AGENDA
CITY COUNCIL
TUESDAY, JUNE 11, 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

4 - 14 5.1. May 28, 2019
May 28, 2019 Draft Minutes

6. ITEMS FOR CONSIDERATION

15 - 16 6.1. Sonoma Verde Developers will discuss Sonoma Verde amenities and present a timeline of future improvements. *(Requested by Palomba)*
Staff Report - Improvements Timeline

6.2. Conduct a public hearing regarding assessments levied against certain assessable property within the Sonoma Public Improvement District. *(Requested by Palomba)*

17 - 275 6.3. Consider the adoption of an Ordinance authorizing the issuance and sale of "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project) and approving various documents related to such bonds. *(Requested by Palomba)*
Proposed Sonoma PID 2019--Bond Ordinance

276 - 300 6.4. Consider the adoption of an Ordinance approving a Construction, Funding, and Acquisition Agreement related to the Sonoma Public Improvement District and authorizing the Mayor to execute and deliver such agreement. *(Requested by Palomba)*
Proposed Sonoma PID 2019--Ordinance Construction Funding Agreement

301 - 313 6.5. Discussion and action considering an amendment to the Agreement for Fire Protection Services and Integration between the McLendon-Chisholm Volunteer Fire Department (MCVFD) and the City of McLendon-Chisholm (City) transferring ownership of MCVFD Station 2 to the City. *(Requested by Palomba)*
Staff Report - Proposed Fire Integration Amendment
2019 Agreement for Fire Protection Services and Integration
Proposed Amendment

314 - 315 6.6. Discussion and direction regarding the Fiscal Year 19-20 Budget Adoption Calendar. *(Requested by Palomba)*
Proposed Budget Adoption Calendar

7. UPDATES, DISCUSSION AND DIRECTION TO STAFF

8. MAYOR & COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

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

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

8.3. Council Member Kipphut's announcements

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

8.5. Council Member Woessner's announcements

8.6. Council Member Dahl's announcements

9. EXECUTIVE SESSION

9.1. 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 possible fire station location sites and options for placement and methods of placement of said fire station in the city limits. (*Requested by Palomba*)

10. RECONVENE REGULAR MEETING

11. EXECUTIVE SESSION ACTION

12. 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., June 7, 2019 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.

CITY COUNCIL
City of McLendon-Chisholm, Texas
Meeting Minutes
May 28, 2019

The City Council of the City of McLendon-Chisholm convened in Regular Session on Tuesday, May 28, 2019, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor (Absent)
	Jim Bloom	Mayor Pro Tem
	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 Pro Tem Bloom called the meeting to order at 6:30 p.m.

2. Council Member Larkin delivered the Invocation and led the Pledge of Allegiance to the U.S. and Texas Flags.

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

4. CITIZEN COMMENTS

Robert J. Quinn, 1401 Corrara Drive, Mr. Quinn appeared before the Council to address Items 6.4. and 6.5. on the agenda. He expressed concern over the items in marketing material used to sell homes in Sonoma Verde that have not happened. He was willing to pay his PID money for the things promised, but things have not been done.

Robert Davis, 1258 Livorno Dr., Mr. Davis appeared before the Council regarding Item 6.9. concerning animal control. He expressed his concerns regarding the proposed animal control contract being presented before the Council tonight.

Lance Agee, 1509 Via Toscana, Mr. Agee appeared before Council to discuss Items, 6.3., 6.4., and 6.5. He explained Sonoma Verde residents were promised things when they moved in that haven't come to fruition. He suggested the Council require a timeline before approving another development. He also expressed concern over the budget, especially with the reduction in the number of building permits. He urged the Council not to increase taxes.

5. APPROVAL OF CITY COUNCIL MEETING MINUTES

5.1 MAY 10, 2019

MOTION: APPROVE MINUTES OF MAY 10, 2019 AS PRESENTED.

MADE BY: Council Member Kipphut
SECONDED: Council Member Larkin
APPROVED: Unanimously

5.2. MAY 14, 2019

MOTION: APPROVE MINUTES OF MAY 14, 2019 WITH CORRECTIONS. ITEM 5.12. [PARAGRAPH 5.] WAS RECORDED AS "THE ROCKWALL COUNTY TERRY FISHER AMERICAN LEGION POST HAS OFFERED TO DONATE FUNDS TO PREPARE THE SITE AND INSTALL THE BRICKS" AS PRESENTED BY COUNCIL MEMBER LARKIN. MOTION CHANGED TO READ "WILL CONDUCT A FUND RAISER FOR FUNDS TO PREPARE THE SITE AND INSTALL THE BRICKS." CORRECTIONS WERE ALSO MADE TO MAYOR PRO TEM'S REPORTS AND ANNOUNCEMENTS.

MADE BY: Council Member Larkin
SECONDED: Council Member Kipphut
APPROVED: Unanimously

6. ITEMS FOR CONSIDERATION

6.1. DISCUSSION AND ACTION REGARDING AN ORDINANCE DENYING THE PROPOSED CHANGE IN RATES OF ONCOR ELECTRIC DELIVERY COMPANY LLC.

Cindy Tayem with Oncor Electric was present to introduce and explain this item.

MOTION: APPROVE ORDINANCE 2019-02 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 AN EFFECTIVE DATE.

MADE BY: Council Member Larkin
SECONDED: Council Member Kipphut
APPROVED: Unanimously

6.2. DISCUSSION AND ACTION AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE A LETTER OF ENGAGEMENT WITH RAY SMITH, CPA PLLC FOR ACCOUNTING SERVICES

MOTION: AUTHORIZE THE CITY ADMINISTRATOR TO EXECUTE A LETTER OF ENGAGEMENT WITH RAY SMITH, CPA PLLC FOR ACCOUNTING SERVICES

MADE BY: Council Member Kipphut
SECONDED: Council Member Dahl
APPROVED: Unanimously

6.3. DISCUSSION AND ACTION AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO AN AGREEMENT FOR PUBLIC IMPROVEMENT DISTRICT (PID) ADMINISTRATION SERVICES WITH P3WORKS

Mayor Pro Tem Bloom explained they had received qualifications from several companies offering their services and we, as a Council, submitted our rankings of those, independently, to Ms. Palomba and she calculated them and the one that scored the highest was P3Works.

A representative from P3Works was present to field any questions from the Council.

MOTION: AUTHORIZE THE CITY ADMINISTRATOR TO ENTER INTO AN AGREEMENT FOR PUBLIC IMPROVEMENT DISTRICT (PID) ADMINISTRATION SERVICES WITH P3WORKS

MADE BY: Council Member Larkin
SECONDED: Council Member Kipphut
APPROVED: Unanimously

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.

Jim Sabonis with Hilltop Securities, the City's financial advisors, was present to explain the resolution and the need for it.

In 2007, the City put a development agreement in place. As part of the agreement, the developer ended their ability to have a municipal development district in the ETJ, and they agreed to annex into the City and pay taxes to the City. In return, the City offered to issue PID bonds to partially reimburse the developer for some of his infrastructure costs. The original development agreement was put in place in June 2007. The first amendment was put into place in January 2008 which dealt more with engineering, specifically regarding wastewater and how it would be treated. The second amendment was done in 2012 and dealt with minor wastewater adjustments based on the sewer system.

Finally, the third amendment was done in January 2014. This was when Hilltop became involved as your financial advisors. That one focused on what the requirements are for the City to actually issue PID bonds. Those requirements are based on three general areas. 1) the developer complies with the development agreement and all agreements with the City; 2) current with taxes, assessments, and all things related to any PID issued; and, 3) there were a bunch of criteria that we feel would provide a credit worthy transaction that the City would do.

In March 2015, the City issued $7.6 million in bonds for Phase 1 and those bonds were sold. They fund water, wastewater, drainage, and streets – public infrastructure and public infrastructure only. The service assessment plan that you have here shows the service assessments were levied in 2017. They are already levied on the property and now that the property is near construction completion and the developer has submitted a request to the City and has met the terms and conditions of the development agreement, he has requested that the bonds be issued. What you have here is the service assessment plan which provides exact details of how those assessments will be levied and used. It will be used for a bond issuing and a reimbursement of a note based on Phases 1C and Phase 2 of the PID bond issuance. Those assessments will start being levied the following year, as part of your budget process, and move forward with that process. Not only will the assessment be put in place, but the following agenda item has to do with the actual bond issuance, the final administrative step to actually market and issue bonds which will be on the next agenda if the Council so moves today. Again, this is not a new plan, it is simply an update for this bond issuance.

Council Member Kipphut asked for clarification that this is for Phase 2 and for Phase 1C and not for the existing homes.

Mr. Sabonis replied it has nothing to do with Phase 1. This is actually a phase that is under construction and contracts for building homes are in process. There are no city taxes and no impacts on the current home owners. This is a conduit to levy assessments, collecting assessments and those assessments to be used to pay all third-party costs, to administer it and pay back any bonds and any notes payable. In the legal documentation in the agreements with the developer and the offering documents of the bond holders, it indicates this is only a levy of assessments on the geographic area that is being issued.

Council Member Kipphut asked Mr. Sabonis if it is his opinion that the developer has met his obligations to Phase 1 of the project.

Mr. Sabonis answered that he would not be here if he did not feel like they would comply with the financial aspects. He stated he could not speak to other legal requirements and commitments, but clearly, in the third amendment, it states that the developer has to be compliant. As part of that process, he will have to provide certifications that will be reviewed and approved by your City Attorney and your bond counsel who works for the City in issuing this and those will be presented to the attorney general who reviews and approves all municipal bond issuances. I believe that between now and the issuance of the bonds there will be a certification process that takes place. From a financial standpoint, we feel they are compliant and we will certify that.

As a point of order, Council Member Larkin pointed out that this resolution is about calling an assessment public hearing. It is not about whether the developer is complete with Phase 1. He stated they need to stay away from those questions. They are important questions, but we have to stay on the topic of the agenda item.

Council Member Kipphut stated she was going at the "and approving all other matters related thereto."

Mr. Sabonis stated he feels like this agenda item is simply calling a public hearing on the assessment plan.

MOTION: APPROVE RESOLUTION 2019-14 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 MATTERS RELATED THERETO.

MADE BY: Council Member Larkin
SECONDED: Council Member Dahl
APPROVED: Unanimously

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 AREA #2 PROJECT)

Mayor Pro Tem Bloom asked Russell Phillips to address the Council regarding specific issues with the development.

Council Member Kipphut asked if this item can be postponed until after the public hearing. She stated she feels that 6.4. and 6.5. are related and if they pass 6.5., what is the reason for having 6.4.

Mr. Sabonis explained that we have a sewer assessment plan that details a number of things. The plan shows the assessment each home will pay and these assessments are based on the benefits each receives based on the streets, water and sanitary sewer. He explained they are not approving the bonds tonight. There will be an offering document in final form to release to market investors. At the next council meeting, we will actually price the bonds on the market to get the best interest rate at that time. This actual assessment plan, which is considered a draft, will be revised slightly so the actual rates and the dollar amounts to be paid will be reflected in the document. If this is approved at the next council meeting, the bonds will be marketed with the final interest rate that will be offered. All documents will have the actual dollars and cents. At that meeting you will approve the bonds. You can set requirements on the developer between now and then. You can move forward with the bond issue, or you can postpone or cancel and start all over.

Mayor Pro Tem Bloom asked Mr. Phillips if he would be willing to take some of the plans discussed tonight and put a timeline on them.

Mr. Phillips responded that would not be a problem, he would be happy to do that.

MOTION: APPROVE RESOLUTION 2019-15 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

MADE BY: Mayor Pro Tem Bloom
SECONDED: Council Member Larkin
APPROVED: Unanimously

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

City Planner Michael Coker presented this item and explained that the Planning & Zoning Commission recommends approval of this plat. He stressed that this is the plat only and has nothing to do with the use of the property.

Mayor Pro Tem Bloom opened the public hearing at 7:55 p.m.

Mayor Pro Tem Bloom closed the public hearing at 7:58 p.m.

MOTION: APPROVE 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 205

MADE BY: Council Member Larkin
SECONDED: Council Member Dahl
APPROVED: Unanimously

6.7. DISCUSSION AND ACTION REGARDING AN ORDINANCE AMENDING THE MASTER FEE SCHEDULE AS RELATED TO RESIDENTIAL BUILDING PERMITS

City Administrator Palomba introduced this item. She explained this is a result of the legislation recently passed related to residential building permit fees. House Bill 852 prohibits the practice of basing building permit fees on the cost of a proposed structure or improvement. Since the City issues building permits in this manner, a new fee schedule must be established in order to continue issuing building permits. We propose charging by the square footage at this time for residential building permits. The proposed square footage price would be $1.17. There are also some minor changes reflected in the fee schedule related to residential building projects other than new single-family builds. Palomba suggested staff would monitor building trends and revenue and advised the Fee Schedule could be changed anytime but the City needs to get something in place now as the new law went into effect immediately.

MOTION: APPROVE ORDINANCE 2019-03 AMENDING THE MASTER FEE SCHEDULE AS RELATED TO RESIDENTIAL BUILDING PERMITS.

MADE BY: Council Member Dahl
SECONDED: Councilmember Kipphut
APPROVAL: Unanimously

6.8. DISCUSSION AND ACTION REGARDING AN ORDINANCE APPROVING THE ADOPTION OF THE OFFICIAL ZONING MAP

MOTION: APPROVE ORDINANCE 2019-04 APPROVING THE ADOPTION OF THE OFFICIAL ZONING MAP

MADE BY: Council Member Larkin
SECONDED: Council Member Kipphut
APPROVED: Unanimously

6.9. DISCUSSION AND ACTION REGARDING A CONTRACT FOR LIMITED ANIMAL CONTROL SERVICES WITH ALL AMERICAN DOGS

Mayor Pro Tem Bloom gave a background on this item. He explained that the City and Sheriff’s office occasionally receive calls regarding aggressive, injured, sick, or stray animals and animal welfare concerns. City Administrator Palomba explained this is not a permanent fix but will provide information to determine future needs. Staff recommends authorizing the City Administrator to enter into an agreement with All American Dogs.

Bob Matthews, owner of All American Dogs, was present to answer questions and clarify the services of his company.

MOTION: APPROVAL OF A CONTRACT FOR LIMITED ANIMAL CONTROL SERVICES WITH ALL AMERICAN DOG

MADE BY: Council Member Kipphut
SECOND: Council Member Larkin

APPROVED: **Unanimously**

6.10. DISCUSSION AND ACTION REGARDING ESTABLISHMENT OF A CODE ENFORCEMENT OFFICER AS REGULATED BY THE TEXAS DEPARTMENT OF LICENSING AND REGISTRATION

Council Member Kipphut introduced this item. In previous meetings, I think we all heard that we need a code enforcement officer. What I would like to do is work with the City Administrator to come up with the best options to get this done. I think we need to look at using existing personnel, but also see what time would be involved and come up with an amended job description if we do decide to do that. I think we should put it on the agenda for the next session and then if we needed to break into executive session, because it would then become a personnel matter, we could do that.

NO ACTION

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

Council Member Kipphut introduced this item. I thought we should make an announcement on our website that we have the Planning & Zoning Commission openings coming up in June. I believe we have the vice-chairman, two commissioners, and one alternate. I want to be sure the public knows that we want to get people who are really interested in being involved and work with the very important job of planning and zoning. One thing we are going to be focusing on is the Comprehensive Plan. The last Comprehensive Plan was done in 2015 and we need to get that updated asap so our City has a direction on a way to go. I want to be sure the citizens know we have these openings and that the Planning and Zoning Commission meets the first Thursday of each month at 6:30 p.m. here at city hall. I would like to see this posted on the website.

City Administrator Palomba pointed out that appointments are made to the Commission and the members then elect their chairman and vice- chairman.

NO ACTION

6.12. DISCUSSION AND ACTION REGARDING AN ORDINANCE CHANGING THE APPOINTMENT DATE OF BOARD OF ADJUSTMENT MEMBERS FROM JANUARY TO JULY

City Administrator Palomba introduced this item. She explained that the previous Council changed the appointments from January to July. It seems to make sense to have the Board of Adjustment on that same schedule so they are also expiring in January so the new council coming in can make those appointments at the same time they do Planning and Zoning.

MOTION: APPROVE ORDINANCE 2019-05 CHANGING THE APPOINTMENT DATE OF BOARD OF ADJUSTMENT MEMBERS FROM JANUARY TO JULY.

MOTION MADE: **Dahl**
SECOND: **Larkin**
APPROVED: **Unanimously**

6.13. DISCUSSION AND ACTION REGARDING SCHEDULING A PUBLIC FORUM TO CONDUCT A SIX-MONTH REVIEW OF THE COMMUNITY WASTE DISPOSAL (CWD) CONTRACT

Council Member Kipphut introduced this item. She proposed having a forum to get the citizens to come and talk to them about their CWD experiences. We will have had the contract in place for a good six months and I would like to propose doing that at the July 9th meeting. My only question is what kind of forum do we do it at. Do we do it at a public hearing or a town hall – what would be the best way to get citizen comments?

City Attorney Halla explained that you can have a public hearing and as many citizens can come up and talk as want to in relation to their waste disposal situation. If you want to, you can call a special meeting or you could do it on a regular meeting night. But you can actually have it as an agenda item, as Council discussion with public regarding their experience with CWD.

In order to prevent banter between the citizens and the contractor, it was determined that the meeting should be to allow citizens to talk to the Council. At that point, if further action is needed, then they will have action and have CWD involved.

NO ACTION

6.14. DISCUSSION AND ACTION REGARDING SETTING A DATE, PLACE, TIME, AND AGENDA FOR A CITY COUNCIL RETREAT

Mayor Pro Tem Bloom explained that the purpose of this item is to have various professional service provides - CPAs, Planners, Engineers - educate us all as a Council, especially the new members, on what they do and how it works. It's helpful going forward. These are public, even if they are off-site. It's not an executive session or anything like that.

City Administrator Palomba put forth some dates for consideration and July 15th was established as the date for the retreat to be held at City Hall.

