	$1,350
$1,000,001 to $3,000,000	$1,900
$3,000,001 to $6,000,000	$2,850
$6,000,001 and up	$2,850 plus $0.25 for each additional $1,000

Valuation is based on construction valuation for project / Permit applicant pays this fee

Legislative UPDATE

May 24, 2019
Number 21

Action Required: Building Permit Fees

City officials should immediately review the process by which residential building permit fees are calculated. Many cities currently base their building permit fees on the cost of a proposed structure or improvement. H.B. 852 now prohibits that practice.

Specifically, the bill provides that: (1) in determining the amount of a building permit or inspection fee required in connection with the construction or improvement of a residential dwelling, a city may not consider: (a) the value of the dwelling; or (b) the cost of constructing or improving the dwelling; and (2) a city may not require the disclosure of information related to the value of or cost of constructing or improving a residential dwelling as a condition of obtaining a building permit except as required by the Federal Emergency Management Agency for participation in the National Flood Insurance Program.

The bill was signed by the governor on May 21, and it is effective immediately. No grace period applies, so affected cities should change their system as soon as possible. Options include square footage-based fees, a flat fee schedule, or any other non-cost-based and reasonable calculation.

Please contact Scott Houston, TML general counsel, at shouston@tml.org with questions.

ORDINANCE NO. 2019-

AN ORDINANCE OF THE CITY OF McLENDON-CHISHOLM, TEXAS, ADOPTING AND APPROVING A REVISED OFFICIAL ZONING MAP FOR THE CITY, REFERENCING SECTION 1-6 OF APPENDIX "A" OF THE CODE OF ORDINANCES, CITY OF McLENDON-CHISHOLM, TEXAS; PROVIDING A REPEALING CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING A PENALTY OF FINE NOT TO EXCEED THE SUM OF TWO THOUSAND DOLLARS ($2,000.00) FOR EACH OFFENSE; AND, PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of McLendon-Chisholm, Texas, has heretofore adopted an official zoning map for the City, which has been amended from time to time by the adoption of zoning ordinances referencing the official map; and

WHEREAS, the City Council desires by this ordinance to reaffirm and adopt a revised official zoning map that includes amendments and revisions made following the adoption of the initial map. Now, Therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS:

SECTION 1. That the map attached hereto and by this reference incorporated herein be and is hereby approved and adopted as the Official Zoning Map of the City of McLendon-Chisholm, Texas. The provisions of Section 1-6 of the City's Comprehensive Zoning Ordinance, Appendix "A" of the Code of Ordinances, City of McLendon-Chisholm, Texas, be and are hereby amended only to the extent that any provision therein may be inconsistent with this Ordinance or the Official Zoning Map adopted hereby.

SECTION 2. That the Official Zoning Map adopted herein may be revised or amended by ordinance of the City Council and shall be effective when identified by the signature of the Mayor, attested by the City Secretary, under the following words or words that have substantially the same import: "This is to certify that this is the official zoning map adopted by Ordinance No. 2019-__of the City of McLendon-Chisholm, Texas."

SECTION 3. That any provisions of the ordinances of the City of McLendon-Chisholm in conflict with the provisions of this ordinance be and the same are hereby repealed and any provisions not so in conflict shall remain in force and effect.

SECTION 4. That an offense committed before the effective date of this ordinance is governed by the prior law and the provisions of the Code of Ordinances, as amended, in effect when the offense was committed and the former law is continued in effect for this purpose.

SECTION 5. That should any sentence, paragraph, subdivision, clause, phrase or section of this ordinance be adjudged or held to be unconstitutional, illegal or invalid, the same shall not affect the validity of this ordinance as a whole, or any part or provision hereof other than the part so decided to be invalid, illegal or unconstitutional, and shall not affect the validity of the Zoning Ordinance or other ordinances of the City as a whole.

SECTION 6. That any person, firm or corporation violating any of the provisions or terms of this ordinance shall, upon conviction, be punished by a fine not to exceed the sum of two thousand dollars ($2,000.00) for each offense; and each and every day such violation shall continue shall be deemed to constitute a separate offense.

SECTION 7. That this ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law in such cases provides.

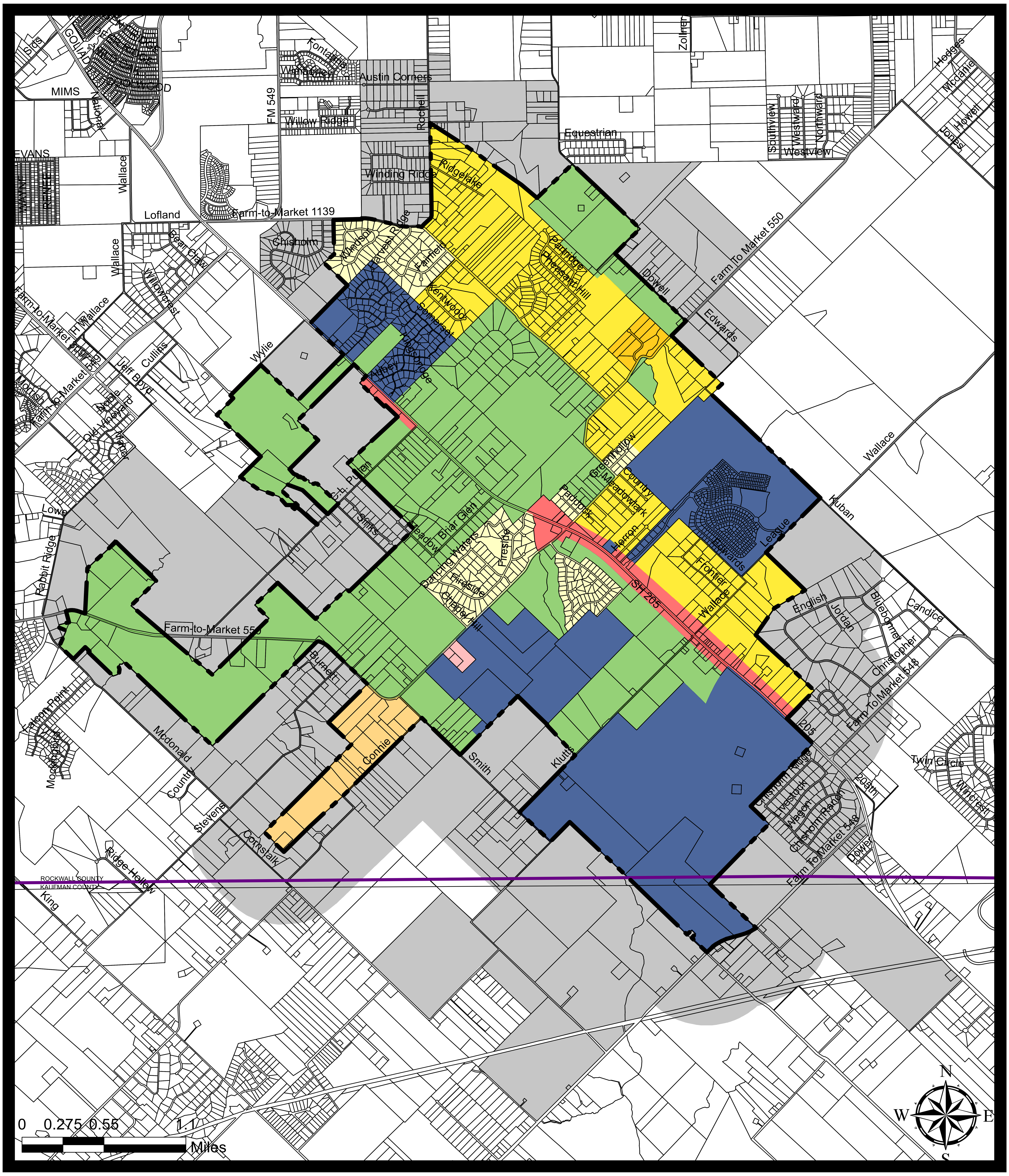
DULY PASSED by the City Council of the City of McLendon-Chisholm, Texas, on the 28th day of May, 2019.

APPROVED:

____
Keith Short, Mayor

ATTEST:

____
Lisa Palomba, City Secretary



Official Zoning Map
City of McLendon-Chisholm
Approved May 28, 2019
Signed ____________________
Kieth Short, Mayor

Legend

- McLendon-Chisholm City Limits
- McLendon-Chisholm ETJ
- County Line
- AG District
- SF 1.5 District
- SF 2.5 District
- SF 5 District
- GB District
- O-1 District
- PD District

This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the ground survey and represents only the approximate relative location of property boundaries. (Texas Government Code § 2051.102)

This map was created using Rockwall and Kaufman County GIS data and FEMA GIS data.