7. REPORTS

7.1. McLendon-Chisholm Fire Rescue Run Report

7.2. Building Official Report April 2019

7.3. Budget Report April 2019

7.4. Sheriff's Report April 2019

NO DISCUSSION

8. UPDATE, DISCUSSION AND DIRECTION TO STAFF

NO DISCUSSION

9. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

9.1. Mayor's announcements including events, area happenings, and general information – Mayor Short Absent

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

Mayor Pro Tem Bloom reported he has nothing new on the Emergency Services Corporation. Rockwall EMS has been very compliant in their response times, even improving in our district. There is nothing new from the Economic Development Committee. I do want to say that I tried to put on this agenda the idea of having work sessions or executive sessions prior to our meetings. Unfortunately, that item was pulled. If the Council feels it is worth discussion, you are free to place it on the agenda yourself.

9.3. Council Member Kipphut's announcements – None

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

Council Member Larkin reported that since their last meeting, the American Legion has already solicited donations. There are guarantees of donations to exceed $5,000 for the infrastructure and Mr. Packer has donated the bricks, that's another $1,492. So, we are already about $6,500 into the good on the actual costs which was the real driver behind why we are able to reduce the price of the bricks to $30. We are getting ready to get very aggressive selling them at $30. Everything is looking really good and I'm very proud of that.

9.5. Council Member Woessner's announcements – None

9.6. Council Member Dahl's announcements – None

10. ADJOURN

There being no further business to discuss, Mayor Pro Tem short adjourned the meeting at 8:50 p.m.

ATTEST:

____
Lisa Palomba, City Secretary

APPROVED:

____
Keith Short, Mayor

City of McLendon-Chisholm

Staff Report

Sonoma Verde Developers will discuss improvements currently under construction and future improvements to be provided in Phase II.

DATE:

June 11, 2019

Background of Issue:

During the May 28, 2019 City Council Meeting there were questions from citizens regarding amenities for Sonoma Verde. Sonoma Verde Developers agreed to provide a timeline of scheduled improvements and share with Council at the next meeting. The developers have provided the timeline and are expected to briefly present current and future improvements.

Improvements and Timeline as Provided by the Developer

Improvements Currently Under Construction

- **League Road:** We have completed the initial section from our development to where the road jogs with a concrete road instead of resurfacing the existing road. The remaining section will be resurfaced in the next 30 days (weather permitting) and the improvement to League Road will be totally completed ahead of the PD requirement.

Future Improvements for Phase 2

- **Trail:** The trail is proposed to extend along the north side of the ball fields along the frontage of Cortona Lane. Additional trails will be done as future phases are completed. The trail will be installed upon completion of the filling and grading of the ball fields. Projected time frame is September/October 2019.

- **Ballfields/Open Space:** The area just north of the amenity center consists of approximately 9 acres. The tract includes a dry detention area with two soccer fields and a baseball field to be constructed with the completion of Phase 2. The site is extremely low and it will require the importing of fill to construct the fields. Because the site requires fill, we need to find a dirt source on site. Our engineers will take elevations on the site and prepare a grading plan which should be completed in June. Depending on the amount of dirt required, we will begin filling the site in the August/September time frame after the Phase 2 improvements are accepted by the City. Assuming we have enough fill available, the dirt work should be completed by the end of September. The fields will then be graded and irrigated. The site should be seeded in October after the hot months are over. The fields will be seeded with rye at that time and in the spring, the fields will be over seeded with Bermuda. The Bermuda will need to establish itself in the spring before play can begin. The fields should be ready by June/July, 2020, depending on the weather.

- **Amenity Center Pavilion Remodel:** There were no plans or promises of remodeling the existing amenity center. Due to requests for enclosing part of the center to provide a space for year-round use, we are proceeding to remodel one side of the pavilion. The plans for the remodel are in process. During the next two to three months, we will finalize the plans and submit to the City for approval for construction. The construction will not begin until the end of the swimming season. Construction will likely begin in October and be completed by the end of the year.

Approved on 6/11/19

CITY OF MCLENDON-CHISHOLM
ORDINANCE NO. 2019-06

AN ORDINANCE AUTHORIZING THE ISSUANCE OF THE "CITY OF MCLENDON-CHISHOLM, TEXAS, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019 (SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)"; APPROVING AND AUTHORIZING AN INDENTURE OF TRUST, A BOND PURCHASE AGREEMENT, A LIMITED OFFERING MEMORANDUM, A CONTINUING DISCLOSURE AGREEMENT, AN UPDATE TO SERVICE AND ASSESSMENT PLAN AND OTHER AGREEMENTS AND DOCUMENTS IN CONNECTION THEREWITH; MAKING FINDINGS WITH RESPECT TO THE ISSUANCE OF SUCH BONDS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of McLendon-Chisholm, Texas (the "City"), pursuant to and in accordance with the terms, provisions and requirements of the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code (the "Act"), has previously established the "Sonoma Public Improvement District" (the "District"); and

WHEREAS, pursuant to the Act, the City Council of the City (the "Council") published notice of the assessment public hearing in a newspaper of general circulation in the City pursuant to Section 372.0l6(b) of the Act and mailed notice of such public hearing to the last known address of the owners of the property liable for the assessments pursuant to Section 372.0l6(c) of the Act, and the Council held a public hearing on June 13, 2017, regarding the levy of special assessments on the property located in Phase #2 of the District, and on such date, the Council adopted an ordinance levying such special assessments (the "Assessment Ordinance"); and

WHEREAS, in the Assessment Ordinance, the Council approved and accepted the Service and Assessment Plan relating to the District and levied the Assessments against the property located in Phase #2 of the District; and

WHEREAS, on May 28, 2019, the Council called for a public hearing to be held to consider an update to the Service and Assessment Plan, with such update to include the final Assessments and the final Assessment Roll, and the City published notice of such public hearing in a newspaper of general circulation in the City pursuant to Section 372.0l6(b) of the Act and mailed notice of such public hearing to the last known address of the owners of the property liable for the Assessments pursuant to Section 372.0l6(c) of the Act; and

WHEREAS, the Council held a public hearing on June 11, 2019, regarding the update to the Service and Assessment Plan; and

WHEREAS, the Council has found and determined that it is in the best interests of the City to issue its bonds to be designated "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)" (the "Bonds"), such Bonds to be payable from and secured by the Pledged Revenues; and

WHEREAS, the City Council is authorized by the Act to issue the Bonds for the purpose of (i) paying a portion of the Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding other funds as provided in the Indenture, (v) paying a portion of the costs incidental to the organization of the District and (vi) paying the costs of issuance of the Bonds; and

WHEREAS, the Council has found and determined to approve (i) the issuance of the Bonds to finance the Improvements, (ii) the form, terms and provisions of the Indenture (defined below), (iii) the form, terms and provisions of a Purchase Agreement (defined below), (iv) a Limited Offering Memorandum (defined below), (v) a Continuing Disclosure Agreement (defined below) and (vi) an Update to Service and Assessment Plan; and

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

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

Section 1. Findings; Capitalized Terms. The findings and determinations set forth in the preamble hereof are hereby incorporated by reference for all purposes as if set forth in full herein. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Indenture.

Section 2. Approval of Issuance of Bonds and Indenture of Trust.

(a) The issuance of the Bonds in the principal amount of $6,225,000 for the purpose of (i) paying a portion of the Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding other funds as provided in the Indenture, (v) paying a portion of the costs incidental to the organization of the District and (vi) paying the costs of issuance of the Bonds, is hereby authorized and approved.

(b) The Bonds shall be issued and secured under that certain Indenture of Trust (the "Indenture"), dated as of July 1, 2019, between the City and Wilmington Trust, National Association, as trustee (the "Trustee"), with such changes as may be necessary or desirable to carry out the intent of this Ordinance and as approved by the Mayor or Mayor Pro Tem of the City, such approval to be evidenced by the execution and delivery of the Indenture, which Indenture is hereby approved in substantially final form attached hereto as **Exhibit A** and incorporated herein as a part hereof for all purposes. The Mayor or Mayor Pro Tem of the City is hereby authorized and directed to execute the Indenture and the City Secretary is hereby authorized and directed to attest such signature of the Mayor or Mayor Pro Tem.

(c) The Bonds shall be dated, shall mature on the date or dates and in the principal amount or amounts, shall bear interest, shall be subject to redemption and shall have such other terms and provisions as set forth in the Indenture. The Bonds shall be in substantially the form set forth in the Indenture, with such insertions, omissions and modifications as may be required to conform the form of Bond to the actual terms of the Bonds. The Bonds shall be payable from and secured by the Pledged Revenues and other assets of the Trust Estate pledged to the Bonds, and shall never be payable from ad valorem taxes or any other funds or revenues of the City.

Section 3. Sale of Bonds; Approval of Bond Purchase Agreement. The Bonds shall be sold to FMSbonds, Inc. (the "Underwriter") at the price and on the terms and provisions set forth in that certain Bond Purchase Agreement (the "Purchase Agreement"), dated the date hereof, between the City and the Underwriter, attached hereto as **Exhibit B** and incorporated herein as a part hereof for all purposes, which terms of sale are declared to be in the best interest of the City. The form, terms and provisions of the Purchase Agreement are hereby authorized and approved and the Mayor or Mayor Pro Tem of the City is hereby authorized and directed to execute and deliver the Purchase Agreement. The Mayor's or Mayor Pro Tem's signature on the Purchase Agreement may be attested by the City Secretary.

Section 4. Limited Offering Memorandum. The form and substance of the final Limited Offering Memorandum for the Bonds and any addenda, supplement or amendment thereto (the "Limited Offering Memorandum") presented to and considered at the meeting at which this Ordinance is considered is hereby approved and adopted in all respects. The Limited Offering Memorandum, with such appropriate variations as shall be approved by the Mayor or Mayor Pro Tem of the City and the Underwriter, may be used by the Underwriter in the offering and sale of the Bonds. The City Secretary is hereby authorized and directed to include and maintain a copy of the Preliminary Limited Offering Memorandum (as defined in the Purchase Agreement) and the Limited Offering Memorandum and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Preliminary Limited Offering Memorandum in the offering of the Bonds is hereby ratified, approved and confirmed. The City deems the Preliminary Limited Offering Memorandum final, within the meaning of Rule 15c2-12 issued by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), as of its date, except for the omission of information specified in Section (b)(1) of the Rule, as permitted by Section (b)(1) of the Rule. Notwithstanding the approval and delivery of such Preliminary Limited Offering Memorandum and Limited Offering Memorandum by the Council, the Council is not responsible for and proclaims no specific knowledge of the information contained in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum pertaining to the Improvements, the Developer or its financial ability, any builders, any landowners or the appraisal of the property in the District.

Section 5. Continuing Disclosure Agreement. The Continuing Disclosure Agreement of the Issuer (the "Continuing Disclosure Agreement") between the City, P3Works, LLC and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., is hereby authorized and approved in substantially final form attached hereto as **Exhibit C** and incorporated herein as a part hereof for all purposes, and the Mayor or Mayor Pro Tem of the City is hereby authorized and directed to execute and deliver such Continuing Disclosure Agreement with such changes as may be required to carry out the purpose of this Ordinance and approved by the Mayor or Mayor Pro Tem, such approval to be evidenced by the execution thereof.

Section 6. Update to Service and Assessment Plan. The Council hereby adopts an Update to the Service and Assessment Plan attached hereto as **Exhibit D** and incorporated herein as a part hereof for all purposes.

Section 7. Additional Actions. The Mayor, the Mayor Pro Tem, the City Administrator and the City Secretary are hereby authorized and directed to take any and all actions on behalf of the City necessary or desirable to carry out the intent and purposes of this Ordinance and to issue the Bonds in accordance with the terms of this Ordinance. The Mayor, the Mayor Pro Tem, the City Administrator and the City Secretary are hereby authorized and directed to execute and deliver any and all certificates, agreements, notices, instruction letters, requisitions and other documents which may be necessary or advisable in connection with the sale, issuance and delivery of the Bonds and the carrying out of the purposes and intent of this Ordinance.

Section 8. Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 9. Effective Date. This Ordinance is passed on one reading as authorized by Texas Government Code, Section 1201.028, and shall be effective immediately upon its passage and adoption.

Exhibit A

INDENTURE OF TRUST

INDENTURE OF TRUST

By and Between

CITY OF MCLENDON-CHISHOLM, TEXAS

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

DATED AS OF July 1, 2019

SECURING

$_____

CITY OF MCLENDON-CHISHOLM, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #2 PROJECT)

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INDENTURE OF TRUST

THIS INDENTURE, dated as of July 1, 2019, is by and between the CITY OF MCLENDON-CHISHOLM, TEXAS (the "City"), and Wilmington Trust, National Association, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, on July 5, 2007, a petition (the "Petition") was submitted and filed with the City Secretary of the City (the "City Secretary") pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code, as amended (the "Act"), requesting the creation of a public improvement district located within the corporate limits of the City to be known as Sonoma Public Improvement District (the "District"); and

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

WHEREAS, on September 10, 2007, after due notice, the City Council of the City (the "City Council") held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the Petition as required by Section 372.009 of the Act and on September 10, 2007, the City Council made the findings required by Section 372.009(b) of the Act and, by Resolution 2007-21, adopted by a majority of the members of the City Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services; and

WHEREAS, following the adoption of Resolution 2007-21, the City published notice of its authorization of the District in a newspaper of general circulation in the City; and

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

WHEREAS, pursuant to Section 372.0l6(b) of the Act, the City Council published notice of a public hearing in a newspaper of general circulation in the City to consider the proposed "Assessment Roll" and the "Service and Assessment Plan" and the levy of the "Assessments" on the property located in Phase #2 of the District; and

WHEREAS, pursuant to Section 372.0l6(c) of the Act, the City Council mailed notice of the public hearing to consider the proposed Assessment Roll and the Service and Assessment Plan and the levy of Assessments on the property located in Phase #2 of the District to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council convened the public hearing on June 13, 2017, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the Service and Assessment Plan, the Assessment Roll and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of Costs, the purposes of the Assessments, the special benefits of the Assessments and the penalties and interest on annual installments and on delinquent annual installments of the Assessments; and

WHEREAS, at the June 13, 2017 public hearing referenced above, there were no written objections or evidence submitted to the City Secretary in opposition to the Service and Assessment Plan, the allocation of the Costs, the Assessment Roll or the levy of the Assessments; and

WHEREAS, the City Council closed the public hearing and, after considering all written and documentary evidence presented at the public hearing, including all written comments and statements filed with the City, at the June 13, 2017 meeting, approved and accepted the Service and Assessment Plan in conformity with the requirements of the Act and adopted the Assessment Ordinance, which Assessment Ordinance approved the Assessment Roll and levied the Assessments; and

WHEREAS, on May 28, 2019, the City Council called for a public hearing to be held to consider an update to the Service and Assessment Plan, with such update to include the final Assessments and the final Assessment Roll, and the City published notice of such public hearing in a newspaper of general circulation in the City pursuant to Section 372.0l6(b) of the Act and mailed notice of such public hearing to the last known address of the owners of the property liable for the Assessments pursuant to Section 372.0l6(c) of the Act; and

WHEREAS, the City Council convened the public hearing on June 11, 2019, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the update to the Service and Assessment Plan; and

WHEREAS, at the June 11, 2019 public hearing referenced above, there were no written or oral objections submitted to the City Secretary in opposition to the update to the Service and Assessment Plan; and

WHEREAS, the City Council closed the public hearing and adopted the Bond Ordinance (defined herein) which, among other matters, approved the update to the Service and Assessment Plan; and

WHEREAS, the City Council is authorized by the Act to issue its revenue bonds payable from the Assessments for the purpose of (i) paying a portion of the Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding other funds as provided in Section 6.2, (v) paying a portion of the costs incidental to the organization of the District and (vi) paying the costs of issuance of the Bonds; and

WHEREAS, the City Council now desires to issue its revenue bonds, in accordance with the Act, such bonds to be designated "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)" (the "Bonds"), such Bonds being payable solely from the Assessments and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in this preamble; and

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

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

FIRST GRANTING CLAUSE

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

SECOND GRANTING CLAUSE

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

THIRD GRANTING CLAUSE

Any and all proceeds of the foregoing property and proceeds from the investment of the foregoing property;

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

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

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

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

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

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.1. **Definitions.**

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

"*Account*", in the singular, means any of the accounts established pursuant to Section 6.1 of this Indenture, and "*Accounts*", in the plural, means, collectively, all of the accounts established pursuant to Section 6.1 of this Indenture.

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

"*Additional Interest*" means the 0.50% additional interest charged on the Assessments pursuant to Section 372.018 of the Act.

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

"*Administrative Fund*" means that Fund established by Section 6.1 and administered pursuant to Section 6.9.

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

"*Annual Debt Service*" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year (excluding interest paid from funds on deposit in the Capitalized Interest Account of the Bond Fund), assuming that the Outstanding Bonds are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any Sinking Fund Installments due in such Bond Year).

"*Annual Installment*" means, with respect to each Assessed 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 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.

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

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

"*Assessed Property*" means the property located in Improvement Area #2 that benefits from the Improvements, and is defined as the "Improvement Area #2 Assessed Property" in the Service and Assessment Plan.

"*Assessment Ordinance*" means the ordinance adopted by the City Council on June 13, 2017, as may be amended or supplemented, that levied the Assessments on the Assessed Property.

"*Assessment Revenues*" means the revenues received by the City from the collection of Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds.

"*Assessment Roll*" means the "Improvement Area #2 Assessment Roll", as defined in the Service and Assessment Plan, which document is attached to the Service and Assessment Plan as Appendix H-2, as updated, modified or amended from time to time.

"*Assessments*" means an assessment levied against Assessed Property based on the special benefit conferred on such Parcels by the Improvements.

"*Attorney General*" means the Attorney General of the State.

"*Authorized Denomination*" means $25,000 and any integral multiple of $5,000 in excess thereof. The City prohibits any Bond to be issued in a denomination of less than $25,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than $25,000, and any attempt to accomplish either of the foregoing shall be void and of no effect. Notwithstanding the foregoing, Authorized Denominations shall also include Bonds issued in $5,000 in principal amount and integral multiples of $5,000 in the following instances: (A) any Bonds or any portion thereof that have been redeemed in part or (B) any Bonds or any portion thereof that have been defeased in part.

"*Authorized Improvements*" mean those public improvements described in Section III and Appendix B of the Service and Assessment Plan and any future updates and/or amendments.

"*Bond*" means any of the Bonds.

"*Bond Counsel*" means McCall, Parkhurst & Horton L.L.P. or any other attorney or firm of attorneys designated by the City that are nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

"*Bond Fund*" means the Fund established pursuant to Section 6.1 and administered pursuant to Section 6.4.

"*Bond Ordinance*" means the ordinance adopted by the City Council on June 11, 2019 authorizing the issuance of the Bonds pursuant to this Indenture.

"*Bond Pledged Revenue Account*" means the Account in the Pledged Revenue Fund established pursuant to Section 6.1 of this Indenture.

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

"*Bonds*" means the City's bonds authorized to be issued by Section 3.1 of this Indenture entitled "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)" and, in the event the City issues Refunding Bonds pursuant to Section 13.2 hereof, the term "Bonds" shall include such Refunding Bonds.

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

"*Capitalized Interest Account*" means the Account in the Bond Fund established pursuant to Section 6.1 of this Indenture.

"*Certification for Payment*" means a certificate executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, specifying the amount of work performed and the cost thereof, presented to the Trustee to request funding for Costs from money on deposit in the Project Fund. Each Certification for Payment shall be substantially in the form attached hereto as **Exhibit A**.

"*City Certificate*" means a certificate signed by the City Representative and delivered to the Trustee.

"*City Representative*" means that official or agent of the City authorized by the City Council to undertake the action referenced herein.

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

"*Comptroller*" means the Comptroller of Public Accounts of the State.

"*Costs*" means the Improvement Area #2 Cost, as such term is defined in the Service and Assessment Plan.

"*Costs of Issuance Account*" means the Account in the Project Fund established pursuant to Section 6.1 of this Indenture.

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

"*Delinquency and Prepayment Reserve Account*" means the reserve account administered by the City and segregated from other funds of the City and established by Section 6.1 of this Indenture.

"*Delinquency and Prepayment Reserve Requirement*" means an amount equal to 5.5% of the principal amount of the Outstanding Bonds to be funded from Assessment Revenues deposited to the Pledged Revenue Fund.

"*Delinquent Collection Costs*" means, for a Parcel, interest, penalties and attorneys' fees that are authorized by the Act and by the Assessment Ordinance and that directly or indirectly relate to the collection of delinquent Assessments, delinquent Annual Installments, or any other delinquent payments due under the Service and Assessment Plan, including costs and expenses related to the foreclosure of liens.

"*Delivery Date*" means July 11, 2019, which is the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

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

"*Developer*" means Land Solutions SV, LLC, a Delaware limited liability company, and any successor thereto.

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

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

"*Foreclosure Proceeds*" means the proceeds, including interest and penalty interest, received by the City from the enforcement of the Assessments against any Assessed Property, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

"*Fund*", in the singular, means any of the funds established pursuant to Section 6.1 of this Indenture, and "*Funds*", in the plural, means, collectively, all of the funds established pursuant to Section 6.1 of this Indenture.

"*Improvement Area #1C*" means a portion of Phase #2 that has already been developed, identified as "Improvement Area #1C" and generally shown on Appendix A to the Service and Assessment Plan and as specifically depicted and described as the sum of all Parcels shown in Appendix H-1 to the Service and Assessment Plan.

"*Improvement Area #2*" means a portion of Phase #2 currently being developed, identified as "Improvement Area #2" and generally shown on Appendix A to the Service and Assessment Plan and as specifically depicted and described as the sum of all Parcels shown in Appendix H to the Service and Assessment Plan.

"*Improvement Area #2 Bond Improvement Account*" means the Account in the Project Fund established pursuant to Section 6.1 of this Indenture.

"*Improvement Area #2 Improvements*" means Authorized Improvements which only benefit property located in Improvement Area #2 and are described in Section III.C. of the Service and Assessment Plan.

"*Improvement Area #2 Major Improvements*" means the portion of the Major Improvements that benefit property located in Improvement Area #2.

"*Improvements*" means, collectively, the Improvement Area #2 Improvements and the Improvement Area #2 Major Improvements.

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

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

"*Initial Bonds*" means the Initial Bonds authorized by Section 5.2 of this Indenture.

"*Interest Payment Date*" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on March 15 and September 15 of each year, commencing March 15, 2020.

"*Investment Securities*" means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Government Code, as amended, which investments are, at the time made, included in and authorized by the City's official investment policy as approved by the City Council from time to time.

"*Major Improvements*" means Authorized Improvements which benefit all assessed property within the District and are described in Section III.B of the Service and Assessment Plan.

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

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

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

"*Parcel*" or "*Parcels*" means a parcel or parcels within the District identified by either a tax map identification number assigned by the Rockwall Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Rockwall County.

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

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

"*Phase #2*" means the second Phase of the District, comprising of Improvement Area #1C and Improvement Area #2, generally shown on Appendix A to the Service and Assessment Plan and as specifically depicted and described as the sum of all Parcels shown in Appendix H-1 and Appendix H-2 to the Service and Assessment Plan.

"*Pledged Funds*" means, collectively, the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

"*Pledged Revenue Fund*" means that fund established pursuant to Section 6.1 of this Indenture and administered pursuant to Section 6.3 of this Indenture.

"*Pledged Revenues*" means, collectively, the (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.

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

"*Principal and Interest Account*" means the Account in the Bond Fund established pursuant to Section 6.1 of this Indenture.

"*Project Fund*" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.5 of this Indenture.

"*Purchaser*" means the initial purchaser of the Bonds.

"*Rebatable Arbitrage*" means rebatable arbitrage as defined in Section 1.148-3 of the Treasury Regulations.

"*Rebate Fund*" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.8.

"*Record Date*" means the close of business on the last Business Day of the month next preceding an Interest Payment Date.

"*Redemption Fund*" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.6.

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

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

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

"*Reimbursement Agreement*" means the Sonoma Public Improvement District Phase 2 Reimbursement Agreement by and between the City and MC 550 Investors, L.P., and MC 550 Land Holdings, L.P., dated as of June 13, 2017, as may be amended and supplemented from time to time, and as partially assigned to the Developer.

"*Reserve Account*" means the Account in the Reserve Fund established pursuant to Section 6.1 of this Indenture.

"*Reserve Fund*" means that fund established pursuant to Section 6.1 and administered pursuant to Section 6.7.

"*Reserve Fund Obligations*" means cash or Investment Securities.

"*Reserve Account Requirement*" means the least of: (i) Maximum Annual Debt Service on the Bonds as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of the date of issuance, and (iii) 10% of the proceeds of the Bonds; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to Section 6.7(c); and provided further that as a result of (1) an optional redemption pursuant to Section 4.3 or (2) an extraordinary optional redemption pursuant to Section 4.4, 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. As of the Delivery Date, the Reserve Account Requirement is $_____, which is an amount equal to the Reserve Account Requirement defined above.

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

"*Sinking Fund Installment*" means the amount of money to redeem or pay at maturity the principal of a Stated Maturity of Bonds payable from such installments at the times and in the amounts provided in Section 4.2.

"*Special Record Date*" has the meaning set forth in in the form of Bond included in Section 5.2 hereof.

"*State*" means the State of Texas.

"*Stated Maturity*" means the date the Bonds, or any portion of the Bonds, as applicable, are scheduled to mature without regard to any redemption or Prepayment.

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

"*Treasury Regulations*" shall have the meaning assigned to such term in Section 7.5(c).

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

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

"*Value of Investment Securities*" means the amortized value of any Investment Securities, provided, however, that all United States of America, United States Treasury Obligations – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The computations shall include accrued interest on the investment securities paid as a part of the purchase price thereof and not collected. For the purposes of this definition "amortized value," when used with respect to a security purchased at par means the purchase price of such security and when used with respect to a security purchased at a premium above or discount below par, means as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of interest payment dates remaining to maturity on any such security after such purchase and by multiplying the amount as calculated by the number of interest payment dates having passed since the date of purchase and (i) in the case of a security purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of a security purchased at a discount, by adding the product thus obtained to the purchase price.

Section 1.2. **Findings.**

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

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

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

Section 1.4. **Interpretation.**

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

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

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

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

ARTICLE II

THE BONDS

Section 2.1. **Security for the Bonds.**

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

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

Section 2.2. **Limited Obligations.**

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

Section 2.3. **Authorization for Indenture.**

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

Section 2.4. **Contract with Owners and Trustee.**

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

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

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.1. **Authorization.**

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State, including particularly the Act. The Bonds shall be issued in the aggregate principal amount of $_____ for the purpose of (i) paying a portion of the Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding other funds as provided in Section 6.2, (v) paying a portion of the costs incidental to the organization of the District and (vi) paying the costs of issuance of the Bonds.

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

(a) The Bonds shall be dated July 1, 2019 and shall be issued in Authorized Denominations. The Bonds shall be in fully registered form, without coupons, and shall be numbered separately from R-1 upward, except the Initial Bond, which shall be numbered T-1.

(b) Interest shall accrue and be paid on each Bond from the later of the Delivery Date or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below, or on a date of earlier redemption, or otherwise provided for. Such interest shall be payable semiannually on March 15 and September 15 of each year, commencing March 15, 2020, computed on the basis of a 360-day year of twelve 30-day months.

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

Year	Principal Amount	Interest Rate
20__		
20__		
20__		
20__		
20__		
20__		
20__		
20__		
20__		

(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article IV, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the form of Bond set forth in Section 5.2.

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

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

(a) a certified copy of the Assessment Ordinance;

(b) a certified copy of the Bond Ordinance;

(c) a copy of the executed Reimbursement Agreement with all executed amendments thereto;

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

(e) an executed City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee;

(f) an executed Signature and No-Litigation Certificate;

(g) an executed opinion of Bond Counsel; and

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

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

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

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the relevant Record Date or Special Record Date, as applicable.

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

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

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

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State, any such payments remaining unclaimed by the Owners entitled thereto for three (3) years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, none of the City, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State.

Section 3.5. **Execution and Registration of Bonds.**

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

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

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

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

Section 3.6. **Ownership.**

(a) The City, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the Person in whose name such Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not such Bond is overdue, and none of the City, the Trustee or the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

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

Section 3.7. **Registration, Transfer and Exchange.**

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

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

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

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

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

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

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

Section 3.8. **Cancellation.**

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Indenture, shall be cancelled, and proper records shall be made regarding such payment, redemption, exchange, or replacement. Whenever in this Indenture provision is made for the cancellation by the Trustee of any Bonds, the Trustee shall dispose of cancelled Bonds in accordance with its record retention policies.

Section 3.9. **Temporary Bonds.**

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

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

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

Section 3.10. **Replacement Bonds.**

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

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

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

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

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

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

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

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

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

Section 3.11. **Book-Entry-Only System.**

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

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant will respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than an

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

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

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

Section 3.13. **Payments to Cede & Co.**

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

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1. **Limitation on Redemption.**

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

Section 4.2. **Mandatory Sinking Fund Redemption.**

(a) The Bonds 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 Article VI, on the dates and in the respective sinking fund installments as set forth in the following schedule:

Term Bonds Maturing 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__*	

Term Bonds Maturing 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__*	

Term Bonds Maturing 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__*

____
* Stated maturity.

(b) 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 Section 4.6.

(c) The principal amount of Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the City, by the principal amount of any 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.

(d) The principal amount of Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 30 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption provisions in Section 4.3 hereof or the extraordinary optional redemption provisions in Section 4.4 hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. **Optional Redemption.**

The City reserves the right and option to redeem 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.

Section 4.4. **Extraordinary Optional Redemption.**

The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates or optional redemption date specified in Section 4.3, 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 Prepayments (including related transfers to the Redemption Fund as provided in Sections 6.7(a) and 6.7(c)) or any other transfers to the Redemption Fund under the terms of this Indenture.

Section 4.5. **Partial Redemption.**

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.2, Bonds shall be redeemed by any method selected by the Trustee that results in a random selection.

(b) If less than all of the Bonds are to be redeemed pursuant to Sections 4.3 or 4.4, 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 Section 4.6, the Bonds shall be redeemed by any method selected by the Trustee that results in a pro rata reduction of the Outstanding maturities, treating each date on which a Sinking Fund Installment is due as a separate maturity for such purpose.

(c) Bonds to be redeemed pursuant to Sections 4.5(a) or 4.5(b) shall be redeemed in increments of $5,000; provided, however, that subject to Section 4.5(d) below, no such redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond.

(d) 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.

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

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

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

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

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

(d) The City has the right to rescind any optional redemption or extraordinary optional redemption described in Section 4.3 or 4.4 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Section 4.7. **Payment Upon Redemption.**

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

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

Section 4.8. **Effect of Redemption.**

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

ARTICLE V

FORM OF THE BONDS

Section 5.1. **Form Generally.**

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

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

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

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

Section 5.2. **Form of the Bonds.**

(a) Form of Bond.

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

REGISTERED NO. ______	United States of America State of Texas	REGISTERED $________

CITY OF MCLENDON-CHISHOLM, TEXAS
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT
IMPROVEMENT AREA #2 PROJECT)

INTEREST RATE	MATURITY DATE	DATE OF DELIVERY	CUSIP NUMBER
______%	September 15, 20__	July 11, 2019	_______ ___

The City of McLendon-Chisholm, Texas (the "City"), for value received, hereby promises to pay, solely from the Pledged Revenues, to

____

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

______________________________ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 15 and September 15 of each year, commencing March 15, 2020.

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

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Wilmington, Delaware (the "Designated Payment/Transfer Office"), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the "Trustee"), or, with respect to a successor trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the last Business Day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

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

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated as of the Date of Delivery and issued in the aggregate principal amount of $_____ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of July 1, 2019 (the "Indenture"), by and between the City and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Costs, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) funding other funds as provided in Section 6.2, (v) paying a portion of the costs incidental to the organization of the District and (vi) paying the costs of issuance of the Bonds.

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

In the Indenture, the City has reserved the right to issue Refunding Bonds payable from and secured by a lien on and pledge of the sources described above on a parity with this Bond.

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

The Bonds are issuable as fully registered bonds only in denominations of $25,000 and any multiple of $5,000 in excess thereof ("Authorized Denominations"). Except to the extent permitted by the Indenture, the City prohibits the breaking up or allocation of CUSIP numbers to any Bond or Bonds in denominations of less than $25,000, and any attempt to do so will be void and of no effect. Notwithstanding the foregoing, (A) if necessary to effectuate or as a result of the partial redemption of any Bond, a Bond in the principal amount equal to the unredeemed portion, but not less than $5,000 may be authorized, or (B) the Bonds or any portion thereof is defeased, the Bonds or portion thereof defeased may be authorized in denominations of $5,000 or any integral multiple thereof.

The Bonds maturing on September 15 in the years 20__, 20__ and 20__ (collectively, "Term Bonds"), are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI of the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

Term Bonds Maturing 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__*	

Term Bonds Maturing 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__*	

Term Bonds Maturing 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__*	

* Stated maturity.

At least thirty (30) days prior to each sinking fund redemption date, the Trustee shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Bonds of such maturity equal to the sinking fund installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6 of the Indenture.

The principal amount of Bonds required to be redeemed on any sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Bonds of such maturity which, at least 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 and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

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

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.

The Bonds are subject to extraordinary optional redemption prior to maturity or optional redemption date in whole or in part, on the fifteenth day of any month, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from amounts on deposit in the Redemption Fund as a result of Prepayments or any other transfers to the Redemption Fund under the terms of the Indenture.

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

The City has the right to rescind any optional redemption or extraordinary optional redemption described in the Indenture 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.

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

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

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

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

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

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

IN WITNESS WHEREOF, the City has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the City (or, in the absence of the Mayor, the Mayor Pro Tem) and countersigned with the manual or facsimile signature of the City Secretary of the City, and has caused the official seal of the City to be duly impressed, or placed in facsimile, on this Bond.

______________________________	______________________________
City Secretary	Mayor

(City Seal)

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this __________________.

____
Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

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

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

DATED: __________________

By: ______________________________
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (print or typewrite name and address, including zip code, of Transferee.)

____

____

____

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

Dated: _____________________________

Signature Guaranteed by:

____ ____

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

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

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

(ii) in the first paragraph of the Bond, the words "on the Maturity Date, as specified above, the sum of ______________________________ DOLLARS" shall be deleted and the following will be inserted: "on September 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

Years	Principal Installments	Interest Rates"

(Information to be inserted from Section 3.2(b)); and

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

Section 5.3. **CUSIP Registration.**

The City may secure identification numbers through CUSIP Global Services, managed by S&P Global Markets Intelligence on behalf of the American Bankers Association, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and none of the City, the attorneys approving said Bonds as to legality or the Trustee are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. Except as authorized under Section 4.5 hereof, the City prohibits any Bond to be issued in a denomination of less than $25,000 and further prohibits the assignment of a CUSIP number to any Bond with a denomination of less than $25,000, and any attempt to accomplish either of the foregoing shall be void and of no effect. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither the City nor the Trustee shall be liable for any inaccuracies in such numbers. Notwithstanding the foregoing, (A) if necessary to effectuate or as a result of the partial redemption of any Bond, a Bond in the principal amount equal to the unredeemed portion, but not less than $5,000 may be authorized, or (B) the Bonds or any portion thereof is defeased, the Bonds or portion thereof defeased may be authorized in denominations of $5,000 or any integral multiple thereof, and CUSIP numbers may be assigned to such denominations in each of the foregoing instances.

Section 5.4. **Legal Opinion.**

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

ARTICLE VI

FUNDS AND ACCOUNTS

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

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

(i) Pledged Revenue Fund;

(ii) Bond Fund;

(iii) Project Fund;

(iv) Reserve Fund;

(v) Redemption Fund;

(vi) Rebate Fund; and

(vii) Administrative Fund.

(b) Creation of Accounts and Subaccounts.

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

(A) Capitalized Interest Account; and

(B) Principal and Interest Account.

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

(A) Reserve Account; and

(B) Delinquency and Prepayment Reserve Account.

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

(A) Improvement Area #2 Bond Improvement Account; and

(B) Costs of Issuance Account.

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

(A) Bond Pledged Revenue Account.

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

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

Section 6.2. **Initial Deposits to Funds and Accounts.**

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

(i) to the Capitalized Interest Account of the Bond Fund: $_____;

(ii) to the Reserve Account of the Reserve Fund $_____, which is equal to the initial Reserve Fund Requirement;

(iii) to the Costs of Issuance Account of the Project Fund: $_____;

(iv) to the Improvement Area #2 Bond Improvement Account of the Project Fund: $_____; and

(v) to the Administrative Fund: $_____.