All American Dogs

Animal Control : Code Enforcement

Robert Matthews allamericandogs.com 972-382-DOGS

Patrol Services Impoundment Trapping Adoption Education

Summary of Proposal-McLendon-Chisholm, TX

Pricing: $450.00 per call includes the removal of one animal. Each additional animal removed will be charged $175.00 for dogs and $100.00 for cats. Quarantines will first be billed to the resident. If payment cannot be collected the City will be assessed $300.00 (this does not happen often)

It is understood by both All American Dog and the City that All American Dogs will only respond to calls for service in the McLendon-Chisholm City limits if notified by the City Administrator/City Secretary or her designee, the Fire Chief, or the Rockwall County Sheriff's Office. Only sick, injured, or aggressive animals will be collected. Animals exhibiting signs of abuse or neglect may also be investigated or collected as necessary with preauthorization from the above officials.

All American Dogs is not authorized to collect animals for merely running at large unless one of the above circumstances is also applicable.

All American Dogs will make every effort to collect information regarding time and place an animal is collected and record any names and/or addresses of individuals who may be responsible for the animal.

All American Dogs will provide a report to the City Administrator which will include details of the call, circumstances surrounding the call and written description and photograph of any animal collected within 24 hours of collection as well as a comprehensive monthly report. Emailed reports are acceptable.

Qualifications: Founded in 2007, facility located in Pilot Point, TX

State Certified and Inspected by Department of State Health Services

73 individual inside temperature controlled dog runs and outdoor exercise areas 16
Certified Rabies quarantine runs
5 Full Time & 5 Part Time (30 hours) Certified Animal Control Officers 4
State Certified Code Enforcement Officers
3 Full Time, 3 Part Time Kennel Attendants 24
hour on-site supervision
24 hours 7 days a week emergency response

We are looking forward to working with you as we both grow into the future,

All American Dogs — City of McLendon-Chisholm

Bob Matthews Owner — Lisa Palomba, City Administrator

City of McLendon-Chisholm

Staff Report

Discussion and action regarding Contract with All American Dogs for Limited Animal Control Services

DATE:

May 28, 2019

BACKGROUND OF ISSUE:

The City and Sheriff's Office on occasion receives calls regarding aggressive, injured, sick, or stray animals and animal welfare concerns.

FINANCIAL IMPACT:

The former City Administrator contacted several area cities regarding possible interlocal agreements for animal control. These options were very expensive. The current City Administrator, as requested by Council, recently met with the Rockwall City Manager to further discuss any opportunities for an interlocal animal control agreement. The City of Rockwall requires a personnel cost of $70,000 annual and initial cost for a vehicle of $60,000. Additionally, the animal shelter is at capacity so an arrangement for facilities would be in addition to the personnel and vehicle costs.

All American Dogs is a private company that provides animal control services. Their main facility is between Pilot Point and Celina. The cost for a yearly contract is between $20,000 to $25,000. The company is willing to contract for a fee per call basis at a rate of $450 per call for one truck for one animal. If the call requires a rabies quarantine, it is an additional $350.

On March 12, council directed the City Administrator to ask All American Dogs if they would consider lowering their prices or lowering the price for a call where an animal is not collected. Palomba inquired and the company representative has stated that $450 is the price whenever an officer and truck is called out regardless if an animal is collected or not. It is unlikely anyone would call for service if an animal is not located and reasonably contained.

In the event an animal is collected, every effort will be made to seek reimbursement from the animal owner for expenses incurred.

OPERATIONAL IMPACT:

Although the City does not receive many calls, the Sheriff's Office has requested the City seek a solution in the event the animal must be removed from a location for health and safety reasons.

RECOMMENDATION:

Staff recommends authorizing the City Administrator to enter into an agreement with All American Dogs for a fee per call incident to remove only aggressive, injured or sick animals. In this situation, All American Dogs would be instructed not to accept calls from the general public but would respond to calls placed by the City Administrator or her designee and/or the Sheriff's Office to remove an animal from a specific location. The City would not provide services for lost or roaming animals.

Lisa Palomba, City Administrator

Resolution No. 2019-
Approved 05/28/2019

CITY OF MCLENDON-CHISHOLM
ORDINANCE NO. 2019-__

AN ORDINANCE OF THE CITY OF McLENDON-CHISHOLM, TEXAS, AMENDING THE CITY'S ZONING ORDINANCE, ORDINANCE 2007-10, AS HERETOFORE AMENDED, BY AMENDING CHAPTER 14, SECTION 1-15, "ZONING BOARD OF ADJUSTMENT," SUBSECTION A(3), "TERMS OF OFFICE,", RELATING TO COMMENCEMENT OF TERMS OF MEMBERS AND ALTERNATE MEMBERS OF THE BOARD; PROVIDING A REPEALING CLAUSE; PROVIDING A SAVINGS CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of McLendon-Chisholm, Texas ("**City**") has adopted a Zoning Ordinance and established a Board of Adjustment as authorized by Chapter 211 of the Texas Local Government Code; and

WHEREAS, the members and alternate members of the Board are currently appointed in even and odd-numbered years for two year terms beginning on January 1; and

WHEREAS, City Council elections are held on the first Saturday of May of each even and odd-numbered year;

WHEREAS, to promote effective and efficient municipal governance and the health, safety and welfare of the citizens of the City, the City Council deems it appropriate to change the time for commencement of terms of office for Commission members and alternate members from January 1 to July 1 in even and odd-numbered years which allows newly elected Council Members to provide input with respect to these appointments.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF McLENDON-CHISHOLM, TEXAS:

SECTION 1. The recitals set forth in the WHEREAS clauses of this Ordinance are true and correct, constitute findings and determinations by the City Council acting in its legislative capacity and are incorporated herein.

SECTION 2. That Chapter 14, Section 1-15, "Zoning Board of Adjustment", Subsection A(3) "Terms of Office", relating to the commencement of terms of members and alternate members of the Board, relating to appointing and commencement of terms of members and alternate members of the Board, is hereby amended, without repeal or change to any other subsection, section, part or provision of Chapter 14, Section 1-15, to read in its entirety as follows:

Chapter 14. Zoning

Sec. 1-5 Zoning Board of Adjustment

3. Terms of Office. Members of the board shall serve for staggered terms of two years each. Three members and one alternate shall serve until June 30 of odd-numbered years,

as heretofore appointed, and two members and one alternate, as heretofore appointed, shall serve until June 30th of even numbered years, and therefore each member reappointed for each new appointee shall serve for a full term of two years unless removed as herein provided.

SECTION 3. That all provisions of the ordinances of the City of McLendon-Chisholm in conflict with the provisions of this Ordinance, to the extent of such conflict, be and the same are hereby repealed and all other provisions of the ordinances of the City of McLendon-Chisholm not in conflict with the provisions of this Ordinance shall remain in full force and effect.

SECTION 4. That should any sentence, paragraph, subdivision, clause, phrase or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance as a whole or any part or provision hereof other than the part so decided to be invalid, illegal or unconstitutional, and shall not affect the validity of the Code of Ordinances as a whole.

SECTION 5. It is hereby officially found and determined that the meeting at which this ordinance was passed was open to the public as required and that public notice of the time, place and purpose of said meeting was given as required by the Open Meetings Act, Chapter 551 of the Texas Government Code. Notice was also provided as required by Chapter 52 of the Texas Local Government Code.

SECTION 6. This Ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law in such cases provides.

DULY PASSED and APPROVED by the City Council of the City of McLendon-Chisholm, Texas, on the 28th day of May 2019.

APPROVED:

____
Keith Short, Mayor

ATTEST:

____
Lisa Palomba, City Secretary

Alarm Date between 2019-04-01 and 2019-04-30

Total Calls by District

District	2019-04-01	Total
County District	11	11
County Mutual Aid	2	2
City Limit District	23	23
Total	36	36

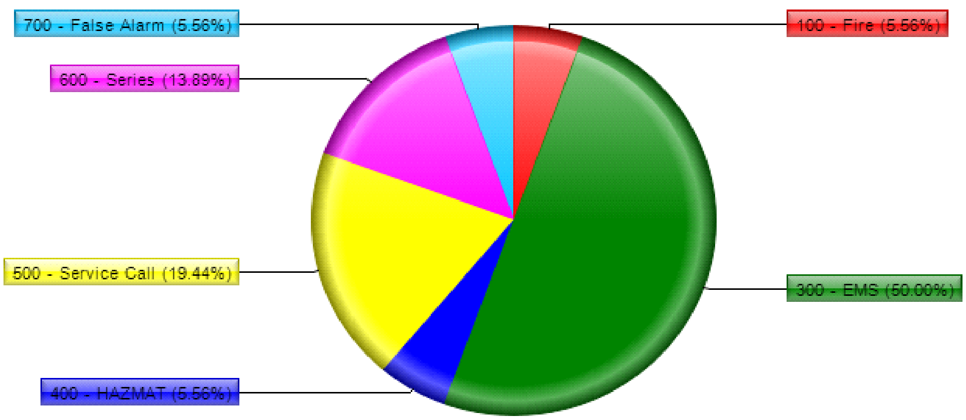
Fire - Incident Types with Monthly Breakdown

Date: Saturday, May 4, 2019
Time: 9:17:21 PM

Alarm Date between 2019-04-01 and 2019-04-30

Incident Type Group	Incident Type Group	Details
100 - Fire	2	2 Rows
300 - EMS	18	18 Rows
400 - HAZMAT	2	2 Rows
500 - Service Call	7	7 Rows
600 - Series	5	5 Rows
700 - False Alarm	2	2 Rows

Incident Type Group	2019-04-01	Total
100 - Fire	2	2
300 - EMS	18	18
400 - HAZMAT	2	2
500 - Service Call	7	7
600 - Series	5	5
700 - False Alarm	2	2
Monthly Total	36	36



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ANALYTICS

Total Record Volume by Incident Type

Previous Month

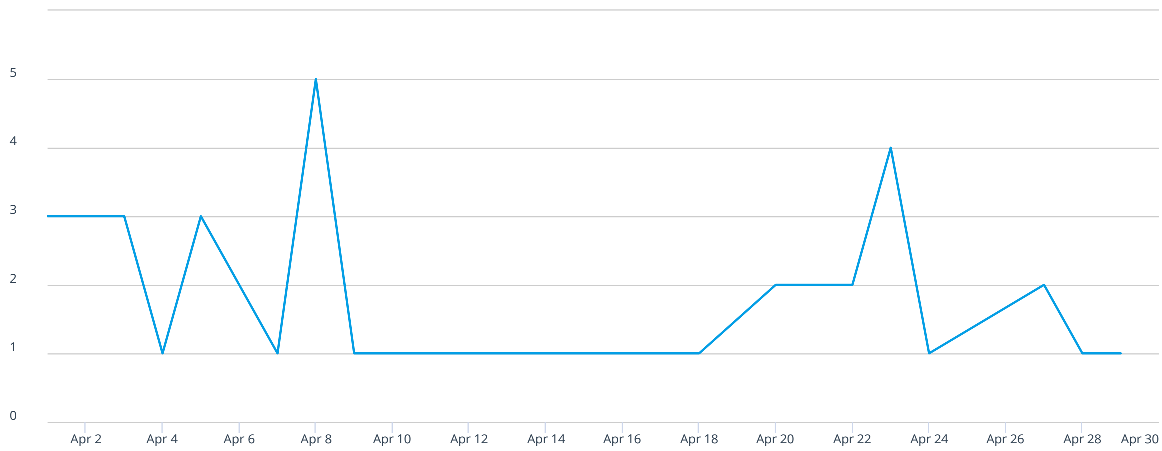
Apr 1, 2019 - Apr 30, 2019

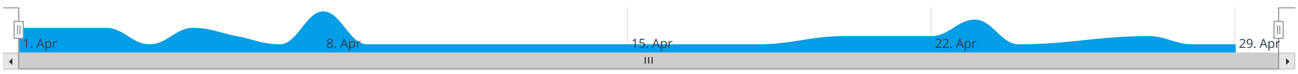
50%
FIRE
Percentage of Total Incidents

50%
EMS
Percentage of Total Incidents

36
INCIDENTS
In Selected Time Slice

30
DAYS
In Selected Time Slice





Counts | % Rows | % Columns | % All

Week Ending	4/7/19	4/14/19	4/21/19	4/28/19	5/5/19	5/12/19	5/19/19	5/26/19	6/2/19	6/9/19	6/16/19	6/23/19	6/30/19	Total
(11) Structure Fire	1													1
(15) Outside rubbish fire				1										1
(32) Emergency medical service (EMS) incident	8	6		4										18
(41) Combustible/f.. spills & leaks	1													1
(44) Electrical wiring/equipm. problem				1										1
(51) Person in distress			2	1										3
(55) Public service assistance	2			1										3
(56) Unauthorized burning			1											1
(61) Dispatched and canceled en route	1			2										3
(63) Controlled burning			1											1
(65) Steam, other gas mistaken for smoke		1												1
(74) Unintentional system/detect... operation (no fire)		1			1									2
Total	13	8	4	10	1									36

North East Texas Inspections

638 Chisholm Ranch Dr. 75032, 972-998-3415

There were 4 new single family residential home permits issued in April, 2019. The attached addendum reflects the home address, valuation, square footage and name of the Builder.

There were 7 new accessory projects permitted including single trades, swimming pools, outdoor living, shop buildings and other accessory endeavors that are also attached.

Thank you for choosing North East Texas Inspections for your Building Services provider.

April 2019

David Ellis, Building Official

April 2019 New SFR	Valuation	Square ft.	Fee	Builder
1215 Arezzo	$ 426,236.00	3772	$ 1,025.00	castlerock
1321 arezzo	$ 396,743.00	3511	$ 1,025.00	castlerock
1187 livorno	$ 480,090.00	4210	$ 1,025.00	highland
1533 via toscana	$ 510,490.00	4639	$ 1,025.00	highland
			$ 4,100.00	

Accessory permits April 2019	Project	Valuation	Fee
201 briar glen	hvac	$ 3,000.00	$75.00
825 Abington	pool	$42,000.00	$375.00
820 abington	concrete	$13,500.00	$225.00
900 fm 1139	patio	$16,500.00	$225.00
825 abington	patio cover	$5,000.00	$225.00
248 harvest ridge	garage	$107,488.00	$375.00
1524 Barrolo	pool	$45,000.00	$375.00
			$1,875.00

April 2019 Onsite inspections actual

1181 livorno	t-pole
1418 via toscana	t-pole
269 pheasant hill	plmbg rough
829 abington	patio pier
1831 S. Hwy 205	Mech
1431 Siena	belly steel
508 wild geese	belly steel
1336 arezzo	belly steel
1717 bertino	gas meter
1742 amalfi	gas meter
1762 connie	pool final
1170 lucca	t-pole
1229 livorno	t-pole
1762 connie	pool final
1170 lucca	t-pole
1229 livorno	t-pole
1315 arezzo	t-pole
1375 arezzo	t-pole
201 Briar glen	mech.
1874 W. FM 550	plmbg rough
1418 via toscana	frame mep
1431 sienna	pool gas
1501 Pisa crt.	final C.O
836 Abington	pool final
1315 arezzo	plmbg rough
1375 arezzo	plmbg rough
505 wild geese	frame mep
836 Abington	pool final
1748 amalfi	gas&electric meter
501 wild geese	belly steel
1717 bertino	final C.O
829 abington	pool gas
1607 amalfi	elect. Meter
1718 amalfi	elect. Meter
1418 via toscana	flatwork
1336 arezzo	deck & bond
1336 arezzo	pool gas
1315 arezzo	plmbg rough
1375 arezzo	plmbg rough
1251 livorno	pool gas
1431 siena	deck & bond
1229 livorno	plmbg rough
1170 lucca	plmbg rough
1375 arezzo	plmbg rough
1251 livorno	deck & bond
804 abington	frame mep

1607 amalfi	gas meter
1418 via toscana	elect. And gas
102 windsor	pool final
500 highwater	garage final
508 highwater	pool elect
1122 cambridge	frame mep
1518 pisa	flatwork
804 abington	patio cover
829 abington	deck & bond
22 fireside	garage final
1789 amalfi	t-pole
1795 amalfi	t-pole
1518 pisa	final C.O
900 fm 1139	flatwork
1607 amalfi	final C.O
820 abington	pool deck
1762 connie	pool final
232 pheasant hill	belly steel
1443 correra	frame mep
1181 livorno	frame mep
1193 livorno	frame mep
1229livorno	slab
1170 lucca	slab
1229 livorno	flatwork
1170 lucca	flatwork
1874 w.fm 550	foundation
232 phesant hill	belly steel
236 harvest ridge	belly steel
1418 via toscana	final C.O
3063 fm 550	plmbg rough
1718 amalfi	gas meter
1762 connie	pool final

City of McLendon-Chisholm
Operating Fund Financial Summary
For the Seventh Month Ended April 30, 2019