Section 6.3. **Pledged Revenue Fund.**

(a) 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 Section 6.9 hereof. 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 Sections 6.3(d) and 6.3(e) below, 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 Section 6.7 hereof and, immediately following the initial deposit to the Pledged Revenue Fund, prior to any other transfers or deposits being made under this Section 6.3(a), the Additional Interest will be transferred in the manner set forth in Section 6.7 hereof. In addition, in the event the City owes Rebatable Arbitrage to the United States Government pursuant to Section 6.8 hereof, the City shall provide a City Certificate to the Trustee to transfer to the Rebate Fund, prior to any other transfer under this Section 6.3(a), the full amount of Rebatable Arbitrage owed by the City, as further described in Section 6.10(f) hereof. 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 Article IV. Along with each transfer to the Trustee, the City shall provide a City Certificate as to the funds, accounts and payments into which the amounts are to be deposited or paid.

(b) From time to time as needed to pay the obligations relating to the Bonds, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the 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.

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

(d) 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.

(e) Notwithstanding Section 6.3(a) hereof, 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.

(f) 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 for the purposes set forth in Section 6.3(a) hereof, as directed by the City in a City Certificate.

Section 6.4. **Bond Fund.**

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

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

(c) Moneys in the Capitalized Interest Account shall be used for the payment of all interest due on the Bonds on March 15, 2020 and September 15, 2020. 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 Section 6.5(d), such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5. **Project Fund.**

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

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates. 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. Each such City Certificate and/or Certification for Payment shall include a list of the payees and the payments to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such City Certificate and/or Certification for Payment or in the invoices submitted therewith and the Trustee may rely on such payment instructions with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

(c) Except as provided in Section 6.5(d) and (f), money on deposit in the Project Fund shall be used solely to pay Costs.

(d) 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 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.

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

(f) Upon the filing of a City Certificate stating that all 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.

(g) Upon a determination by the City Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account 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.

Section 6.6. **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 as provided in Sections 4.3 and 4.4 on the dates specified for redemption as provided in Sections 4.3 and 4.4. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in Article IV.

Section 6.7. **Reserve Fund.**

(a) The City agrees with the Owners of the Bonds to accumulate and, when accumulated, maintain in the Reserve Account, an amount equal to not less than the Reserve Account Requirement. 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 this Indenture. Beginning on March 15, 2020, and on March 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. 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 Section 6.7(g) hereof, 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 this Section 6.7 until the Bonds are no longer Outstanding.

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

(c) In the event of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to Section 4.4, the Trustee, pursuant to a City Certificate, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such City Certificate, 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.

(d) 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 Section 6.4, 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 Section 6.8 hereof, (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.

(e) 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 the event that the Trustee does not receive a City Certificate directing the transfer of such excess to the Administrative Fund within 45 days of providing notice to the City of such excess, the Trustee shall transfer such excess to the Redemption Fund to redeem Bonds pursuant to Section 4.4 hereof and provide the City with written notification of the transfer. Notwithstanding the foregoing, in the event the City owes Rebatable Arbitrage to the United States Government pursuant to Section 6.8 hereof, the City shall provide a City Certificate to the Trustee to transfer to the Rebate Fund, prior to any other transfer under this Section 6.7(e), the full amount of Rebatable Arbitrage owed by the City, as further described in Section 6.10(f) hereof. The Trustee shall incur no liability for the accuracy or validity of the transfer so long as the Trustee made such transfer in compliance with this Section or a City Certificate.

(f) Reserved.

(g) 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 anything to the contrary in Section 6.7(a) above, 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.

(h) 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.

(i) 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.

(j) 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.

Section 6.8. **Rebate Fund: Rebatable Arbitrage.**

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

(b) In order to assure that Rebatable Arbitrage is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made in accordance with the Code and the Tax Certificate, as further set forth in a City Certificate sent to the Trustee. The Trustee may conclusively rely on such City Certificate as set forth in this Section and shall not be responsible for any loss or liability resulting from the investment of funds under this Section, but only so long as the Trustee follows such City Certificate in all respects.

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

(d) The first calculation to determine whether Rebatable Arbitrage is owed to the United States Government (each, a "Rebate Calculation") will be done on the date that is five years from the Delivery Date, and each subsequent Rebate Calculation will be done, at a minimum, (i) on the same date every five years thereafter and (ii) on the date the Bonds have been paid in full, either as a result of maturity or prior redemption. The City shall provide the Trustee with a City Certificate in connection with each Rebate Calculation made pursuant to this Section, and each City Certificate shall include a copy of the Rebate Calculation and shall state whether or not the City owes Rebatable Arbitrage to the United States Government.

(e) In the event it is found, after a Rebate Calculation has been done pursuant to this Section, that the City owes Rebatable Arbitrage to the United States Government, the City shall direct the Trustee, pursuant to a City Certificate, to transfer to the Rebate Fund the investment earnings on funds on deposit in the Pledged Funds in an amount equal to the Rebatable Arbitrage owed by the City. Such City Certificate shall specify the amount to be transferred and the Pledged Fund or Pledged Funds from which the funds shall be transferred. If the final Rebate Calculation shows that the City owes Rebatable Arbitrage to the United States Government, and there are insufficient funds in the Pledged Funds to pay such Rebatable Arbitrage, the Trustee shall notify the City of such insufficiency, and the City shall transfer to the Trustee an amount equal to such insufficiency for deposit into the Rebate Fund within five (5) Business Days of receiving notice from the Trustee.

(f) If, on any date a Rebate Calculation is done, the amount on deposit in the Rebate Fund exceeds the amount of the Rebatable Arbitrage, the City may direct the Trustee, pursuant to a City Certificate, to transfer the amount in excess of the Rebatable Arbitrage to the Bond Fund.

Section 6.9. **Administrative Fund.**

(a) Immediately upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Assessments and Annual Installments allocated to the payment of Administrative Expenses and Delinquent Collection Costs, as set forth in the Service and Assessment Plan.

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

Section 6.10. **Investment of Funds.**

(a) Money in any Fund or Account, other than the Reserve Fund, shall be invested by the Trustee in Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee; 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 Fund 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, upon which the Trustee may conclusively rely without investigation or inquiry, 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 this 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 is hereby directed to invest and re-invest cash balances in Morgan Stanley, Fidelity or Federated family of funds, but only so long as such funds are authorized investments and permitted under the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, or any successor law, and only 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.

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

Funds and Accounts. Whenever in this Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the legality of any investments.

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

(e) The Trustee will furnish to the City, upon the City's written request, periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The City waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(f) In the event it is found, after an annual calculation has been done pursuant to Section 6.8 hereof, that the City owes Rebatable Arbitrage to the United States Government, the City shall direct the Trustee, pursuant to a City Certificate, to transfer to the Rebate Fund the investment earnings on funds on deposit in the Pledged Funds in an amount equal to the Rebatable Arbitrage owed by the City. The City Certificate shall specify the amount to the transferred and the Pledged Fund or Pledged Funds from which the investment earnings shall be transferred.

Section 6.11. **Security of Funds.**

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

ARTICLE VII

COVENANTS

Section 7.1. **Confirmation of Assessments.**

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

Section 7.2. **Collection and Enforcement of Assessments.**

(a) For so long as any Bonds are Outstanding and amounts are due to the Developer under the Reimbursement Agreement to reimburse it for its funds it has contributed to pay Costs of the Improvements, the City covenants, agrees and warrants that it will take and pursue all reasonable actions permissib1e under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments.

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

(c) The City will determine or cause to be determined, no later than February 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 Assessments or the corresponding particular Assessed Property.

(d) The City shall not be required under any circumstances to expend any funds for Delinquent Collection Costs or Administrative Expenses in connection with its covenants and agreements under this Section or otherwise other than funds on deposit in the Administrative Fund.

Section 7.3. **Against Encumbrances.**

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

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

Section 7.4. **Records, Accounts, Accounting Reports.**

The City hereby covenants and agrees that so long as any Bonds are Outstanding and amounts are due to the Developer under the Reimbursement Agreement to reimburse it for its funds it has contributed to pay Costs of the Improvements, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and holder or holders of any Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the City by the Trustee or duly authorized representative, as applicable. The City shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds during the City's regular business hours and on a mutually agreeable date not later than thirty days after the City receives such request.

Section 7.5. **Covenants Regarding Tax Exemption of Interest on Bonds.**

(a) The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Indenture or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of $5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a current refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) In order to facilitate compliance with the above covenant (a)(9), the Rebate Fund is established by the City pursuant to Section 6.1 for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the registered Owner. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor and the City Administrator to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for Cost on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Authorized Improvements are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the Delivery Date, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) The City covenants that the projects funded with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax proposes from gross income of the interest.

ARTICLE VIII

LIABILITY OF CITY

Section 8.1. **Liability of City.**

(a) Neither the full faith and credit nor the general taxing power of the City is pledged to the payment of the Bonds, and no City taxes, fee or revenues from any source are pledged to the payment of, or available to pay any portion of, the Bonds or any other obligations relating to the District. The City shall never be liable for any obligations relating to the Bonds or other obligations relating to the District, other than as specifically provided for in this Indenture.

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

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

(d) No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds (collectively, the "Bond Documents"), shall require the City to expend or risk its own general funds or other funds or otherwise incur any financial liability (other than with respect to the Pledged Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the City there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

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

(f) The City may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever in the administration of its duties under this Indenture the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector or City Administrator or other person designated by the City Council to so act on behalf of the City, and such certificate shall be full warrant to the City for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

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

ARTICLE IX

THE TRUSTEE

Section 9.1. **Acceptance of Trust; Trustee as Registrar and Paying Agent.**

(a) The Trustee accepts and agrees to execute the respective trusts imposed upon it by this Indenture, but only upon the terms and conditions and subject to the provisions of this Indenture to all of which the parties hereto and the respective Owners of the Bonds agree.

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

Section 9.2. **Trustee Entitled to Indemnity.**

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction by the Owners against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct; provided, however, that in no event shall the Trustee request or require indemnification as a condition to making any deposits, payments or transfers when required hereunder, or to deliver any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund and Administrative Fund to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 9.3. **Responsibilities of the Trustee.**

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

(b) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. The Trustee will, prior to any Event of Default and after curing of any Event of Default, perform such duties and only such duties as are specifically set forth herein. The Trustee will, during the existence of an Event of Default, exercise such rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs.

(c) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Project.

Section 9.4. **Property Held in Trust.**

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

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

(a) The Trustee may rely upon any order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant, or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3, the Trustee may consult with counsel selected by the Trustee with due care, who may or may not be Bond Counsel, and any advice from such counsel with respect to compliance with the provisions of this Indenture shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder, reasonably and in good faith, in accordance with such advice.

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

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

Section 9.6. **Compensation.**

Unless otherwise provided by contract with the Trustee, the Trustee shall transfer from the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, all pursuant to a City Certificate and subject to any limit on the amount of such compensation or recovery of expenses or other charges as shall be prescribed by such City Certificate, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the City shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 9.7. **Permitted Acts.**

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

Section 9.8. **Resignation of Trustee.**

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 60 days' notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.9. **Removal of Trustee.**

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

Section 9.10. **Successor Trustee.**

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

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

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

(c) If in a proper case no appointment of a successor Trustee shall be made within 45 days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the City shall be responsible for the costs of such appointment process.

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

(f) Each successor Trustee shall mail, in accordance with the provisions of the Bonds, notice of its appointment to the Trustee and each of the Owners of the Bonds.

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

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

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

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

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

If necessary, the Trustee shall file or cause to be filed, at the City's expense, such continuation statements as may be delivered to the Trustee and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC. The Trustee is not responsible for the initial filing of any financing statements.

Section 9.14. **Accounts, Periodic Reports and Certificates.**

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

Section 9.15. **Construction of Indenture.**

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

ARTICLE X

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. **Amendments Permitted.**

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

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

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

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

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

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

Section 10.2. **Owners' Meetings.**

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

Section 10.3. **Procedure for Amendment with Written Consent of Owners.**

(a) The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, if such consent is required pursuant to Section 10.1, shall be mailed by first class mail, by the Trustee to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

(b) Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.6. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 10.4. **Procedure for Amendment Not Requiring Owner Consent.**

(a) The City and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1, to take effect when and as provided in this Section. The City shall direct the Trustee to provide a copy of such Supplemental Indenture, together with a notice stating that the Supplemental Indenture does not require Owner consent, mailed by first class mail to each Owner of Bonds, but failure to mail copies of such Supplemental Indenture shall not affect the validity of the Supplemental Indenture. The Trustee shall retain the proof of its mailing of such notice. A record, consisting of the papers required by this Section 10.4, shall be proof of the matters therein stated until the contrary is proved.

(b) The Supplemental Indenture shall become effective upon the execution and delivery of such Supplemental Indenture by the Trustee and the City, and the Supplemental Indenture shall be deemed conclusively binding upon the City, the Trustee and the Owners of all Bonds as of the date of such execution and delivery.

Section 10.5. **Effect of Supplemental Indenture.**

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

Section 10.6. **Endorsement or Replacement of Bonds Issued After Amendments.**

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

Section 10.7. **Amendatory Endorsement of Bonds.**

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

Section 10.8. **Waiver of Default.**

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

Section 10.9. **Execution of Supplemental Indenture.**

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

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.1. **Events of Default.**

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

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

(ii) The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings, in accordance with Section 7.2;

(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture, other than a default under (iv) 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 percent (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

(iv) 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.

Section 11.2. **Immediate Remedies for Default.**

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, 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 hereunder shall proceed, to protect and enforce the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

(b) PURSUANT TO SECTION 11.7, THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

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

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

Section 11.3. **Restriction on Owner's Action.**

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in Section 11.1, or of which by such Section it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of fifty-one percent (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 hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.2, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of fifty-one percent (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 this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

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

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

Section 11.4. **Application of Revenues and Other Moneys After Default.**

(a) All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.2, 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 thirty (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 pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

(c) The restoration of the City to its prior position after any and all defaults have been cured, as provided in Section 11.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 11.5. **Effect of Waiver.**

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

Section 11.6. **Evidence of Ownership of Bonds.**

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

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

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

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

Section 11.7. **No Acceleration.**

In the event of the occurrence of an Event of Default under Section 11.1, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.8. **Mailing of Notice.**

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

Section 11.9. **Exclusion of Bonds.**

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

ARTICLE XII

GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. **Representations as to Pledged Revenues.**

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

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

(c) Subject to Section 7.2(d), the City will take all steps reasonably necessary and appropriate, and will direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the Act and other Applicable Laws.

Section 12.2. **General.**

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

ARTICLE XIII

SPECIAL COVENANTS

Section 13.1. **Further Assurances; Due Performance.**

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

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

Section 13.2. **Other Obligations or Other Liens; Refunding Bonds.**

(a) 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.

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

(c) Notwithstanding any contrary provision of this Indenture, the City shall not issue additional bonds, notes or other obligations under this Indenture, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture, other than Refunding Bonds. The City reserves the right to issue Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds or Outstanding Refunding Bonds and to pay all costs incident to the Refunding Bonds, as authorized by the laws of the State.

Section 13.3. **Books of Record.**

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

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture.

ARTICLE XIV

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 14.1. **Trust Irrevocable.**

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

Section 14.2. **Satisfaction of Indenture.**

If the City shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the City to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the City may determine if this Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the City.

Section 14.3. **Bonds Deemed Paid.**

(a) Any Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of this Indenture (a "Defeased Debt"), and particularly this Article XIV, 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, 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 moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed 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.

(b) Any determination not to redeem Defeased Debt that is made in conjunction with the payment arrangements specified in Sections 14.3(a)(1) or 14.3(a)(2) shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the Defeased Debt for redemption; (2) the City gives notice of the reservation of that right to the Owners of the Defeased Debt immediately following the defeasance; (3) the City directs that notice of the reservation be included in any defeasance or redemption notices that it authorizes; and (4) at or prior to the time of the redemption, the City satisfies the conditions of clause (a) of this Section 14.3 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 sufficiency of the provisions made for the payment of the Defeased Debt.

(c) Until all Defeased Debt shall have become due and payable, the Trustee and the Paying Agent/Registrar each shall perform the services of Trustee and Paying Agent/Registrar for such Defeased Debt the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Indenture.

ARTICLE XV

MISCELLANEOUS

Section 15.1. **Benefits of Indenture Limited to Parties.**

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

Section 15.2. **Successor is Deemed Included in All References to Predecessor.**

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

Section 15.3. **Execution of Documents and Proof of Ownership by Owners.**

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

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

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

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

Section 15.4. **No Waiver of Personal Liability.**

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

Section 15.5. **Notices to and Demands on City and Trustee.**

(a) Except as otherwise expressly provided herein, all notices or other instruments required or permitted under this Indenture shall be in writing and shall be faxed, delivered by hand, or mailed by first class mail, postage prepaid, and addressed as follows:

If to the City	City of McLendon-Chisholm 1371 West FM 550 McLendon-Chisholm, Texas 75032 Attn: City Administrator Telephone: (972) 837-0318
If to the Trustee, initially also acting in the capacity of Paying Agent/Registrar	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 550 Dallas, Texas 75248 Attn: Dayna Smith Telephone: (972) 383-3154

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

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

(d) The Trustee shall mail to each Owner of a Bond notice of the redemption or defeasance of all Bonds Outstanding.

Section 15.6. **Partial Invalidity.**

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

Section 15.7. **Applicable Laws.**

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

Section 15.8. **Payment on Business Day.**

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

Section 15.9. **Counterparts.**

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

Section 15.10. **No Boycott of Israel.**

To the extent this Indenture is a contract for goods or services within the meaning of Section 2270.002, Texas Government Code, as amended, the Trustee hereby verifies that such Trustee is a company which does not boycott Israel and will not boycott Israel through the term of this Indenture. For purposes of this verification, "company" and "boycott Israel" have the meanings ascribed to such terms by Chapter 808, Texas Government Code, as amended.

Section 15.11. **No Terrorist Organization.**

The Trustee represents, to the extent this Indenture constitutes a governmental contract within the meaning of Subchapter F, Chapter 2252, Texas Government Code, as amended, to the extent applicable to this Indenture, the Trustee represents that it is not a company (as defined in Section 2270.0001 (2), Texas Government Code, as amended) which is on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Sections 2270.0201 or 2252.153, Texas Government Code, as amended.