	Current Period Revenue & Expenditures				Prior Period Revenue & Expenditures				
	April 2019 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2018-2019 Budget	April 2018 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Amended Budget	FY 2017-2018 Actual
Revenue									
301 · SpringFest	$ -	-	- %	$ -	$ -	-	- %	$ -	$ -
302 · Franchise Income	**4,332**	136,756	**88%**	**154,830**	3,314	114,181	74%	154,839	159,914
303 · Development Income	**1,830**	13,430	**46%**	**29,000**	1,355	91,492	80%	114,314	96,764
304 · Building Permit Income	**25,653**	176,258	**36%**	**492,419**	41,588	273,480	53%	514,577	570,038
305 Municipal Court Income		359	**120%**	**300**	-	2,118	105%	2,012	2,118
306 · Interest Income	**1,676**	9,969	**- %**	**-**	1,122	4,306	- %	-	10,445
307 · Sign Permit Income		100	**- %**	**-**	-	-	- %	-	-
308 · Septic Fees	**550**	5,300	**30%**	**17,885**	1,650	10,900	61%	17,885	19,900
309 Food Enforcement	**-**	1,050	**175%**	**600**	300	900	105%	855	900
310 · Sales Tax Revenue	**13,792**	114,258	**74%**	**154,603**	9,935	89,203	58%	154,603	206,341
311 · PID Admin Expense Reimbursement	**-**	690	**- %**	**4,750**	-	-	0%	4,750	150
312 · Sewer Utility Admin Reimbursement	**-**	-	**- %**	**-**	-	-	- %	-	-
313 · Donations	**-**	1,449	**290%**	**500**		-	- %	-	210
314 · Copies Public Inf. Income	**40**	118	**- %**	**-**	-	-	- %	-	203
315 · Miscellaneous Income	**-**	-	**- %**	**-**	20	1,786	101%	1,763	69,928
317 · Ad Valorem Tax	**4,029**	378,371	**108%**	**350,579**	2,815	338,838	99%	341,183	346,822
318 · Tax Certifications		60	**- %**	**-**	-	8	- %	-	8
320 - NSF Fee Revenue		-	**- %**	**-**	8	8	- %	-	8
321 · Credit Card Fee Revenue	**87**	458	**31%**	**1,501**	59	1,343	101%	1,328	1,529
Total Revenue	**$ 51,988**	**$ 838,625**	**69%**	**$ 1,206,967**	$ 62,165	$ 928,562	71%	$ 1,308,109	$ 1,485,277
Expenditures									
Operating Expenditures									
401 · Municipal Court	**$ -**	**$ 7**	**- %**	**$ 1,515**	$ -	$ 960	95%	$ 1,008	$ 1,515
402 · Election Expense	**-**	**-**	**- %**	**10,000**	-	$ -	0%	11,000	8,580
404 · Citation Delivery	**-**	**-**	**- %**	**-**	-	$ -	0%	79	-
410 · Building Inspections	**13,425**	**58,825**	**38%**	**155,818**	11,850	$ 63,977	34%	186,040	117,752
411 · Environment Regulation Expense	**550**	**4,745**	**45%**	**10,465**	1,750	$ 5,815	55%	10,519	9,905
415 · Section 380 Grant Program	**-**	**-**		**-**	-	$ -	- %	-	1,931
416 · Bad Debt	**-**	**-**		**-**	-	$ -	- %	-	20,620

City of McLendon-Chisholm
Operating Fund Financial Summary
For the Seventh Month Ended April 30, 2019

	Current Period Revenue & Expenditures				Prior Period Revenue & Expenditures				
	April 2019 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2018-2019 Budget	April 2018 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Amended Budget	FY 2017-2018 Actual
418 · Membership Fees	-	1,556	52%	3,000	-	$ 2,620	95%	2,751	3,840
422 · Public Notice Expense	1,328	8,429	376%	2,243	623	$ 1,005	109%	918	3,463
423 · Community Functions	-	156	3%	5,464	375	$ 717	40%	1,803	1,781
426 · Appraisal District Collection	-	3,229	55%	5,883	-	$ 2,942	48%	6,178	5,883
430 · Public Safety	24,864	124,765	33%	375,211	727	$ 6,292	6%	100,192	116,417
Total 400 Operating Expenditures	40,167	201,712	35%	569,599	$ 15,325	$ 84,327	26%	$ 320,488	$ 291,687
Occupancy Expenditures									
502 · Electricity	156	$ 1,487	38%	$ 3,915	249	$ 2,336	50%	$ 4,661	$ 3,712
506 · Water	268	2,048	23%	8,952	657	$ 5,303	53%	9,928	8,892
510 · Propane Gas		-	0%	788	-	$ -	0%	788	-
514 · Building Maint/Improvements	704	7,892	147%	5,356	419	$ 3,491	51%	6,907	6,145
516 · Lawn Maintenance	685	4,795	59%	8,144	685	$ 4,995	49%	10,131	8,829
517 - Council Meeting Expenses	-	-	- %	-	-	$ -	- %	-	-
518 · Janitorial	-	40	1%	4,181	400	$ 3,282	57%	5,736	4,281
520 · Telephone & Internet	466	3,410	45%	7,593	643	$ 4,517	57%	7,902	7,444
521 · iPad Data Plan	-	-	- %	-	-	$ -	- %	-	-
522 · Website Expense	180	598	50%	1,202	25	$ 217	95%	228	1,826
Total 500 Occupancy Expenditures	$ 2,459	20268.01	51%	$ 40,131	$ 3,077	$ 24,140	52%	$ 46,281	$ 41,130
General & Administrative Expenditures									
601 · Architect Fee	$ -	$ -	- %	$ -	$ -	$ -	- %	$ -	$ -
602 · County Clerk Ordinance Filings	-	-	- %	-	-	-	- %	-	-
603 · Citizen Recognition	-	-	0%	500	-	-	0%	500	-
604 · Municipal Manuals, Books & Maps	-	70	1%	12,803	561	1,022	95%	1,073	1,022
606 · Employee Costs	11,523	109,573	55%	199,218	16,768	124,542	50%	250,371	247,144
618 · Liability Insurance		5,794	63%	9,227	-	6,780	95%	7,120	9,896
619 · Software Subscriptions	393	16,608	111%	15,000	13	888	43%	2,081	7,757
621 · IT Support	550	1,775	36%	5,000	225	1,755	58%	3,024	2,880
622 · Office Supplies - City Hall	270	2,393	77%	3,124	529	2,638	62%	4,221	3,195
623 · Office Equipment	164	1,466	55%	2,655	189	1,662	61%	2,735	2,654

City of McLendon-Chisholm
Operating Fund Financial Summary
For the Seventh Month Ended April 30, 2019

	Current Period Revenue & Expenditures				*Prior Period Revenue & Expenditures*				
	April 2019 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2018-2019 Budget	April 2018 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Amended Budget	FY 2017-2018 Actual
624 · Office Equip Maintenance	**-**	**1,163**	**42%**	**2,798**	-	1,598	61%	2,625	5,614
625 · Printed Materials	**161**	**1,383**	**92%**	**1,502**	-	1,126	41%	2,732	2,192
626 · Postage-City Hall	**1,001**	**3,020**	**87%**	**3,491**	481	3,296	74%	4,451	3,485
627 - County Plat Expense		-			-	150	95%	158	150
628 · Bank Fees	**306**	**1,118**	**111%**	**1,010**	94	1,243	69%	1,801	1,600
630 · Legal & Professional	**-**	**-**				-			
63001-Accounting & Payroll services	**4,091**	**37,450**	**75%**	**50,000**	4,526	32,740	**53%**	62,000	64,129
63002 - Financial Audit	**-**	**9,500**	**63%**	**15,000**		8,800	**100%**	8,800	8,800
63003 - Legal	**2,910**	**24,300**	**20%**	**124,000**	23,654	122,085	**100%**	121,653	116,007
63005 - City Planner	**4,116**	**33,109**	**126%**	**26,376**	3,934	21,936	**84%**	25,980	41,157
63008 - Financial Consulting	**3,784**	**11,389**	**- %**	**-**		-	0%	-	-
633 · Penalties & Fees	**0**	**32**	**- %**	**-**	-	-	- %	-	-
634 · Storage	**-**	**-**	**- %**	**-**	-	-	0%	1,045	-
645 · Transcription Services	**-**	**3,104**	**- %**	**-**	-	1,238	95%	1,300	1,238
646 · Mileage Expense	**-**	**180**	**17%**	**1,052**	-	881	92%	961	950
647 · Council Meetings & Development	**-**	**53**	**1%**	**3,996**	240	1,081	74%	1,463	1,369
648 · Training	**615**	**2,778**	**56%**	**5,000**	200	3,492	95%	3,666	6,377
649 · Expense Account - City Administrator	**-**	**-**	**0%**	**126**	-	-	0%	126	-
650 · Expense Account - Mayor	**-**	**-**	**0%**	**105**	-	-	0%	105	-
652 · Staff Appreciation	**-**	**760**	**380%**	**200**	-	-	0%	105	29
655 · Code of Ordinance	**-**	**1,000**	**13%**	**8,000**	-	1,000	7%	14,100	1,375
699 · Miscellaneous Expense	**-**	**-**	**0%**	**150**	-	98	95%	103	98
Total G & A Expenditures	**$ 29,885**	**268,017**	**55%**	**$ 490,333**	$ 51,415	$ 340,050	65%	$ 524,299	$ 529,118
700 · Capital Expenditures - Public Safety		**$ 74,899**	**125%**	**$ 60,000**			0%	$ 223,950	$ 250,341
700 · Capital Expenditures - Operating	**$ -**	**$ 9,900**	**31%**	**$ 32,000**	$ -	9,491	35%	$ 27,000	$ 17,166
Total Capital Expenditures	$ -	**$ 84,799**	**92%**	**$ 92,000**	$ -	$ 9,491	4%	$ 250,950	$ 267,507
Total Expenditures	**$ 72,510**	**$ 574,796**	**48%**	**$ 1,192,063**	$ 69,817	$ 458,008	40%	$ 1,142,018	$ 1,129,442
Surplus (Deficit)	**$ (20,523)**	**$ 263,829**	**1770%**	**$ 14,904**	$ (7,652)	$ 470,554	283%	$ 166,091	$ 355,835

City of McLendon-Chisholm
Utility Fund Financial Summary
For the Seventh Month Ended April 30, 2019

	Current Period Revenue & Expenditures				Prior Period Revenue & Expenditures				
	April 2019 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Budget	April 2018 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Amended Budget	FY 2017-2018 Actual
Revenue									
306 · Interest Income	**$ 825.85**	**$ 5,309**	**102%**	**$ 5,206**	$ 491.39	$ 2,294	48%	$ 4,755	5,522
Sewer Utility Revenue						$ -			
32200 · Sewer Usage Fees	**16,969**	**125,071**	**78%**	**159,653**	12,618	$ 93,053	58%	159,518	159,079
32201 · Sewer Tap Fees	**9,000**	**57,000**	**30%**	**189,000**	6,000	$ 99,000	52%	189,000	219,000
32204 · Sewer Deposit Refunds	**-**	**(733)**	**48%**	**(1,540)**	(70)	$ (1,525)	100%	(1,525)	(1,720)
32206 · Sewer Warranty Reimbusements	**-**	**-**	- %	**-**	-	$ -	- %	-	-
Total Revenue	**26,795**	**$ 186,647**	**53%**	**$ 352,319**	19,039	$ 192,821	55%	$ 351,748	381,881
Expenditures									
Operation & Maintenance Expenditures									
Sewer Operation & Maintenance									
41304 · O&M Agreement	**3,658.30**	**35,134**	**75%**	**$ 47,094**	2,766.85	28,400	64%	$ 44,640	48,850
41308 · Electricity	**-**	**-**	**0%**	**42**		42	16%	258	42
41310 · Sewer Treatment	**-**	**98,949**	**127%**	**78,000**	5887.14	50,101	146%	34,204	93,886
41312 · Tap Fee Developer Rebate	**5,400.00**	**34,200**	**30%**	**113,400**	3,600.00	59,400	52%	113,400	131,400
Total Operations Expenditures	**$ 9,058**	**$ 168,283**	**71%**	**$ 238,536**	$ 12,254	$ 137,944	72%	$ 192,502	274,179
600 · General & Administrative Exp	**651.5**	**$ 5,958**	**45%**	**$ 13,260**	795	$ 9,072	69%	$ 13,200	16,733
Total Expenditures	**9,710**	**$ 174,240**	**69%**	**$ 251,796**	13,049	$ 147,016	71%	$ 205,702	$ 290,912
Surplus (Deficit)	**17,085**	**$ 12,407**	**12%**	**$ 100,523**	5,990	$ 45,805	31%	$ 146,046	$ 90,969

City of McLendon-Chisholm
Detail Statement of Revenue Expenditures by Fund
For the Month of April, 2019

	Interest and Sinking Fund	Operating Fund	Public Safety	Utilities Fund
Income				
302 · Franchise Income				
30204 · AT&T	0.00	3,763.86	0.00	0.00
30213 · Waste Connections	0.00	556.12	0.00	0.00
30215 · Preferred Long Distance	0.00	11.55	0.00	0.00
Total 302 · Franchise Income	0.00	4,331.53	0.00	0.00
303 · Development Income				
30302 · Zoning Change	0.00	1,230.00	0.00	0.00
30304 · Plat Income	0.00	600.00	0.00	0.00
Total 303 · Development Income	0.00	1,830.00	0.00	0.00
304 · Building Permit Income				
30401 · Contractor Registration Fee Inc	0.00	300.00	0.00	0.00
30404 · Re-Inspection Income	0.00	4,650.00	0.00	0.00
30405 · Building Permit & Plan Review	0.00	18,143.00	0.00	0.00
30408 · Swimming Pool Permits	0.00	2,560.00	0.00	0.00
Total 304 · Building Permit Income	0.00	25,653.00	0.00	0.00
306 · Interest Income				
30600 · Alliance Interest Income	0.00	260.76	0.00	192.62
30602 · Logic Interest Income	247.83	1,377.37	0.00	633.23
30603 · Tex Pool Interest Income	0.00	37.49	0.00	0.00
30607 · Wilmington Accrued Int Income	359.74	0.00	0.00	0.00
Total 306 · Interest Income	607.57	1,675.62	0.00	825.85
308 · Septic Fees				
30801 · OSSF Fee Income	0.00	550.00	0.00	0.00
Total 308 · Septic Fees	0.00	550.00	0.00	0.00
310 · Sales Tax Revenue	0.00	13,791.90	0.00	0.00
314 · Copies Public Information Incom	0.00	40.00	0.00	0.00
317 · Ad Valorem Tax				
31701 · Ad Valorem Tax - M&O	0.00	2,808.13	0.00	0.00
31702 · Ad Valorem Tax - City Hall	1,834.18	0.00	0.00	0.00
31703 · Ad Valorem Refunds - M&O	0.00	-416.98	0.00	0.00
31705 · Ad Valorem Tax - Prior Years	833.57	1,277.78	0.00	0.00
31706 · Ad Valorem Tax - Penalty	174.76	267.80	0.00	0.00
31708 · Ad Valorem Refunds - City Hall	-271.61	0.00	0.00	0.00
31709 · Ad Valorem Tax - Interest	59.98	92.24	0.00	0.00
31710 · Ad Valorem Tax - Misc Adj	0.00	0.00	0.00	0.00
Total 317 · Ad Valorem Tax	2,630.88	4,028.97	0.00	0.00
318 · Tax Certifications	0.00	0.00	0.00	0.00
319 · Grants	0.00	0.00	30,286.33	0.00
321 · Credit Card Fee Revenue	0.00	86.75	0.00	0.00
322 · Sewer Utility Revenue				
32200 · Sewer Usage Fees	0.00	0.00	0.00	16,969.17
32201 · Sewer Tap Fees	0.00	0.00	0.00	9,000.00
Total 322 · Sewer Utility Revenue	0.00	0.00	0.00	25,969.17
Total Income	3,238.45	51,987.77	30,286.33	26,795.02
Gross Profit	3,238.45	51,987.77	30,286.33	26,795.02
Expense				
400 · Operating Expenditures				
410 · Building Inspections				
41003 · Building Inspections	0.00	5,975.00	0.00	0.00
41004 · Engineer Fees-Douphrate & Assoc	0.00	7,450.00	0.00	0.00
Total 410 · Building Inspections	0.00	13,425.00	0.00	0.00
411 · Environment Regulation Expense				
41101 · Septic Inspection Fee	0.00	550.00	0.00	0.00
Total 411 · Environment Regulation Expense	0.00	550.00	0.00	0.00
422 · Public Notice Expense	0.00	1,328.00	0.00	0.00
Total 400 · Operating Expenditures	0.00	15,303.00	0.00	0.00
413 · Sewer Operation & Maintenance				
41304 · O&M Agreement	0.00	0.00	0.00	3,658.30
41312 · Tap Fee Developer Rebate	0.00	0.00	0.00	5,400.00

City of McLendon-Chisholm
Detail Statement of Revenue Expenditures by Fund
For the Month of April, 2019