[Remainder of page left blank intentionally]

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

CITY OF MCLENDON-CHISHOLM

By: ______________________________
Mayor

Attest:

____
City Secretary

(City Seal)

City Signature Page to Indenture of Trust

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

By: ______________________________
Authorized Officer

Trustee Signature Page to Indenture of Trust

Exhibit A

Form of Certification for Payment

The undersigned is an agent for __________ (the "Developer") and requests payment to the Developer (or to the person designated by the Developer) from the Improvement Area #2 Bond Improvement Account of the Project Fund from ___________________________ (the "Trustee") in the amount of ________________________ ($_____________) for costs incurred for the acquisition, installation and/or construction of certain Improvements in Improvement Area #2 of the Sonoma Public Improvement District (the "District"), as further described below. Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Indenture of Trust by and between the City of McLendon-Chisholm, Texas (the "City") and the Trustee, dated as of _____, 2019 (the "Indenture"), relating to the "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)".

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

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

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

3. The amount listed for the Improvements below is a true and accurate representation of the Costs associated with the acquisition, installation or construction of said Improvements, and such costs are in compliance with the Reimbursement Agreement and consistent with the Service and Assessment Plan.

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

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

6. The work with respect to the Improvements referenced below (or its completed segment) has been completed, and the City has inspected such Improvements (or its completed segment).

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

8. The Developer confirms that [based on the statements provided by the Trustee as of the date of this Certification for Payment and based on the percentage of the Improvements as of the date of this Certification for Payment as verified by the City against the estimated costs from the Service and Assessment Plan,] payment of the amounts requested in this Certification for Payment, taking into account [all prior payments for the Improvements and] the amount of work related to the Improvements remaining to be completed as of the date of this Certification for Payment will not cause the amounts on deposit in the Project Fund to fall below the amount necessary to complete the remaining Improvements.

Payments requested hereunder shall be made as directed below:

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

[Information regarding Payee, amount and deposit instructions attached]

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

____

By: _____________________________
Name: ___________________________
Title: ____________________________

APPROVAL OF REQUEST BY CITY

The City is in receipt of the attached Certification for Payment, acknowledges the Certification for Payment, acknowledges that the Improvements (or its completed segment) covered by the certificate have been inspected by the City and otherwise finds the Certification for Payment to be in order. After reviewing the Certification for Payment, the City approves the Certification for Payment and shall include said payments in the City Certificate submitted to the trustee directing payments to be made from the Project Fund to the Developer or to any person designated by the Developer.

CITY OF MCLENDON-CHISHOLM, TEXAS

By: ____________________
Name: ____________________
Title: ____________________

Date: ____________

Exhibit B

BOND PURCHASE AGREEMENT

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

BOND PURCHASE AGREEMENT

June 11, 2019

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

Ladies and Gentlemen:

The undersigned, FMSbonds, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this "Agreement") with the City of McLendon-Chisholm, Texas (the "City"), which will be binding upon the City and the Underwriter upon the acceptance of this Agreement by the City. This offer is made subject to its acceptance by the City by execution of this Agreement and its delivery to the Underwriter on or before 10:00 p.m., Central Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the City at any time prior to the acceptance hereof by the City. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Indenture (defined herein) between the City and Wilmington Trust, National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds (defined herein), and in the Limited Offering Memorandum (defined herein).

1. Purchase and Sale of Bonds. Upon the terms and conditions and upon the basis of representations, warranties, and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the $6,225,000 aggregate principal amount of the "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project)" (the "Bonds"), at a purchase price of $_______________.00 (representing the aggregate principal amount of the Bonds less an Underwriter's discount of $_________.00).

Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriter is not acting as a municipal advisor or fiduciary of the City (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd Frank Wall Street Reform and Consumer Protection Act)), but rather is acting solely in its capacity as Underwriter for its own account. The City acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm's length commercial transaction between the City and the Underwriter and the Underwriter has financial and other interests that differ from any other party to this Agreement, (ii) in connection therewith and with the discussions, undertakings, and procedures leading up to the consummation of this transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, municipal advisor, financial advisor, or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering described herein or the discussions, undertakings, and procedures leading thereto (regardless of whether the Underwriter has provided other services or is currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering described herein except the obligations expressly set forth in this Agreement, (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate, (v) the Underwriter has financial and other interests that differ from those of the City, and (vi) the Underwriter has provided to the City prior disclosures under Rule G-17 of the Municipal Securities Rulemaking Board (MSRB), which have been received by the City. The City further acknowledges and agrees that following the issuance and delivery of the Bonds, the Underwriter has indicated that it may have periodic discussions with the City regarding the expenditure of Bond proceeds and the construction of the Improvement Area #2 Improvements (as defined in the Service and Assessment Plan) financed with the Bonds and, in connection with such discussions, the Underwriter shall be acting solely as a principal and will not be acting as the agent or fiduciary of, and will not be assuming an advisory or fiduciary responsibility in favor of, the City.

The Bonds shall be dated July 1, 2019 and shall have the maturities and redemption features, if any, and bear interest at the rates per annum shown on Schedule I hereto. Payment for and delivery of the Bonds, and the other actions described herein, shall take place on July 11, 2019 (or such other date as may be agreed to by the City and the Underwriter) (the "Closing Date").

2. Authorization Instruments and Law. The Bonds were authorized by an Ordinance enacted by the City Council of the City (the "City Council") on June 11, 2019 (the "Bond Ordinance") and shall be issued pursuant to the provisions of Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "Act"), and the Indenture of Trust, dated as of July 1, 2019, between the City and the Trustee, authorizing the issuance of the Bonds (the "Indenture"). The Bonds shall be substantially in the form described in, and shall be secured under the provisions of, the Indenture.

The Bonds and interest thereon shall be secured by the proceeds of special assessments (the "Assessments") levied on the assessable parcels within Improvement Area #2 of the Sonoma Verde Public Improvement District (the "District"). The District was established by Resolution No. 2007-21 (the "Creation Resolution"), enacted by the City Council on September 10, 2007, in accordance with the Act. A Service and Assessment Plan (the "Service and Assessment Plan") which sets forth the costs of the Improvement Area #2 Improvements and the method of payment of the Assessments was adopted pursuant to an ordinance of the City Council adopted on June 11, 2019 (the "Assessment Ordinance" and, together with the Creation Resolution, the Indenture and the Bond Ordinance, the "Authorizing Documents").

The Bonds shall be as described in Schedule I, the Indenture, and the Limited Offering Memorandum. The proceeds of the Bonds shall be used for (i) paying a portion of the costs of the Improvement Area #2 Improvements (as defined in the Indenture) that will benefit 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 (iv) paying the costs of issuing the Bonds

3. Limited Public Offering. The Underwriter agrees to make a bona fide limited public offering of all of the Bonds. On or before the fifth (5^{th}) business day prior to Closing, the Underwriter shall execute and deliver to Bond Counsel the Issue Price Certificate, in substantially the form attached hereto as Appendix B.

4. Limited Offering Memorandum.

(a) Delivery of Limited Offering Memorandum. The City previously has delivered, or caused to be delivered, to the Underwriter the Preliminary Limited Offering Memorandum for the Bonds dated June 4, 2019 (the "Preliminary Limited Offering Memorandum"), in a "designated electronic format," as defined in the Municipal Securities Rulemaking Board ("MSRB") Rule G-32 ("Rule G-32"). The City will prepare, or cause to be prepared, a final Limited Offering Memorandum relating to the Bonds (the "Limited Offering Memorandum") which will be (i) dated the date of this Agreement, (ii) complete within the meaning of the United States Securities and Exchange Commission's Rule 15c2-12, as amended ("Rule 15c2-12"), (iii) in a "designated electronic format," and (iv) substantially in the form of the most recent version of the Preliminary Limited Offering Memorandum provided to the Underwriter before the execution hereof. The Limited Offering Memorandum, including the cover page thereto, all exhibits, schedules, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds are collectively referred to herein as the "Limited Offering Memorandum." Until the Limited Offering Memorandum has been prepared and is available for distribution, the City shall provide to the Underwriter sufficient quantities (which may be in electronic format) of the Preliminary Limited Offering Memorandum as the Underwriter deems necessary to satisfy the obligation of the Underwriter under Rule 15c2-12 with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Limited Offering Memorandum.

(b) Preliminary Limited Offering Memorandum Deemed Final. The Preliminary Limited Offering Memorandum has been prepared for use by the Underwriter in connection with the offering, sale, and distribution of the Bonds. The City hereby represents and warrants that the Preliminary Limited Offering Memorandum has been deemed final by the City as of its date, 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.

(c) Use of Limited Offering Memorandum in Offering and Sale. The City hereby authorizes the Limited Offering Memorandum and the information therein contained to be used by the Underwriter in connection with the offering and the sale of the Bonds. The City consents to the use by the Underwriter prior to the date hereof of the Preliminary Limited Offering Memorandum in connection with the offering of the Bonds. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the City's acceptance of this Agreement (but, in any event, not later than the earlier of the Closing Date or seven (7) business days after the City's acceptance of this Agreement) copies of the Limited Offering Memorandum which is complete as of the date of its delivery to the Underwriter. The City shall provide the Limited Offering Memorandum, or cause the Limited Offering Memorandum to be provided, (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of Rule 15c2-12 and the rules of the MSRB.

(d) Updating of Limited Offering Memorandum. If, after the date of this Agreement, up to and including the date the Underwriter is no longer required to provide a Limited Offering Memorandum to potential customers who request the same pursuant to Rule 15c2-12 (the earlier of (i) ninety (90) days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Limited Offering Memorandum is available to any person from the MSRB, but in no case less than the 25th day after the "end of the underwriting period" for the Bonds), the City becomes aware of any fact or event which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Limited Offering Memorandum to comply with law, the City will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time reasonably request), and if, in the reasonable judgment of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Limited Offering Memorandum, the City will forthwith prepare and furnish, at no expense to the Underwriter (in a form and manner approved by the Underwriter), either an amendment or a supplement to the Limited Offering Memorandum so that the statements therein as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or so that the Limited Offering Memorandum will comply with law; provided, however, that for all purposes of this Agreement and any certificate delivered by the City in accordance herewith, (i) the City makes no representations with respect to the descriptions in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum of The Depository Trust Company, New York, New York ("DTC"), or its book-entry-only system, and (ii) the City makes no representation with respect to the information in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum under the captions and subcaptions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2,"

"BOOK-ENTRY ONLY SYSTEM," "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), "THE ASSESSMENT CONSULTANT," "LEGAL MATTERS — Litigation — The Developer," "— Litigation — The Fee Developer," "CONTINUING DISCLOSURE – The Developer," and "INFORMATION RELATING TO THE TRUSTEE." If such notification shall be subsequent to the Closing, the City, at no expense to the Underwriter, shall furnish such legal opinions, certificates, instruments, and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Limited Offering Memorandum. The City shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of Rule 15c2-12 and the rules of the MSRB.

(e) Filing with MSRB. The Underwriter hereby agrees to timely file the Limited Offering Memorandum with the MSRB through its Electronic Municipal Market Access ("EMMA") system within one business day after receipt but no later than the Closing Date. Unless otherwise notified in writing by the Underwriter, the City can assume that the "end of the underwriting period" for purposes of Rule 15c2-12 is the Closing Date.

(f) Limited Offering. The Underwriter hereby represents, warrants and covenants that the Bonds were initially sold pursuant to a limited offering. The Bonds were sold to not more than thirty-five persons that qualify as "Accredited Investors" (as defined in Rule 501 of Regulation D under the Securities Act (as defined herein)) or "Qualified Institutional Buyers" (within the meaning of Rule 144A under the Securities Act).

5. City Representations, Warranties and Covenants. The City represents, warrants and covenants that:

(a) Due Organization, Existence and Authority. The City is a political subdivision of the State of Texas (the "State"), and has, and at the Closing Date will have, full legal right, power and authority:

(i) to enter into:

(1) this Agreement;

(2) the Indenture;

(3) that certain Development Agreement dated effective June 11, 2007 relating to the District (the "Original Development Agreement") which 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").

(4) The Improvement Area #2 Construction, Funding and Acquisition Agreement, effective June 11, 2019, and executed and delivered by the City and Land Solutions SV LLC (the "Developer") (the "CFA Agreement");

(5) the Continuing Disclosure Agreement of the Issuer with respect to the Bonds, dated as of July 1, 2019 (the "City Continuing Disclosure Agreement"), executed and delivered by the City, P3Works, LLC (the "Administrator"), and HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc., as Dissemination Agent;

(ii) to issue, sell, and deliver the Bonds to the Underwriter as provided herein; and

(iii) to carry out and consummate the transactions on its part described in (1) the Authorizing Documents, (2) this Agreement, (3) the Development Agreement, (4) the CFA Agreement, (5) the City Continuing Disclosure Agreement, (6) the Limited Offering Memorandum, and (7) any other documents and certificates described in any of the foregoing (the documents described by subclauses (1) through (5) being referred to collectively herein as the "City Documents").

(b) Due Authorization and Approval of City. By all necessary official action of the City, the City has duly authorized and approved the adoption or execution and delivery by the City of, and the performance by the City of the obligations on its part contained in, the City Documents and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded, except as may have been approved by the Underwriter. When validly executed and delivered by the other parties thereto, the City Documents will constitute the legally valid and binding obligations of the City enforceable upon the City in accordance with their respective terms, except insofar as enforcement may be limited by principles of sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or affecting creditors' rights generally. The City has complied, and will at the Closing (as defined herein) be in compliance, in all material respects, with the obligations on its part to be performed on or prior to the Closing Date under the City Documents.

(c) Due Authorization for Issuance of the Bonds. The City has duly authorized the issuance and sale of the Bonds pursuant to the Bond Ordinance, the Indenture, and the Act. The City has, and at the Closing Date will have, full legal right, power and authority (i) to enter into, execute, deliver, and perform its obligations under this Agreement and the other City Documents, (ii) to issue, sell and, deliver the Bonds to the Underwriter pursuant to the Indenture, the Bond Ordinance, the Act, and as provided herein, and (iii) to carry out, give effect to and consummate the transactions on the part of the City described by the City Documents and the Bond Ordinance.

(d) No Breach or Default. As of the time of acceptance hereof, and to the best of its knowledge, the City is not, and as of the Closing Date the City will not be, in material breach of or in default in any material respect under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument related to the Bonds and to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument which breach, default or event could have a material adverse effect on the City's ability to perform its obligations under the Bonds or the City Documents; and, as of such times, the authorization, execution and delivery of the Bonds and the City Documents and compliance by the City with obligations on its part to be performed in each of such agreements or instruments does not and will not conflict with or constitute a material breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties are bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties securing the Bonds or under the terms of any such law, regulation or instrument, except as may be permitted by the City Documents.

(e) No Litigation. At the time of acceptance hereof there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an "Action") pending against the City with respect to which the City has been served with process, nor to the knowledge of the City is any Action threatened against the City, in which any such

Action (i) in any way questions the existence of the City or the rights of the members of the City Council to hold their respective positions, (ii) in any way questions the formation or existence of the District, (iii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the City Documents or the consummation of the transactions on the part of the City described therein, or contests the exclusion of the interest on the Bonds from federal income taxation, or (iv) which may result in any material adverse change in the financial condition of the City; and, as of the time of acceptance hereof, to the City's knowledge, there is no basis for any action, suit, proceeding, inquiry, or investigation of the nature described in clauses (i) through (iv) of this sentence.

(f) Bonds Issued Pursuant to Indenture. The City represents that the Bonds, when issued, executed, and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the City subject to the terms of the Indenture, entitled to the benefits of the Indenture and the security of the pledge of the proceeds of the levy of the Assessments received by the City, all to the extent provided for in the Indenture. The Indenture creates a valid pledge of the monies in certain funds and accounts established pursuant to the Indenture to the extent provided for in the Indenture, including the investments thereof, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(g) Assessments. The Assessments constituting the security for the Bonds have been levied by the City in accordance with the Act on those parcels of land identified in the Assessment Roll (as defined in the Service and Assessment Plan). According to the Act, such Assessments constitute a valid and legally binding first and prior lien against the properties assessed, superior to all other liens and claims, except liens or claims for state, county, school district, or municipality ad valorem taxes.

(h) Consents and Approvals. All authorizations, approvals, licenses, permits, consents, elections, and orders of or filings with any governmental authority, legislative body, board, agency, or commission having jurisdiction in the matters which are required by the Closing Date for the due authorization of, which would constitute a condition precedent to or the absence of which would adversely affect the due performance by the City of, its obligations in connection with the City Documents have been duly obtained or made and are in full force and effect, except the approval of the Bonds by the Attorney General of the State, registration of the Bonds by the Comptroller of Public Accounts of the State, and the approvals, consents and orders as may be required under Blue Sky or securities laws of any jurisdiction.

(i) Public Debt. Prior to the Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by a pledge of the Assessments which secure the Bonds without the prior approval of the Underwriter.

(j) Preliminary Limited Offering Memorandum. The information contained in the Preliminary Limited Offering Memorandum is true and correct in all material respects, and such information does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the City makes no representations with respect to (i) the descriptions in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum of DTC, or its book-entry-only system, and (ii) the City makes no representation with respect to the information in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum under the captions and subcaptions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "BOOK-ENTRY ONLY SYSTEM," "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), "THE ASSESSMENT CONSULTANT," "LEGAL MATTERS — Litigation — The Developer," "— Litigation — The Fee Developer," "CONTINUING DISCLOSURE – The Developer," and "INFORMATION RELATING TO THE TRUSTEE."

(k) Limited Offering Memorandum. At the time of the City's acceptance hereof and (unless the Limited Offering Memorandum is amended or supplemented pursuant to paragraph (d) of Section 4 of this Agreement) at all times subsequent thereto during the period up to and including the 25th day subsequent to the "end of the underwriting period," the information contained in the Limited Offering Memorandum does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the City makes no representations with respect to (i) the descriptions in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum of DTC, or its book-entry-only system, and (ii) the City makes no representation with respect to the information in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum under the captions and subcaptions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "BOOK-ENTRY ONLY SYSTEM," "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), "THE ASSESSMENT CONSULTANT," "LEGAL MATTERS — Litigation — The Developer," — Litigation — The Fee Developer," "CONTINUING DISCLOSURE – The Developer," and "INFORMATION RELATING TO THE TRUSTEE," and further provided, however, that if the City notifies the Underwriter of any fact or event as required by Section 4(d) hereof, and the Underwriter determines that such fact or event does not require preparation and publication of a supplement or amendment to the Limited Offering Memorandum, then the Limited Offering Memorandum in its then-current form shall be conclusively deemed to be complete and correct in all material respects.