	Interest and Sinking Fund	Operating Fund	Public Safety	Utilities Fund
Total 413 · Sewer Operation & Maintenance	0.00	0.00	0.00	9,058.30
430 · Public Safety				
43002 · Fuel	0.00	0.00	881.02	0.00
43003 · Maintenance & Repair - Vehicles	0.00	0.00	742.55	0.00
43004 · Maintenance & Repair - Station	0.00	0.00	1,400.00	0.00
43005 · Gear and Supplies	0.00	0.00	2,833.81	0.00
43009 · Training	0.00	0.00	1,073.53	0.00
43035 · Street Lights	0.00	0.00	268.93	0.00
Total 430 · Public Safety	0.00	0.00	7,199.84	0.00
500 · Occupancy Expenditures				
502 · Electricity	0.00	156.65	334.61	0.00
506 · Water	0.00	267.73	0.00	0.00
512 · Trash	0.00	0.00	121.61	0.00
514 · Building Maint/Improvements	0.00	704.09	0.00	0.00
516 · Lawn Maintenance	0.00	684.94	0.00	0.00
520 · Telephone & Internet	0.00	466.15	371.68	0.00
522 · Website Expense	0.00	180.00	0.00	0.00
Total 500 · Occupancy Expenditures	0.00	2,459.56	827.90	0.00
600 · General & Administrative Exp				
606 · Employee Costs				
60601 · Staff Salaries	0.00	9,329.65	38,034.09	0.00
60609 · Payroll Tax Expense	0.00	713.71	2,904.60	0.00
60612 · Retirement Plan Contributions	0.00	609.38	2,758.82	0.00
60613 · Health Insurance Expense	0.00	869.87	3,024.82	0.00
Total 606 · Employee Costs	0.00	11,522.61	46,722.33	0.00
619 · Software Subscriptions	0.00	393.44	0.00	0.00
621 · IT Support	0.00	550.00	0.00	0.00
622 · Office Supplies - City Hall	0.00	270.19	0.00	0.00
623 · Office Equipment	0.00	164.44	0.00	0.00
625 · Printed Materials	0.00	161.47	0.00	0.00
626 · Postage-City Hall	0.00	1,000.79	0.00	0.00
628 · Bank Fees				
62801 · Service Charges	0.00	306.45	0.00	0.00
Total 628 · Bank Fees	0.00	306.45	0.00	0.00
630 · Legal & Professional				
63001 · Accounting & Payroll Services	0.00	4,090.75	0.00	651.50
63003 · Legal	0.00	2,910.00	0.00	0.00
63005 · City Planner	0.00	4,116.00	0.00	0.00
63008 · Financial Consulting	0.00	3,783.75	0.00	0.00
Total 630 · Legal & Professional	0.00	14,900.50	0.00	651.50
648 · Training	0.00	614.87	0.00	0.00
660 · Bond Interest Expense	4,988.50	0.00	0.00	0.00
Total 600 · General & Administrative Exp	4,988.50	29,884.76	46,722.33	651.50
Total Expense	4,988.50	47,647.32	54,750.07	9,709.80
Net Ordinary Income	-1,750.05	4,340.45	-24,463.74	17,085.22
Other Income/Expense				
700 Capital Expenditures			400.00	
802 · Bond Cost Amortization	242.66	0.00	0.00	0.00
803 · Bond Premium Amortization	-828.48	0.00	0.00	0.00
Total Other Expense	-585.82	0.00	400.00	0.00
Net Other Income	585.82	0.00	-400.00	0.00
Net Income	**-1,164.23**	**4,340.45**	**-24,863.74**	**17,085.22**

City of McLendon-Chisholm
Interest Sinking Fund Financial Summary
For the Seventh Month Ended April 30, 2019

	Current Period Revenue & Expenditures				Prior Period Revenue & Expenditures				
	April 2019 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2018-2019 Budget	April 2018 Actuals	Current YTD Actuals	% of Budget Current YTD	FY 2017-2018 Amended Budget	FY 2017-2018 Actual
Revenue									
Ad Valorem Tax									
317 · Ad Valorem Tax	$ 2,631	246,819	108%	$ 228,985	$ 1,959	231,210	97%	$ 238,651	236,763
306 · Interest Income	608	3,643	- %	-	185	661	42%	1,586	1,898
Transfer from Excess Bond Proceeds		-	- %	-		62,532	100%	62,352	62,532
Transfer From 2017 Surplus		-	- %	-		33,714	100%	33,714	33,714
Total Revenue and Transfers In	$ 3,238	$ 250,462	109%	$ 228,985	$ 2,145	$ 328,117	98%	$ 336,303	334,907
Expenditures									
628 · Bank Fees Expense									
660 · Bond Interest Expense	$ 4,989	34,920	58%	$ 59,862	5,112	35,784	58%	$ 61,562	61,344
802 · Bond Cost Amortization	243	1,699	- %	-	243	1,699	58%	2,914	2,912
803 · Bond Premium Amortization	(828)	(5,799)	- %	-	(842)	(5,896)	58%	(10,104)	(10,107)
Transfer To Bond Principal		85,000	100%	85,000		85,000	100%	85,000	85,000
Transfer to Early Redemption Sinking Fund		-	0%	78,512		-	0%	196,931	189,934
Total Expenditures and Transfers Out	$ 4,403	$ 115,819	52%	$ 223,374	$ 4,512	$ 116,586	35%	$ 336,303	329,082
Surplus (Deficit)	$ (1,164)	$ 134,642	2400%	$ 5,611	$ (2,368)	$ 211,530		$ -	$ 5,824

City of McLendon-Chisholm
Cash Account Balances
For the Seventh Month Ended April 30, 2019

Fund	Account	Sept 30,18	Oct 31,18	Nov 30,18	Dec 31,18	Jan 31,19	Feb 28,19	Mar 31,19	April 30,19
I&S	121 · 7002 - Alliance Sinking Fund	18	18	18	18	-	-	-	-
I&S	130 · 9003 Logic I&S Fund	1,328	1,330	1,333	1,336	1,339	84,520	84,707	126,694
I&S Total		**1,346**	**1,348**	**1,351**	**1,354**	**1,339**	**84,520**	**84,707**	**126,694**
Operating	100 · 3738 - Alliance Operating	186,087	56,193	21,632	218,071	486,722	684,761	695,223	73,409
Operating	103 · Texpool 300001	18,527	18,561	18,595	18,631	18,669	18,703	18,742	18,779
Operating	122 · 1587 - Alliance Money Market	64,235	-	-	-	-	-	-	-
Operating	125 · Logic - 9001 General Fund	78,706	78,862	29,005	29,066	29,130	29,188	32,655	29,319
Operating	127 · 9004 Logic Operating	285,487	286,053	286,619	227,148	227,649	29,396	29,461	577,341
Operating	128 · 9005 Logic Operating	20,007	20,047	20,087	20,173	20,173	20,214	20,258	20,301
Operating Total		**653,049**	**459,716**	**375,937**	**513,090**	**782,343**	**782,263**	**796,340**	**719,150**
Utility	106 · 5071 - Alliance Utility Fund	175,400	156,341	167,336	73,406	69,617	93,255	89,472	111,975
Utility	126 · Logic - 9002 Utility Fund	194,938	195,324	195,710	296,266	296,919	297,513	298,171	298,804
Utility Total		**370,338**	**351,664**	**363,046**	**369,672**	**366,536**	**390,768**	**387,643**	**410,779**
Grand Total		**1,024,733**	**812,729**	**740,334**	**884,115**	**1,150,219**	**1,257,551**	**1,268,690**	**1,256,623**

CITY OF MCLENDON-CHISHOLM

Public Safety Detail Report

For the 7 months ended April 30,2019

	Current Period Revenue & Expenditures	
	Apr 19	Oct '18 - Apr 19
Income		
313 · Donations	0.00	1,250.00
315 · Miscellaneous Income	0.00	67,500.00
319 · Grants	30,286.33	176,461.55
Total Income	30,286.33	245,211.55
Gross Profit	30,286.33	245,211.55
Expense		
400 · Operating Expenditures		
401 · Municipal Court		
40102 · Court Clerk Expense	0.00	39.00
Total 401 · Municipal Court	0.00	39.00
Total 400 · Operating Expenditures	0.00	39.00
430 · Public Safety		
43001 · Liability Insurance	0.00	13,987.26
43002 · Fuel	881.02	5,264.23
43003 · Maintenance & Repair - Vehicles	742.55	4,029.57
43004 · Maintenance & Repair - Station	1,400.00	5,062.35
43005 · Gear and Supplies	3,233.81	14,186.35
43006 · Compliance	0.00	35.00
43008 · Dispatch	0.00	10,000.00
43009 · Training	1,073.53	3,855.09
43010 · Software	0.00	48.00
43030 · EMS	0.00	1,986.52
43035 · Street Lights	268.93	1,715.07
Total 430 · Public Safety	7,599.84	60,169.44
500 · Occupancy Expenditures		
502 · Electricity	334.61	2,096.83
506 · Water	0.00	158.10
512 · Trash	121.61	354.04
516 · Lawn Maintenance	0.00	120.00
518 · Janitorial	0.00	252.05
520 · Telephone & Internet	371.68	913.40
Total 500 · Occupancy Expenditures	827.90	3,894.42
600 · General & Administrative Exp		
606 · Employee Costs		
60601 · Staff Salaries	38,034.09	246,163.02
60604 · Holiday Pay	0.00	1,696.20
60609 · Payroll Tax Expense	2,904.60	18,938.30
60611 · Employee Screening	0.00	675.00
60612 · Retirement Plan Contributions	2,758.82	18,845.60
60613 · Health Insurance Expense	3,024.82	16,668.28
Total 606 · Employee Costs	46,722.33	302,986.40
619 · Software Subscriptions	0.00	495.00
622 · Office Supplies - City Hall	0.00	38.97
623 · Office Equipment	0.00	162.36
630 · Legal & Professional		