(l) Supplements or Amendments to Limited Offering Memorandum. If the Limited Offering Memorandum is supplemented or amended pursuant to paragraph (d) of Section 4 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the 25th day subsequent to the "end of the underwriting period," the Limited Offering Memorandum as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that if the City notifies the Underwriter of any fact or event as required by Section 4(d) hereof, and the Underwriter determines that such fact or event does not require preparation and publication of a supplement or amendment to the Limited Offering Memorandum, then the Limited Offering Memorandum in its then-current form shall be conclusively deemed to be complete and correct in all material respects.

(m) Compliance with Rule 15c2-12. During the past five years, the City has complied in all material respects with its previous continuing disclosure undertakings made by it in accordance with Rule 15c2-12, except as described in the Limited Offering Memorandum.

(n) Use of Bond Proceeds. The City will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Indenture and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(o) Blue Sky and Securities Laws and Regulations. The City will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request, at no expense to the City, (i) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the initial distribution of the Bonds by the Underwriter (provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(p) Certificates of the City. Any certificate signed by any official of the City authorized to do so in connection with the transactions described in this Agreement shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein and can be relied upon by the Underwriter as to the statements made therein.

(q) Intentional Actions Regarding Representations and Warranties. The City covenants that between the date hereof and the Closing it will not intentionally take actions which will cause the representations and warranties made in this Section to be untrue as of the Closing.

(r) Financial Advisor. The City has engaged Hilltop Securities Inc., as its financial advisor in connection with its offering and issuance of the Bonds.

By delivering the Limited Offering Memorandum to the Underwriter, the City shall be deemed to have reaffirmed, with respect to the Limited Offering Memorandum, the representations, warranties and covenants set forth above.

6. Developer Letter of Representations. At the signing of this Agreement, the City and Underwriter shall receive from the Developer, an executed Developer Letter of Representations (the “Developer Letter of Representations”) in the form of Appendix A hereto, and at the Closing, a certificate signed by the Developer as set for in Section 9(e) hereof.

7. The Closing. At 10:00 a.m., Central time, on the Closing Date, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Underwriter, (i) the City will deliver or cause to be delivered to DTC through its “FAST” System, the Bonds in the form of one fully registered Bond for each maturity, registered in the name of Cede & Co., as nominee for DTC, duly executed by the City and authenticated by the Trustee as provided in the Indenture, and (ii) the City will deliver the closing documents hereinafter mentioned to McCall, Parkhurst & Horton, L.L.P. (“Bond Counsel”), or a place to be mutually agreed upon by the City and the Underwriter. Settlement will be through the facilities of DTC. The Underwriter will accept delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by wire transfer in federal funds payable to the order of the City or its designee. These payments and deliveries, together with the delivery of the aforementioned documents, are herein called the “Closing.” The Bonds will be made available to the Underwriter for inspection not less than twenty-four (24) hours prior to the Closing.

8. Underwriter’s Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations and covenants herein and the performance by the City of its obligations under this Agreement, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Agreement to purchase, accept delivery of, and pay for the Bonds shall be conditioned upon the performance by the City of its obligations to be performed hereunder at or prior to Closing and shall also be subject to the following additional conditions:

(a) Bring-Down Representations of the City. The representations and covenants of the City contained in this Agreement shall be true and correct in all material respects as of the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the City Documents shall be in full force and effect, and shall not have been amended, modified, or supplemented except with the written consent of the Underwriter;

(ii) the Authorizing Documents shall be in full force and effect; (iii) there shall be in full force and effect such other resolutions or actions of the City as, in the opinion of Bond Counsel and Counsel to the Underwriter, shall be necessary on or prior to the Closing Date in connection with the transactions on the part of the City described in this Agreement and the City Documents; (iv) there shall be in full force and effect such other resolutions or actions of the Developer as, in the opinion of Miklos Law, PLLC ("Developer's and Fee Developer's Counsel"), shall be necessary on or prior to the Closing Date in connection with the transactions on the part of the Developer described in the Developer Letter of Representations, the Development Agreement, the CFA Agreement, and the Continuing Disclosure Agreement of the Developer with respect to the Bonds, dated as of July 1, 2019 (the "Continuing Disclosure Agreement of the Developer," and together with the Developer Letter of Representations, the Development Agreement, and the CFA Agreement, the "Developer Documents"), executed and delivered by the Developer, HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc., as dissemination agent, and P3 Works, LLC, as Administrator; (v) there shall be in full force and effect such other resolutions or actions of TDI SV Management LLC (the "Fee Developer") as, in the opinion of Developer's and Fee Developer's Counsel, shall be necessary on or prior to the Closing Date in connection with the transactions on the part of the Fee Developer described in the Fee Developer Letter of Representations, (the "Fee Developer Documents"), executed and delivered by the Fee Developer; and (vi) the City shall perform or have performed its obligations required or specified in the City Documents to be performed at or prior to Closing.

(c) No Default. At the time of the Closing, no default shall have occurred or be existing and no circumstances or occurrences that, with the passage of time or giving of notice, shall constitute an event of default under this Agreement, the Indenture, the City Documents, the Developer Documents or other documents relating to the financing and construction of the Improvement Area #2 Improvements and the Development, and the Developer shall not be in default in the payment of principal or interest on any of its indebtedness which default shall materially adversely impact the ability of such Developer to pay the Assessments when due.

(d) Closing Documents. At or prior to the Closing, the Underwriter shall have received each of the documents required under Section 9 below.

(e) Termination Events. The Underwriter shall have the right to cancel its obligation to purchase the Bonds and to terminate this Agreement without liability therefor by written notification to the City if, between the date of this Agreement and the Closing, in the Underwriter's sole and reasonable judgment, any of the following shall have occurred:

(i) the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by the occurrence of any of the following:

(1) legislation shall have been introduced in or enacted by the Congress of the United States or adopted by either House thereof, or

legislation pending in the Congress of the United States shall have been amended, or legislation shall have been recommended to the Congress of the United States or otherwise endorsed for passage (by press release, other form of notice, or otherwise) by the President of the United States, the Treasury Department of the United States, or the Internal Revenue Service or legislation shall have been proposed for consideration by either the U.S. Senate Committee on Finance or the U.S. House of Representatives Committee on Ways and Means or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision by a court of the United States or the Tax Court of the United States shall be rendered or a ruling, regulation, or official statement (final, temporary, or proposed) by or on behalf of the Treasury Department of the United States, the Internal Revenue Service, or other federal agency shall be made, which would result in federal taxation of revenues or other income of the general character expected to be derived by the City or upon interest on securities of the general character of the Bonds or which would have the effect of changing, directly or indirectly, the federal income tax consequences of receipt of interest on securities of the general character of the Bonds in the hands of the holders thereof, and which in either case, makes it, in the reasonable judgment of the Underwriter, impracticable or inadvisable to proceed with the offer, sale, or delivery of the Bonds on the terms and in the manner described in the Limited Offering Memorandum; or

(2) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as described herein or by the Limited Offering Memorandum, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect (the "Securities Act"), or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act"); or

(3) a general suspension of trading in securities on the New York Stock Exchange, the establishment of minimum prices on such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking

moratorium declared by federal, State of New York, or State officials authorized to do so; or

(4) there shall have occurred any outbreak of hostilities (including, without limitation, an act of terrorism) or other national or international calamity or crisis, including, but not limited to, an escalation of hostilities that existed prior to the date hereof, and the effect of any such event on the financial markets of the United States shall be such as would make it impracticable, in the reasonable judgment of the Underwriter, for it to sell the Bonds on the terms and in the manner contemplated by the Limited Offering Memorandum; or

(5) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the City, except as disclosed in or contemplated by the Limited Offering Memorandum; or

(6) any state blue sky or securities commission or other governmental agency or body in any state in which more than 10% of the Bonds have been offered and sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto; or

(7) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income, securities (or interest thereon), or the validity or enforceability of the Assessments to pay principal of and interest on the Bonds; or

(ii) the New York Stock Exchange or other national securities exchange or any governmental authority shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; or

(iii) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Limited Offering Memorandum, or has the effect that the Limited Offering Memorandum contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, which change shall occur subsequent to the date of this Agreement and shall not be due to the malfeasance, misfeasance or nonfeasance of the Underwriter; or

(iv) any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to Limited Offering Memorandum; or

(v) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(vi) a material disruption in securities settlement, payment or clearance services shall have occurred; or

(vii) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the United States Securities and Exchange Commission (the "SEC") or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Agreement or by the Limited Offering Memorandum, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws on the date of Closing, including the Securities Act, the Securities Exchange Act of 1934 (the "Securities Exchange Act") and the Trust Indenture Act; or

(viii) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission, which prohibition shall occur subsequent to the date hereof and shall not be due to the malfeasance, misfeasance, or nonfeasance of the Underwriter.

With respect to the conditions described in subparagraphs (ii), (vii) and (viii) above, the Underwriter is not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriter to invoke its termination rights hereunder.

9. Closing Documents. At or prior to the Closing, the Underwriter shall receive the following documents:

(a) Bond Opinion. The approving opinion of Bond Counsel, dated the Closing Date and substantially in the form included as Appendix C to the Limited Offering Memorandum, together with a reliance letter from Bond Counsel, dated the date of the Closing and addressed to the Underwriter, which may be included in the supplemental opinion required by Section 9(b), to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(b) Supplemental Opinion. A supplemental opinion of Bond Counsel dated the Closing Date and addressed to the City and the Underwriter, in form and substance acceptable to counsel for the Underwriter, to the following effect:

(i) Except to the extent noted therein, Bond Counsel has not verified and is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements and information contained in the Limited Offering Memorandum but that such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds", "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the last paragraph under the subcaption "General"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings," "LEGAL MATTERS — Legal Opinions," "SUITABILITY FOR INVESTMENT," "CONTINUING DISCLOSURE" (except for the subcaption "The City's Compliance with Prior Undertakings" and "The Developer"), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and APPENDIX A and Bond Counsel is of the opinion that the information relating to the Bonds and legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance and Indenture;

(ii) The Bonds are not subject to the registration requirements of the Securities Act, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act;

(iii) The City has full power and authority to adopt the Creation Resolution, the Assessment Ordinance, and the Bond Ordinance (collectively, the foregoing documents are referred to herein as the "City Actions") and perform its obligations thereunder and the City Actions have been duly adopted, are in full force and effect and have not been modified, amended or rescinded; and

(iv) The Indenture, the Development Agreement, the CFA Agreement, the City Continuing Disclosure Agreement, and this Agreement have been duly authorized, executed and delivered by the City and, assuming the due authorization, execution and delivery of such instruments, documents, and agreements by the other parties thereto, constitute the legal, valid, and binding agreements of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting enforcement of creditors' rights, or by the application of equitable principles if equitable remedies are sought and to the application of Texas law relating to governmental immunity applicable to local governmental entities.

(c) City Legal Opinion. An opinion of an attorney for the City, dated the Closing Date and addressed to the Underwriter, the City and the Trustee, with respect to matters relating to the City, substantially in the form of Appendix C hereto or in form otherwise agreed upon by the Underwriter.

(d) Opinion of Developer's and Fee Developer's Counsel. An opinion of Developer's and Fee Developer's Counsel, substantially in the form of Appendix D hereto, dated the Closing Date and addressed to the City, Bond Counsel, the Attorney for the City, the Underwriter, Underwriter's Counsel and the Trustee.

(e) Developer Letter of Representations and Fee Developer Letter of Representations. (i) The Developer Letter of Representations, dated as of June 4, 2019, signed by an authorized officer of the Developer in substantially the form of Appendix A-1 hereto and (ii) the Fee Developer Letter of Representations, dated as of June 4, 2019, signed by an authorized officer of the Fee Developer in substantially the form of Appendix A-2 hereto.

(f) Developer Certificate and Fee Developer Certificate. (i) The certificate of the Developer dated as of the Closing Date, signed by an authorized officer of the Developer in substantially the form of Appendix E-1 hereto and (ii) the certificate of the Fee Developer dated as of the Closing Date, signed by an authorized officer of the Fee Developer in substantially the form of Appendix E-2 hereto.

(g) City Certificate. A certificate of the City, dated the Closing Date, to the effect that, to the best of an authorized City official's knowledge:

(i) the representations and warranties of the City contained herein and in the City Documents are true and correct in all material respects on and as of the Closing Date as if made on the date thereof;

(ii) the Authorizing Documents and City Documents are in full force and effect and have not been amended, modified, or supplemented;

(iii) except as disclosed in the Limited Offering Memorandum, no litigation or proceeding against the City is pending or, to the knowledge of such persons, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the City to hold and exercise their respective positions, (b) contest the due organization and valid existence of the City or the establishment of the District, (c) contest the validity, due authorization and execution of the Bonds or the City Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the City from levying and collecting the Assessments pledged to pay the principal of and interest on the Bonds, or the pledge thereof; and

(iv) the City has, to the best of such person's knowledge, complied with all agreements and covenants and satisfied all conditions set forth in the City Documents, on its part to be complied with or satisfied hereunder at or prior to the Closing.

(h) Trustee's Certificate. A certificate of the Trustee, dated the date of Closing, in form and substance acceptable to counsel for the Underwriter to the following effect:

(i) The Trustee is duly organized and validly existing as a national banking association organized under the laws of the United States of America, having the full power and authority, including trust powers, to accept and perform its duties under the Indenture; and

(ii) No consent, approval, authorization or other action by any governmental authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Indenture.

(i) Underwriter Counsel's Opinion. An opinion, dated the Closing Date and addressed to the Underwriter, of Winstead PC, counsel to the Underwriter, to the effect that:

(i) based on (A) such counsel's review of the Bond Ordinance, the Indenture, and the Limited Offering Memorandum; (B) its discussions with Bond Counsel and with the Underwriter; (C) its review of the documents, certificates, opinions and other instruments delivered at the closing of the sale of the Bonds on the date hereof; and (D) such other matters as it deems relevant, such counsel is of the opinion that the Bonds are exempt securities under the Securities Act, and the Trust Indenture Act, and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the Securities Act and the Indenture is not required to be qualified under the Trust Indenture Act;

(ii) based upon (A) such counsel's review of Rule 15c2-12 and interpretive guidance published by the SEC relating thereto; (B) its review of the continuing disclosure undertaking of the City contained in the City Continuing Disclosure Agreement; and (C) the inclusion in the Limited Offering Memorandum of a description of the specifics of such undertaking, and assuming that the Bond Ordinance, the Indenture, and the City Continuing Disclosure Agreement have been duly adopted by the City and are in full force and effect, such undertaking provides a suitable basis for the Underwriter, to make a reasonable determination that the City has met the qualifications of paragraph (b)(5)(i) of Rule 15c2-12; and

(iii) although such counsel has not verified and is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the information contained in the Limited Offering Memorandum, it has participated in the preparation of the Limited Offering Memorandum and without independent verification, no facts came to its attention that caused it to believe that the Limited Offering Memorandum (except for the Appendices as well as any other financial, engineering and statistical data contained therein or included therein by reference or any litigation disclosed therein, as to which it expresses no view) as of its date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) Limited Offering Memorandum. The Limited Offering Memorandum and each supplement or amendment, if any, thereto.

(k) Delivery of City Documents, Developer Documents and Fee Developer Documents. The City Documents, the Developer Documents and the Fee Developer Documents shall have been executed and delivered in form and content satisfactory to the Underwriter.

(l) Form 8038-G. Evidence that the federal tax information form 8038-G has been prepared by Bond Counsel for filing.

(m) Federal Tax Certificate. A certificate of the City in form and substance satisfactory to Bond Counsel and counsel to the Underwriter setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code.

(n) Attorney General Opinion and Comptroller Registration. The approving opinion of the Attorney General of the State regarding the Bonds and the Comptroller of the State's Certificate of Registration for the Initial Bond.

(o) Continuing Disclosure Agreements. The City Continuing Disclosure Agreement and the Continuing Disclosure Agreement of the Developer, shall have been executed by the parties thereto in substantially the forms attached to the Preliminary Limited Offering Memorandum as Appendix D-1 and Appendix D-2.

(p) Letter of Representation of Assessment Consultant. Letter of Representation of the Assessment Consultant, substantially in the form of Appendix F hereto, addressed to the City, Bond Counsel, the Underwriter, and the Trustee, or in form otherwise agreed upon by the Underwriter.

(q) Evidence of Filing of Creation Resolution and Assessment Ordinance. Evidence that (i) the Creation Resolution, including legal description of the District by metes and bounds and (ii) the Assessment Ordinance, including the Assessment Roll for Improvement Area #2 of the District and a statement indicating the contact for and address of where a copy of the Service and Assessment Plan, and any updates thereto may be obtained or viewed, have been filed of record in the real property records of Rockwall County, Texas.

(r) Evidence of Ownership of Property. Evidence that, on the date that the Assessment Ordinance was adopted, all of the Assessed Property in Improvement Area

#2 of the District was owned by the Developer or other development entities and that such landowners are not entities that may claim a homestead right under Texas law.

(s) Lender Consent Certificate. Lender Consent Certificate of First United Bank and Trust consenting to and acknowledging the creation of the District, the adoption of the Assessment Ordinance, the levy of the Assessments, and the subordination of its lien to the lien create by the Assessments in a form acceptable to the Underwriter.

(t) Rule 15c2-12 Certification. A resolution or certificate of the City whereby the City has deemed the Preliminary Limited Offering Memorandum final as of its date, except for permitted omissions, as contemplated by Rule 15c2-12 in connection with the offering of the Bonds.

(u) Dissemination Agent. Evidence acceptable to the Underwriter in its sole discretion that the City has engaged a dissemination agent acceptable to the Underwriter for the Bonds, with the execution of the City Continuing Disclosure Agreement and the Continuing Disclosure Agreement of the Developer by other parties thereto being conclusive evidence of such acceptance by the Underwriter.

(v) BLOR. A copy of the Blanket Letter of Representation to DTC signed by the City.

(w) Additional Documents. Such additional legal opinions, certificates, instruments, and other documents as the Underwriter or their counsel may reasonably deem necessary.

10. City's Closing Conditions. The obligation of the City hereunder to deliver the Bonds shall be subject to receipt on or before the date of the Closing of the purchase price set forth in Section 1 hereof, and the opinion of Bond Counsel described in Section 9(a) hereof, and any documents to be provided by the Developer.

11. Establishment of Issue Price.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City on or before Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Appendix B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this Section to establish the issue price of the Bonds may be taken on behalf of the City by the City's Financial Advisor identified herein and any notice or report to be provided to the City may be provided to the City's Financial Advisor.

(b) The Underwriter confirms that it has offered all the Bonds of each maturity to the public on or before the date of this Agreement at the respective offering price (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. At or promptly after the execution of this Agreement, the Underwriter shall report to the City as of the sale date the first price at which the Underwriter has sold to the public at least 10% of each maturity of Bonds (the "10% test"), and shall identify to the City as of the sale date those maturities of the Bonds for which the 10% test has not been satisfied. If different interest coupons apply within a maturity, each separate CUSIP number within that maturity will be treated as a separate maturity for this purpose.

(c) The City and the Underwriter agree that the restrictions set forth in the next sentence shall apply to those maturities of the Bonds for which the 10% test has not been met as of the sale date, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City when the Underwriter has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if such sale occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement, if applicable, relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (i) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (ii) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) "public" means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Agreement by all parties.

12. <u>Consequences of Termination</u>. If the City shall be unable to satisfy the conditions contained in this Agreement or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and the Underwriter and the City shall have no further obligation hereunder, except as further set forth in Sections 13, 15 and 16 hereof.

13. Costs and Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall cause to be paid from proceeds of the Bonds the following expenses incident to the issuance of the Bonds and performance of the City's obligations hereunder: (i) the costs of the preparation and printing of the Bonds; (ii) the cost of preparation, printing, and mailing of the Preliminary Limited Offering Memorandum, the final Limited Offering Memorandum and any supplements and amendments thereto; (iii) the fees and disbursements of the City's financial advisor and legal counsel, the Trustee's counsel, Bond Counsel, Developer's Counsel, and the Trustee relating to the issuance of the Bonds, (iv) the Attorney General's review fees, (v) the fees and disbursements of accountants, advisers and any other experts or consultants retained by the City or the Developer, including but not limited to the fees and expenses of the Assessment Consultant, and (vi) the expenses incurred by or on behalf of City employees and representatives that are incidental to the issuance of the Bonds and the performance by the City of its obligations under this Agreement.

(b) The Underwriter shall pay the following expenses: (i) all advertising expenses in connection with the limited offering of the Bonds; (ii) fees of Underwriter's Counsel; and (iii) all other expenses, including CUSIP fees (including out-of-pocket expenses and related regulatory expenses), incurred by it in connection with its offering and distribution of the Bonds, except as noted in Subsection 13(a) above.

(c) The City acknowledges that the Underwriter will pay from the Underwriter's expense allocation of the underwriting discount the applicable per bond assessment charged by the Municipal Advisory Council of Texas, a nonprofit corporation whose purpose is to collect, maintain and distribute information relating to issuing entities of municipal securities.

14. Notice. Any notice or other communication to be given to the City under this Agreement may be given by delivering the same in writing to: City of McLendon-Chisholm, Texas, 1371 West FM 550, McLendon-Chisholm, Texas 75032, Attention: City Manager. Any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to: FMSbonds, Inc., 100 Crescent Court, Suite 700, Dallas, Texas 76227, Attention: Tripp Davenport, Director.

15. Entire Agreement. This Agreement is made solely for the benefit of the City and the Underwriter (including their respective successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties, and agreements contained in this Agreement shall remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Underwriter, provided the City shall have no liability with respect to any matter of which the Underwriter has actual knowledge prior to the purchase of the Bonds; or (ii) delivery of any payment for the Bonds pursuant to this Agreement. The agreements contained in this Section and in Sections 16 and 18 shall survive any termination of this Agreement.

16. Survival of Representations and Warranties. All representations and warranties of the parties made in, pursuant to or in connection with this Agreement shall survive the execution and delivery of this Agreement, notwithstanding any investigation by the parties. All statements contained in any certificate, instrument, or other writing delivered by a party to this Agreement or in connection with the transactions described in by this Agreement constitute representations and warranties by such party under this Agreement to the extent such statement is set forth as a representation and warranty in the instrument in question.

17. Counterparts. 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 but one and the same instrument.

18. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof.

19. State Law Governs. The validity, interpretation, and performance of this Agreement shall be governed by the laws of the State of Texas.

20. No Assignment. The rights and obligations created by this Agreement shall not be subject to assignment by the Underwriter or the City without the prior written consent of the other parties hereto.

21. No Personal Liability. None of the members of the City Council, nor any officer, representative, agent, or employee of the City, shall be charged personally by the Underwriter with any liability, or be held liable to the Underwriter under any term or provision of this Agreement, or because of execution or attempted execution, or because of any breach or attempted or alleged breach of this Agreement.

22. Form 1295. Submitted herewith or on a date prior hereto is a completed Form 1295 in connection with the Underwriter's participation in the execution of this Agreement generated by the Texas Ethics Commission's (the "TEC") electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the "Form 1295"). The City hereby confirms receipt of the Form 1295 from the Underwriter, and the City agrees to acknowledge such form with the TEC through its electronic filing application not later than the 30th day after the receipt of such form. The Underwriter and the City understand and agree that, with the exception of information identifying the City and the contract identification number, neither the City nor its consultants are responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Underwriter; and, neither the City nor its consultants have verified such information.

23. Anti-Boycott Verification. The Underwriter represents that, to the extent this Agreement constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2270 of the Texas Government Code, and subject to applicable Federal law, neither the Underwriter, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or

affiliate of the Underwriter (i) boycotts Israel or (ii) will boycott Israel through the term of this Agreement. The terms “boycotts Israel” and “ boycott Israel” as used in this paragraph have the meanings assigned to the term “ boycott Israel” in Section 808.001 of the Texas Government Code, as amended.

24. Iran, Sudan and Foreign Terrorist Organizations. The Underwriter represents that, as of the date of this Agreement, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable Federal law, neither the Underwriter, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Underwriter is an entity listed by the Texas Comptroller of Public Accounts under Sections 2252.153 or 2270.0201 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first set forth above.

FMSbonds, Inc.,
as Underwriter

By: ______________________________________
Name: Theodore A. Swinarski
Title: Senior Vice President, Trading

Accepted at _____ a.m./p.m. central time on the date first stated above.

CITY OF MCLENDON-CHISHOLM, TEXAS

By: ______________________________________
Keith Short, Mayor

SCHEDULE I

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

Interest Accrues From: _____, 2019

$_________ ______% Term Bonds, Due September 15, 20__, Priced to Yield _______%[(a), (c)]

$_________ ______% Term Bonds, Due September 15, 20__, Priced to Yield _______%[(a), (b), (c)]

____

(a) The initial prices or yields of the Bonds are furnished by the Underwriter, have been determined in accordance with the 10% test, and represent the initial offering prices or yields to the public, which may be changed by the Underwriter at any time.

(b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any day on or after September 15, 20__, at the redemption price of 100% of the principal amount plus accrued and unpaid interest to the date of redemption as set forth in the Limited Offering Memorandum under "DESCRIPTION OF THE BONDS — Redemption Provisions."

(c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described in the Limited Offering Memorandum under "DESCRIPTION OF THE BONDS — Redemption Provisions."

The Term Bonds are subject to mandatory sinking fund redemption 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__†	

$__________ 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__†	

APPENDIX A-1

FORM OF DEVELOPER LETTER OF REPRESENTATIONS

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

DEVELOPER LETTER OF REPRESENTATIONS

June 4, 2019

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

FMSbonds, Inc.
100 Crescent Court, Suite 700
Dallas, Texas 76227

Ladies and Gentlemen:

This letter is being delivered to the City of McLendon-Chisholm, Texas (the "City") and FMSbonds, Inc. (the "Underwriter"), in consideration for your entering into the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") for the sale and purchase of the $6,225,000 "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project)" (the "Bonds"). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed to purchase from the City, and the City has agreed to sell to the Underwriter, the Bonds. In order to induce the City to enter into the Bond Purchase Agreement and as consideration for the execution, delivery, and sale of the Bonds by the City and the purchase of them by the Underwriter, the undersigned, Land Solutions SV LLC, a Delaware limited liability company (the "Developer"), makes the representations, warranties, and covenants contained in this Developer Letter of Representations. Unless the context clearly indicates otherwise, each capitalized term used and not otherwise defined in this Developer Letter of Representations will have the meaning set forth in the Bond Purchase Agreement.

1. Purchase and Sale of Bonds. Inasmuch as the purchase and sale of the Bonds represents a negotiated transaction, the Developer understands, and hereby confirms, that the

Underwriter is not acting as a fiduciary of the Developer, but rather is acting solely in its capacity as Underwriter of the Bonds for its own account.

2. Updating of the Limited Offering Memorandum. If, after the date of this Developer Letter of Representations, up to and including the date the Underwriter is no longer required to provide a Limited Offering Memorandum to potential customers who request the same pursuant to Rule 15c2-12 (the earlier of (i) ninety (90) days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Limited Offering Memorandum is available to any person from the MSRB, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Bonds), the Developer becomes aware of any fact or event which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Limited Offering Memorandum to comply with law, the Developer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request); however, that for the purposes of this Developer Letter of Representations and any certificate delivered by the in accordance with the Bond Purchase Agreement, the Developer makes no representations with respect to (i) the descriptions in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum of The Depository Trust Company, New York, New York, or its book-entry-only system and (ii) the information in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions "THE CITY," "THE DISTRICT," "BONDHOLDERS' RISKS" (except as it pertains to the Developer, the Improvement Area #2 Improvements and the Development, as defined in the Limited Offering Memorandum), "TAX MATTERS," "LEGAL MATTERS — Litigation — The City," "CONTINUING DISCLOSURE — The City" and " — The City's Compliance with Prior Undertakings" and "INFORMATION RELATING TO THE TRUSTEE."

3. Developer Representations, Warranties and Covenants. The Developer represents, warrants, and covenants to the City and the Underwriter that:

(a) Due Organization and Existence. The Developer is duly formed and validly existing as a limited liability company under the laws of the State of Delaware.

(b) Developer Documents. The Developer has executed and delivered each of the below listed documents (individually, a "Developer Document" and collectively, the "Developer Documents") in the capacity provided for in each such Developer Document, and each such Developer Document constitutes a valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms:

(i) this Developer Letter of Representations;

(ii) that certain Development Agreement dated effective June 11, 2007 relating to the District (the "Original Development Agreement") which 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, all as partially assigned to the Developer pursuant to a Partial Assignment and Assumption of Development Agreement effective as of August 17, 2018 (collectively, the "Development Agreement");

(iii) that certain Continuing Disclosure Agreement of Developer with respect to the Bonds, dated as of July 1, 2019 (the "Continuing Disclosure Agreement of the Developer"), made by and among P3Works, LLC, as dissemination agent and P3Works, LLC, as Administrator;

(iv) that certain Improvement Area #2 Construction, Funding and Acquisition Agreement, effective June 11, 2019, and executed and delivered by the City and the Developer (the "CFA Agreement");

(v) the Development and Management Agreement dated as of August 17, 2018 between the Developer and TDI SV Management LLC (the "Fee Developer"); and

(vi) any other documents and certificates of the Developer described in any of the foregoing (i) through (iv) above.

The Developer has complied in all material respects with all of the Developer's agreements and covenants and satisfied all conditions required to be complied with or satisfied by the Developer under the Developer Documents on or prior to the date hereof.

(c) Organizational Documents. The copies of the organizational documents of the Developer provided by the Developer (the " Developer Organizational Documents") to the City and the Underwriter are fully executed, true, correct, and complete copies of such documents and such documents have not been amended or supplemented and are in full force and effect as of the date hereof.

(d) Due Authorization and Approval. By all necessary action, the Developer has duly authorized an approved its execution and delivery of the Developer Documents and the performance by the Developer of its obligations contained in the Developer Documents as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded.

(e) No Breach. The execution and delivery of the Developer Documents by Developer does not violate any judgment, order, writ, injunction or decree binding on Developer or any indenture, agreement, or other instrument to which Developer is a party.

(f) No Litigation. Other than as described in the Preliminary Limited Offering Memorandum, there are no proceedings pending or threatened in writing before any court or administrative agency against Developer that is either not covered by insurance or which singularly or collectively would have a material, adverse effect on the ability of Developer to perform its obligations under the Developer Documents in all material respects or that would reasonably be expected to prevent or prohibit the development of the Development in accordance with the description thereof in the Preliminary Limited Offering Memorandum.

(g) Information. The information prepared and submitted by the Developer to the City or the Underwriter in connection with the preparation of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum was, and is, as of this date, true and correct in all material respects.

(h) Consent to Bond Issuance. The Developer hereby consents to the issuance of the Bonds.

(i) Agreement. The Developer covenants that, while the Bonds are outstanding, the Developer will not bring any action, suit proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body which in any way seeks to challenge or overturn the District, the validity of the Developer Documents, the levy or collection of the Assessments or the validity of the Bonds or the proceedings relating to their issuance.

(j) Permits, Licenses, Etc. The Developer has obtained and there are currently in force and effect, or the Developer is not aware of any fact that will prevent the Developer from receiving at or prior to the Closing Date or by the date required or necessary therefor, all consents, permits, licenses, certificates and other approvals (governmental or otherwise) required of it that

(i) are necessary to conduct the Developer's business as it is currently being conducted;

(ii) would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance of its obligations under this Agreement, the Developer Documents and any other material agreement or instrument to which they are a party and which is to be used or contemplated for use in the consummation of the transactions described herein or by the Limited Offering Memorandum relating to the financing and construction of the Improvement Area #2 Improvements; or

(iii) are necessary for the acquisition, construction and operation of the Public Improvements.

(k) Events of Default. No "Event of Default" or "event of default" by the Developer under any of the Developer Documents, any documents to which Developer is a party described in the Preliminary Limited Offering Memorandum, or under any material documents relating to the financing and construction of the Improvement Area #2 Improvements to which the Developer is a party, or event that, with the passage of time or the giving of notice or both, would constitute such "Event of Default" or "event of default," by the Developer has occurred and is continuing.

(l) Financing. Other than the Assessments, no debt will be issued nor will any additional liens be placed on the property within the District in order to complete the construction of the Improvement Area #2 Improvements unless such debt or additional liens are subordinate to the liens created by the levy of the Assessments, and the Developer provides written notice of such subordination to the lender of such subordinate debt and the City.

(m) Taxes and Assessments. All ad valorem taxes and assessments are current on the property which the Developer owns within the District.

(n) Preliminary Limited Offering Memorandum. The Developer represents and warrants that the information set forth in the Preliminary Limited Offering Memorandum under the captions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER" and "CONTINUING DISCLOSURE — The Developer" and, to the best of the Developer's knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Improvement Area #2 Improvements and the Development, as defined in the Limited Offering Memorandum), and "LEGAL MATTERS — Litigation — The Developer" is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Developer agrees to provide a certificate dated the Closing Date affirming, as of such date, the representations contained in this subsection (n) with respect to the Preliminary Limited Offering Memorandum.

(o) Limited Offering Memorandum. The Developer represents and warrants that the information set forth in the Preliminary Limited Offering Memorandum under the captions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER" and

"CONTINUING DISCLOSURE — The Developer" and, to the best of the Developer's knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Developer, the Improvement Area #2 Improvements and the Development, as defined in the Limited Offering Memorandum) and "LEGAL MATTERS — Litigation — The Developer" is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Developer agrees to provide a certificate dated the Closing Date affirming, as of such date, the representations contained in this subsection (o) with respect to the Limited Offering Memorandum.

(p) Intentional Actions Regarding Representations and Warranties. The Developer covenants that between the date hereof and the Closing it will not intentionally take actions which will cause the representations and warranties made in this Section to be untrue as of the Closing.

4. Indemnification.

(a) The Developer will indemnify and hold harmless the City and the Underwriter and each of their officers, directors, employees and agents against any losses, claims, damages or liabilities to which any of them may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "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), "LEGAL MATTERS — Litigation – The Developer", and "CONTINUING DISCLOSURE — The Developer", or any amendment or supplement to the Limited Offering Memorandum amending or supplementing the information contained under the aforementioned captions (as qualified above), or arise out of or are based upon the omission or alleged untrue statement or omission to state therein a material fact necessary to make the statements under the aforementioned captions (as qualified above) not misleading under the circumstances under which they were made and will reimburse any indemnified party for any reasonable legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred.

(b) Promptly after receipt by an indemnified party under subsection (a) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to the indemnified party otherwise than under such subsection, unless such indemnifying party was prejudiced by such delay or lack of notice. In case any such action shall be brought against an indemnified party, it shall promptly notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. The indemnifying party shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the indemnifying party or if there is a final judgment for the plaintiff in any such action, the indemnifying party will indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. The indemnity herein shall survive delivery of the Bonds and shall survive any investigation made by or on behalf of the City, the Developer, or the Underwriter.

5. Survival of Representations, Warranties and Covenants. All representations, warranties, and agreements in this Developer Letter of Representations will survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of any payment by the Underwriter for the Bonds hereunder, and (c) any termination of the Bond Purchase Agreement.

6. Binding on Successors and Assigns. This Developer Letter of Representations will be binding upon the Developer and its successors and assigns and inure solely to the benefit of the Underwriter and the City, and no other person or firm or entity will acquire or have any right under or by virtue of this Developer Letter of Representations.