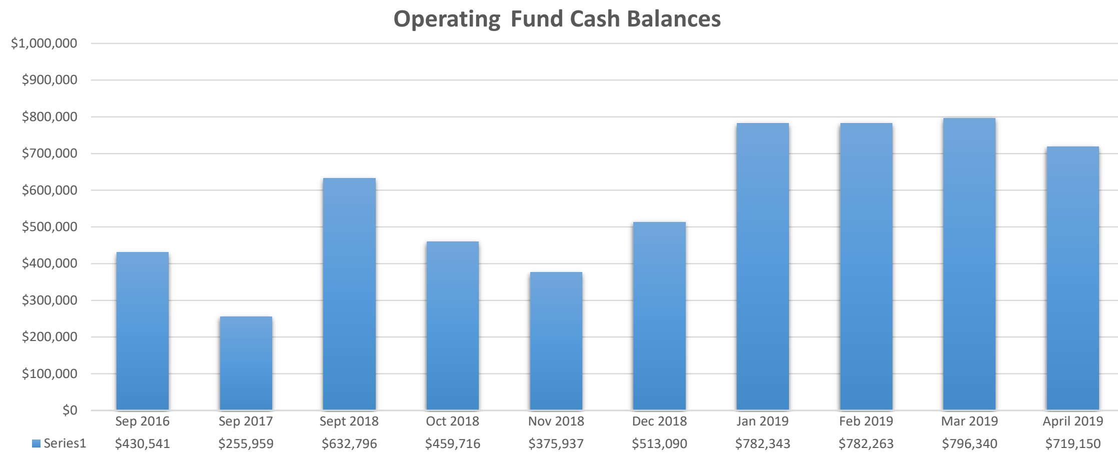
CITY OF MCLENDON-CHISHOLM

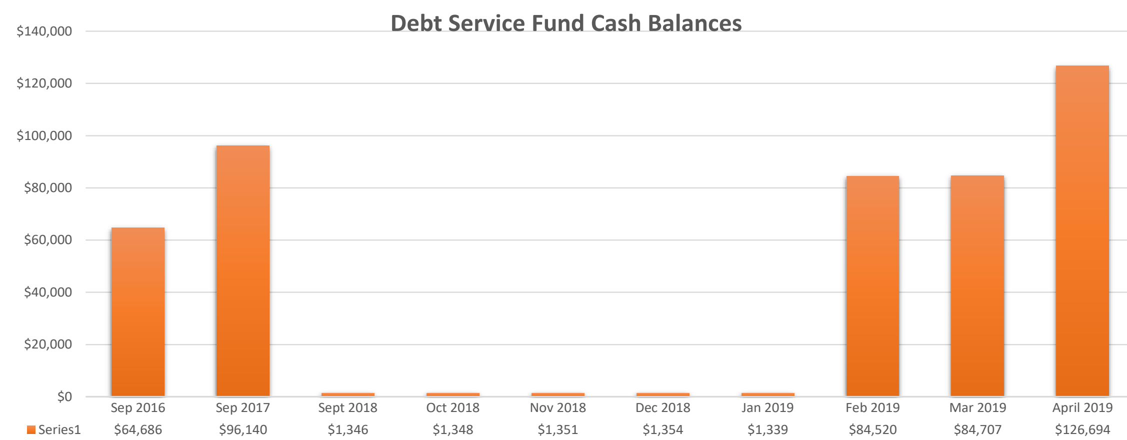
Public Safety Detail Report

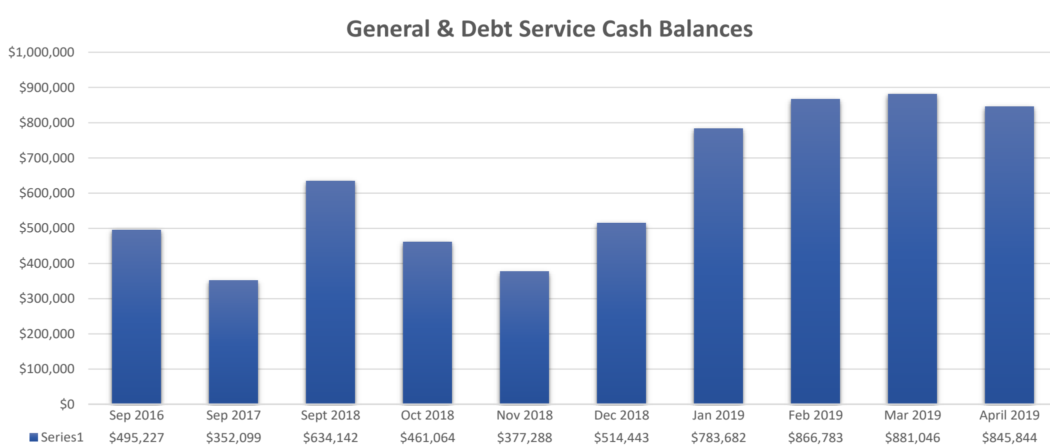
For the 7 months ended April 30,2019

	Current Period Revenue & Expenditures	
	Apr 19	Oct '18 - Apr 19
63005 · City Planner	0.00	924.00
Total 630 · Legal & Professional	0.00	924.00
652 · Staff Appreciation	0.00	1,267.50
Total 600 · General & Administrative Exp	46,722.33	305,874.23
Total Expense	55,150.07	369,977.09
Net Ordinary Income	-24,863.74	-124,765.54
Net Income	**-24,863.74**	**-124,765.54**

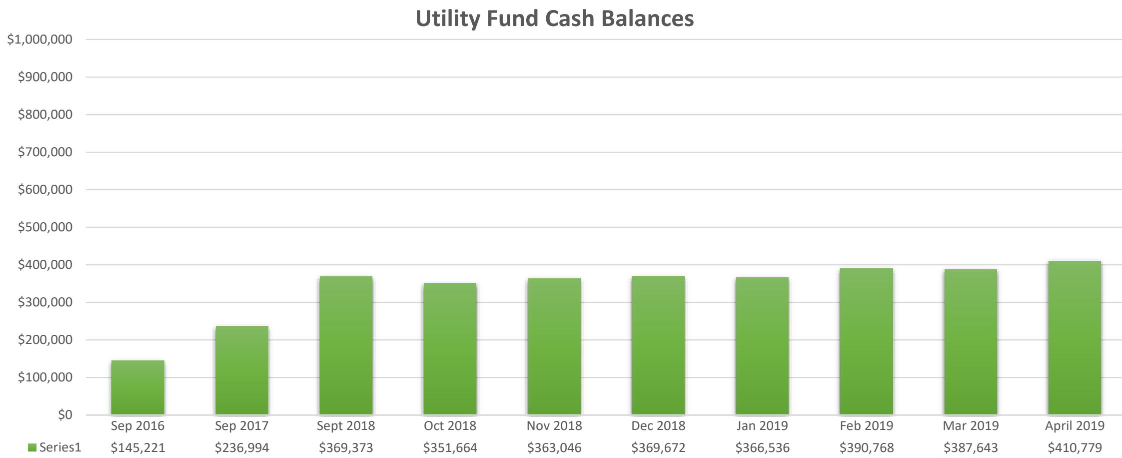
City of McLendon-Chisholm
Cash Balance Report
As of April 30, 2019

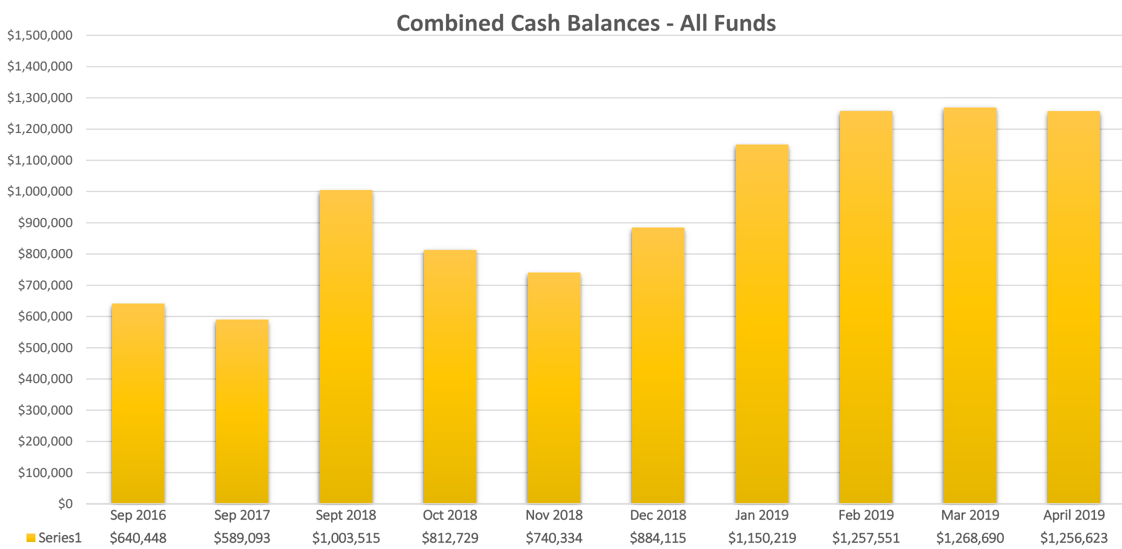






City of McLendon-Chisholm
Cash Balance Report
As of April 30, 2019





ROCKWALL COUNTY SHERIFF
972 TL TOWNSEND ROCKWALL , TX 75087

CC.IncDate Between '04/01/2019' And '04/30/2019' AND CC.District = '41' AND
IsNull(CC.Jurisdiction, 'Default') = 'Default'

CFS History Search
Public Report

CFS #	Create When	Location	Type | Disposition
2019-014425	4/29/2019 10:01:29 PM	100B BRIAR GLEN LN MCLENDON CHISHOLM	ALARM RESIDENTIAL FIRE | FALSE ALAR
2019-014420	4/29/2019 09:32:22 PM	S STATE HIGHWAY 205 / S FM 548	WELFARE CHECK | ASSIGNMENT COMPL
2019-014227	4/28/2019 01:36:38 PM	1400B VIA TOSCANA LN MCLENDON CHISHOLM	ALARM | FALSE ALARM
2019-014226	4/28/2019 01:27:05 PM	1000B FRONTIER TRL MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-014173	4/27/2019 07:26:34 PM	WALLACE RD ROCKWALL COUNTY	SUSPICIOUS PERSON/VEHICLE | ASSIGN
2019-014117	4/27/2019 04:59:34 AM	1600B VISTA CT MCLENDON CHISHOLM	ALARM | ASSIGNMENT COMPLETE
2019-014073	4/26/2019 08:53:46 PM	1000B ABBEY LN MCLENDON CHISHOLM	ALARM | FALSE ALARM
2019-014070	4/26/2019 08:16:36 PM	0B FIRESIDE DR MCLENDON CHISHOLM	SUSPICIOUS PERSON/VEHICLE | UTL
2019-013954	4/25/2019 05:59:40 PM	800B STATE HIGHWAY 205 MCLENDON CHISHOLM	ANIMAL VISCIOUS | RSO REPORT TAKEN
2019-013952	4/25/2019 05:35:39 PM	200B PHEASANT HILL DR MCLENDON CHISHOLM	SUSPICIOUS ACTIVITY | ASSIGNMENT CC
2019-013772	4/24/2019 12:41:18 AM	0B WINDSOR DR MCLENDON CHISHOLM	ALARM | ASSIGNMENT COMPLETE
2019-013749	4/23/2019 07:32:13 PM	PUBLIC SERVICE	MEET COMPLAINANT | ASSIGNMENT COI
2019-013740	4/23/2019 04:31:16 PM	1100B FRONTIER TRL MCLENDON CHISHOLM	ANIMAL VISCIOUS | UTL
2019-013680	4/23/2019 07:23:22 AM	5500B CONNIE LN MCLENDON CHISHOLM	ANIMAL LOOSE LIVESTOCK | ASSIGNMEI
2019-013633	4/22/2019 08:40:07 PM	100B HIDDEN PASS ROCKWALL COUNTY	MEDICAL CALL | ASSIGNMENT COMPLET
2019-013624	4/22/2019 07:13:53 PM	200B HARVEST RIDGE DR MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-013616	4/22/2019 05:58:52 PM	N STATE HIGHWAY 205 / E FM 550	ACCIDENT MINOR | ASSIGNMENT COMPL
2019-013513	4/21/2019 02:11:54 PM	1300B S FM 550 MCLENDON CHISHOLM	ALARM | ASSIGNMENT COMPLETE
2019-013429	4/20/2019 04:26:13 PM	5700B S STATE HIGHWAY 205 MCLENDON CHISHOLM	VEHICLE UNLOCK | ASSIGNMENT COMPL
2019-013386	4/20/2019 10:03:45 AM	2400B FM 1139 ROCKWALL COUNTY	FIRE | ASSIGNMENT COMPLETE
2019-013343	4/19/2019 11:28:27 PM	E FM 550 / MEADOWPARK LN	ANIMAL COMPLAINT | ASSIGNMENT COM
2019-013102	4/17/2019 12:23:28 PM	200B PHEASANT HILL DR MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI

CFS #	Create When	Location	Type | Disposition
2019-013082	4/17/2019 09:04:25 AM	500B SAVANNA HILL LN MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-012968	4/16/2019 11:06:57 AM	500B SAVANNA HILL LN MCLENDON CHISHOLM	FRAUD | ASSIGNMENT COMPLETE
2019-012877	4/15/2019 06:26:33 PM	700B MEADOW DR MCLENDON CHISHOLM	DISTURBANCE NOISE | ASSIGNMENT CO
2019-012840	4/15/2019 12:02:27 PM	200B HARVEST RIDGE DR MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-012728	4/14/2019 07:25:31 PM	1500B CORRARA DR MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-012693	4/14/2019 01:06:10 AM	1400B ARTESIA LN MCLENDON CHISHOLM	DISTURBANCE | NO OFFENSE
2019-012687	4/14/2019 12:17:43 AM	1400B ARTESIA LN MCLENDON CHISHOLM	DISTURBANCE NOISE | ASSIGNMENT CO
2019-012559	4/12/2019 10:19:07 AM	900B FM 1139 MCLENDON CHISHOLM	WELFARE CHECK | ASSIGNMENT COMPL
2019-012189	4/9/2019 08:42:35 PM	100B FIRESIDE CT MCLENDON CHISHOLM	WELFARE CHECK | ASSIGNMENT COMPL
2019-012030	4/8/2019 07:12:51 PM	600B STAMPEDE RUN MCLENDON CHISHOLM	MEDICAL CALL | ASSIGNMENT COMPLET
2019-011950	4/8/2019 07:00:53 AM	1200B S STATE HIGHWAY 205 MCLENDON CHISHOLM	MEDICAL CALL | ASSIGNMENT COMPLET
2019-011794	4/6/2019 02:06:28 PM	1500B BARROLO DR MCLENDON CHISHOLM	THEFT | RSO REPORT TAKEN
2019-011722	4/5/2019 08:40:28 PM	1500B FIRENZA CT MCLENDON CHISHOLM	MEDICAL CALL | ASSIGNMENT COMPLET
2019-011553	4/4/2019 03:47:37 PM	SB 205/550	WELFARE CHECK | UTL
2019-011550	4/4/2019 03:02:54 PM	1700B BERTINO WAY MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-011525	4/4/2019 11:21:35 AM	600B FM 1139 MCLENDON CHISHOLM	CRIMINAL MISCHIEF | RSO REPORT TAKI
2019-011467	4/3/2019 08:25:48 PM	2300B W FM 550 MCLENDON CHISHOLM	MEET COMPLAINANT | ASSIGNMENT COI
2019-011428	4/3/2019 02:42:49 PM	5700B S STATE HIGHWAY 205 MCLENDON CHISHOLM	MEDICAL CALL | ASSIGNMENT COMPLET
2019-011114	4/1/2019 12:05:19 PM	100B KLUTTS RD MCLENDON CHISHOLM	ALARM | FALSE ALARM

Total: 41

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