[Signatures to Follow]

DEVELOPER:

LAND SOLUTIONS SV LLC, a Delaware limited liability company

By: ______________________________________
Printed Name:__________________________
Title:_________________________________

APPENDIX A-2

FORM OF FEE DEVELOPER LETTER OF REPRESENTATIONS

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

FEE DEVELOPER LETTER OF REPRESENTATIONS

June 4, 2019

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

FMSbonds, Inc.
100 Crescent Court, Suite 700
Dallas, Texas 76227

Ladies and Gentlemen:

This letter is being delivered to the City of McLendon-Chisholm, Texas (the "City") and FMSbonds, Inc. (the "Underwriter"), in consideration for your entering into the Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") for the sale and purchase of the $6,225,000 "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project)" (the "Bonds"). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed to purchase from the City, and the City has agreed to sell to the Underwriter, the Bonds. In order to induce the City to enter into the Bond Purchase Agreement and as consideration for the execution, delivery, and sale of the Bonds by the City and the purchase of them by the Underwriter, the undersigned, TDI SV Management LLC, a Texas limited liability company (the "Fee Developer"), the representations, warranties, and covenants contained in this Fee Developer Letter of Representations. Unless the context clearly indicates otherwise, each capitalized term used and not otherwise defined in this Fee Developer Letter of Representations will have the meaning set forth in the Bond Purchase Agreement.

1. Purchase and Sale of Bonds. Inasmuch as the purchase and sale of the Bonds represents a negotiated transaction, the Fee Developer understands, and hereby confirms, that the

Underwriter is not acting as a fiduciary of Fee Developer, but rather is acting solely in its capacity as Underwriter of the Bonds for its own account.

2. Updating of the Limited Offering Memorandum. If, after the date of this Fee Developer Letter of Representations, up to and including the date the Underwriter is no longer required to provide a Limited Offering Memorandum to potential customers who request the same pursuant to Rule 15c2-12 (the earlier of (i) ninety (90) days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Limited Offering Memorandum is available to any person from the MSRB, but in no case less than twenty-five (25) days after the "end of the underwriting period" for the Bonds), the Fee Developer becomes aware of any fact or event which might or would cause the Limited Offering Memorandum, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if it is necessary to amend or supplement the Limited Offering Memorandum to comply with law, the Fee Developer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request); however, that for the purposes of this Fee Developer Letter of Representations and any certificate delivered by the Fee Developer in accordance with the Bond Purchase Agreement, the Fee Developer makes no representations with respect to (i) the descriptions in the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum of The Depository Trust Company, New York, New York, or its book-entry-only system and (ii) the information in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions "THE CITY," "THE DISTRICT," "BONDHOLDERS' RISKS" (except as it pertains to the Fee Developer, the Improvement Area #2 Improvements and the Development, as defined in the Limited Offering Memorandum), "TAX MATTERS," "LEGAL MATTERS — Litigation — The City," "CONTINUING DISCLOSURE — The City" and " — The City's Compliance with Prior Undertakings" and "INFORMATION RELATING TO THE TRUSTEE."

3. Fee Developer Representations, Warranties and Covenants. The Fee Developer represents, warrants, and covenants to the City and the Underwriter that:

(a) Due Organization and Existence. The Fee Developer is duly formed and validly existing as a limited liability company under the laws of the State of Texas.

(b) Fee Developer Documents. The Fee Developer has executed and delivered each of the below listed documents (individually, a "Fee Developer Document" and collectively, the "Fee Developer Documents") in the capacity provided for in each such Fee Developer Document, and each such Fee Developer Document constitutes a valid and binding obligation of the Fee Developer, enforceable against the Fee Developer in accordance with its terms:

(i) this Fee Developer Letter of Representations;

(ii) the Development and Management Agreement dated as of August 17, 2018 between Land Solutions SV LLC and the Fee Developer;

(iii) any other documents and certificates of the Fee Developer described in any of the foregoing (i) through (ii) above.

The Fee Developer has complied in all material respects with all of the Fee Developer's agreements and covenants and satisfied all conditions required to be complied with or satisfied by the Fee Developer under the Fee Developer Documents on or prior to the date hereof.

(c) Organizational Documents. The copies of the organizational documents of the Fee Developer provided by the Fee Developer (the "Fee Developer Organizational Documents") to the City and the Underwriter are fully executed, true, correct, and complete copies of such documents and such documents have not been amended or supplemented and are in full force and effect as of the date hereof.

(d) Due Authorization and Approval. By all necessary action, the Fee Developer has duly authorized an approved its execution and delivery of the Fee Developer Documents and the performance by the Fee Developer of its obligations contained in the Fee Developer Documents as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded.

(e) No Breach. The execution and delivery of the Fee Developer Documents by Fee Developer does not violate any judgment, order, writ, injunction or decree binding on Developer or any indenture, agreement, or other instrument to which Fee Developer is a party.

(f) No Litigation. Other than as described in the Preliminary Limited Offering Memorandum, there are no proceedings pending or threatened in writing before any court or administrative agency against Fee Developer that is either not covered by insurance or which singularly or collectively would have a material, adverse effect on the ability of Fee Developer to perform its obligations under the Fee Developer Documents in all material respects or that would reasonably be expected to prevent or prohibit the development of the Development in accordance with the description thereof in the Preliminary Limited Offering Memorandum.

(g) Information. The information prepared and submitted by the Fee Developer to the City or the Underwriter in connection with the preparation of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum was, and is, as of this date, true and correct in all material respects.

(h) Permits, Licenses, Etc. The Fee Developer has obtained and there are currently in force and effect, or the Fee Developer is not aware of any fact that will prevent the Fee Developer from receiving at or prior to the Closing Date or by the date required or necessary therefor, all consents, permits, licenses, certificates and other approvals (governmental or otherwise) required of it that

(i) are necessary to conduct the Fee Developer's business as it is currently being conducted;

(ii) would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance of its obligations under this Agreement, the Fee Developer Documents and any other material agreement or instrument to which they are a party and which is to be used or contemplated for use in the consummation of the transactions described herein or by the Limited Offering Memorandum relating to the financing and construction of the Improvement Area #2 Improvements; or

(iii) are necessary for the acquisition, construction and operation of the Public Improvements.

(i) Events of Default. No "Event of Default" or "event of default" by the Fee Developer under any of the Fee Developer Documents, any documents to which Fee Developer is a party described in the Preliminary Limited Offering Memorandum, or under any material documents relating to the financing and construction of the Improvement Area #2 Improvements to which the Fee Developer is a party, or event that, with the passage of time or the giving of notice or both, would constitute such "Event of Default" or "event of default," by the Fee Developer has occurred and is continuing.

(j) Preliminary Limited Offering Memorandum. The Fee Developer represents and warrants that the information set forth in the Preliminary Limited Offering Memorandum under the following captions (to the extent such information pertains to the Fee Developer) "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER" and, to the best of the Fee Developer's knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Fee Developer) and "LEGAL MATTERS — Litigation — The Fee Developer" is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Fee Developer agrees to provide a certificate dated the Closing Date affirming, as of such date, the representations contained in this subsection (j) with respect to the Preliminary Limited Offering Memorandum.

(k) Limited Offering Memorandum. The Fee Developer represents and warrants that the information set forth in the Limited Offering Memorandum under the following captions (to the extent such information pertains to the Fee Developer) "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," and "THE DEVELOPER AND THE FEE DEVELOPER" and, to the best of the Fee Developer's knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Fee Developer, the Improvement Area #2 Improvements and the Development, as defined in the Limited Offering Memorandum) and "LEGAL MATTERS — Litigation — The Fee Developer" is true and correct and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Fee Developer agrees to provide a certificate dated the Closing Date affirming, as of such date, the representations contained in this subsection (k) with respect to the Limited Offering Memorandum.

(l) Intentional Actions Regarding Representations and Warranties. The Fee Developer covenants that between the date hereof and the Closing it will not intentionally take actions which will cause the representations and warranties made in this Section to be untrue as of the Closing.

4. Indemnification.

(a) The Fee Developer will indemnify and hold harmless the City and the Underwriter and each of their officers, directors, employees and agents against any losses, claims, damages or liabilities to which any of them may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum under the captions (to the extent such information pertains to the Fee Developer) "PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER," "BONDHOLDERS' RISKS", "— Litigation – The Fee Developer" or any amendment or supplement to the Limited Offering Memorandum amending or supplementing the information contained under the aforementioned captions (as qualified above), or arise out of or are based upon the omission or alleged untrue statement or omission to state therein a material fact necessary to make the statements under the aforementioned captions (as qualified above) not misleading under the circumstances under which they were made and will reimburse any indemnified party for any reasonable legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred.

(b) Promptly after receipt by an indemnified party under subsection (a) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to the indemnified party otherwise than under such subsection, unless such indemnifying party was prejudiced by such delay or lack of notice. In case any such action shall be brought against an indemnified party, it shall promptly notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. The indemnifying party shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the indemnifying party or if there is a final judgment for the plaintiff in any such action, the indemnifying party will indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. The indemnity herein shall survive delivery of the Bonds and shall survive any investigation made by or on behalf of the City, the Fee Developer or the Underwriter.

5. Survival of Representations, Warranties and Covenants. All representations, warranties, and agreements in this Fee Developer Letter of Representations will survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of any payment by the Underwriter for the Bonds hereunder, and (c) any termination of the Bond Purchase Agreement.

6. Binding on Successors and Assigns. This Fee Developer Letter of Representations will be binding upon the Fee Developer and its successors and assigns, and inure solely to the benefit of the Underwriter and the City, and no other person or firm or entity will acquire or have any right under or by virtue of this Fee Developer Letter of Representations.

[Signatures to Follow]

FEE DEVELOPER:

TDI SV MANAGEMENT LLC, a Texas limited liability company

By: ______________________________________

Printed Name:__________________________

Title:__________________________________

APPENDIX B

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS, SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

ISSUE PRICE CERTIFICATE

The undersigned, as the duly authorized representative of FMSbonds, Inc., hereby certifies with respect to the $6,225,000 City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project) ("the "Bonds") issued by the City of McLendon-Chisholm, Texas (the "Issuer"), hereby certifies, based on its records and information, as follows:

a. The first price at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms (a "Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (the "Public") is set forth in the final Limited Offering Memorandum relating to the Bonds.

b. A copy of the pricing wires or equivalent communication for the Bonds is attached to this certificate as Schedule A.

c. For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

d. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst & Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED this ____________, 2019.

FMSbonds, Inc.

By:_________________________________

Name:______________________________

Title:_______________________________

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

APPENDIX C

[LETTERHEAD OF THE HALLA LAW FIRM]

May 15, 2019

FMSbonds, Inc.
100 Crescent Court, Suite 700
Dallas, Texas 75201

Wilmington Trust
15950 North Dallas Parkway, Suite 550
Dallas, Texas 75248

Winstead PC
500 Winstead Building
2728 N. Harwood Street
Dallas, Texas 75218

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

Ladies and Gentlemen:

We are the Attorney for the City of McLendon-Chisholm, Texas (the "City") for limited purposes, and are rendering this opinion in connection with the issuance and sale of $6,225,000 "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project)" (the "Bonds"), by the City, a political subdivision of the State of Texas.

The Bonds are authorized pursuant to Ordinance No. [_________] and enacted by the City Council of the City (the "City Council") on June 11, 2019 (the "Bond Ordinance") and shall be issued pursuant to the provisions of Subchapter A of the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code, as amended (the "Act") and the Indenture of Trust dated as of July 1, 2019 (the "Indenture") by and between the City and Wilmington Trust, National Association, as trustee (the "Trustee"). Capitalized terms not defined herein shall have the same meanings as in the Indenture, unless otherwise stated herein.

In connection with rendering this opinion, we have reviewed the:

(a) The Resolution No. 2007-21 (the "Creation Resolution"), enacted by the City Council on September 10, 2007.

(b) The Ordinance No. ___________, adopted by the City Council on June 11, 2019 (the "Assessment Ordinance").

(c) The Bond Ordinance.

(d) The Indenture.

(e) That certain Development Agreement dated effective June 11, 2007 relating to the District (the “Original Development Agreement”) which 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, the “Development Agreement”).

(f) That certain Continuing Disclosure Agreement of the Issuer, dated as of July 1, 2019, executed and delivered by the City, P3Works, LLC, and HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc. as Dissemination Agent.

The Creation Resolution, the Assessment Ordinance and Bond Ordinance shall herein after be referred to as the “Authorizing Documents” and the remaining documents shall herein after be collectively referred to as the “City Documents.”

In all such examinations, we have assumed that all signatures on documents and instruments executed by the City are genuine and that all documents submitted to me as copies conform to the originals. In addition, for purposes of this opinion, we have assumed the due authorization, execution and delivery of the City Documents by all parties other than the City.

Based upon and subject to the foregoing and the additional qualifications and assumptions set forth herein, we are of the opinion that:

1. The City is a Texas political subdivision and has all necessary power and authority to enter into and perform its obligations under the Authorizing Documents and the City Documents. The City has taken or obtained all actions, approvals, consents and authorizations required of it by applicable laws in connection with the execution of the Authorizing Documents and the City Documents and the performance of its obligations thereunder.

2. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, public board or body, pending, or threatened against the City: (a) affecting the existence of the City or the titles of its officers to their respective offices, (b) in any way questioning the formation or existence of the District, (c) affecting, contesting or seeking to prohibit, restrain or enjoin the delivery of any of the Bonds, or

the payment, collection or application of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, including the Assessments in Improvement Area #2 of the District pursuant to the provisions of the Assessment Ordinance and the Service and Assessment Plan referenced therein, (d) contesting or affecting the validity or enforceability or the City's performance of the City Documents, (e) contesting the exclusion of the interest on the Bonds from federal income taxation, or (f) which may result in any material adverse change relating to the financial condition of the City.

3. The Authorizing Documents were duly enacted by the City and remain in full force and effect on the date hereof.

4. The City Documents have been duly authorized, executed and delivered by the City and remain legal, valid and binding obligations of the City enforceable against the City in accordance with their terms. However, the enforceability of the obligations of the City under such City Documents may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, (b) principles of equity, whether considered at law or in equity, and (c) the application of Texas law relating to action by future councils and relating to governmental immunity applicable to governmental entities.

5. The performance by the City of the obligations under the Authorizing Documents and the City Documents will not violate any provision of any Federal or Texas constitutional or statutory provision.

6. No further consent, approval, authorization, or order of any court or governmental agency or body or official is required to be obtained by the City as a condition precedent to the performance by the City of its obligations under the Authorizing Documents and the City Documents.

7. The City has duly authorized, executed and delivered the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum.

8. The adoption of the Authorizing Documents and the execution and delivery of the City Documents and the compliance with the provisions of the Authorizing Documents and the City Documents under the circumstances contemplated thereby, to the best of our knowledge: (a) do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement to which the City is a party or by which it is bound, and (b) do not and will not in any material respect conflict with or constitute on the part of the City a violation, breach of or default under any existing law, regulation, court order or consent decree to which the City is subject.

9. Based upon our limited participation in the preparation of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum (collectively, the "Private Placement Memorandum"), the statements and information contained in the Private Placement Memorandum with respect to the Town under the captions and subcaptions "ASSESSMENT PROCEDURES —Assessment Methodology" and "—Assessment Amounts," "THE CITY," "THE DISTRICT," "LEGAL MATTERS — Litigation — The City" and "CONTINUING

DISCLOSURE – The City" is a fair and accurate summary of the law relating to collection and enforcement of Assessments and the documents and facts summarized therein.

This opinion may not be relied upon by any other person except those specifically addressed in this letter.

Very truly yours,

____

THE HALLA LAW FIRM
ATTORNEY FOR THE CITY

APPENDIX D

[LETTERHEAD OF MIKLOS LAW]

July 11, 2019

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

FMSbonds, Inc.
100 Crescent Court, Suite 700
Dallas, Texas 75201

Wilmington Trust
15950 North Dallas Parkway, Suite 550
Dallas, Texas 75248

The Halla Law Firm
5935 Deseret Trail
Dallas, Texas 75252

McCall, Parkhurst & Horton L.L.P
717 North Harwood, Suite 900
Dallas, Texas 75201

Winstead PC
2728 N. Harwood Street
Dallas, Texas 75201

$6,225,000
CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA VERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

Ladies & Gentlemen:

We have acted as special counsel to Land Solutions SV LLC, a Delaware limited liability company (the *"Developer")* and TDI SV Management LLC, a Texas limited liability company (the *"Fee Developer")* in connection with the issuance and sale by the City of McLendon-Chisholm, Texas (the *"City"),* of $6,225,000 City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project) (the *"Bonds"),* pursuant to the Indenture of Trust dated as of July 1, 2019 (the *"Indenture"),* by and between the City and Wilmington Trust, as trustee (the *"Trustee").* Proceeds from the sale of the Bonds will be used, in part, to fund certain public infrastructure improvements in the development known as "Sonoma Verde" (the *"Development")* located in the City of McLendon-Chisholm, Texas (the "*City*").

The Bonds are being sold by FMSbonds, Inc. (the *"Underwriter"),* pursuant to that certain Bond Purchase Agreement dated June 11, 2019 (the *"Bond Purchase Agreement"),* between the City and the Underwriter.

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Bond Purchase Agreement.

In our capacity as special counsel to the Developer and the Fee Developer, and for purposes of rendering the opinions set forth herein, we have examined originals or copies, certified or otherwise identified to our satisfaction, of:

(a) The following documents (collectively, the *"Material Documents"):*

(1) That certain Development Agreement dated effective June 11, 2007 relating to the District (the "Original Development Agreement") which 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, all as partially assigned to the Developer pursuant to a Partial Assignment and Assumption of Development Agreement effective as of August 17, 2018 (collectively, the "Development Agreement");

(2) the *Improvement Area #2 Construction, Funding and Acquisition Agreement*, effective June 11, 2019, and executed and delivered by the City and the Developer;

(3) the *Developer Letter of Representations* dated as of June 4, 2019;

(b) the Development and Management Agreement dated as of August 17, 2018 between the Developer and the Fee Developer;

(c) General Certificate of the Developer and the Closing Certificate of the Developer, each dated as of the date hereof (together, the "*Developer Certificate*");

(d) The Closing Certificate of the Fee Developer, dated as of the date hereof (the "Fee *Developer Certificate*");

(e) The Preliminary Limited Offering Memorandum, dated June 4, 2019 relating to the issuance of the Bonds (the *"Preliminary Limited Offering Memorandum")*;

(f) The final Limited Offering Memorandum, dated June 11, 2019, relating to the issuance of the Bonds (collectively with the Preliminary Limited Offering Memorandum, the *"Limited Offering Memorandum")*; and

(g) Such other documents, records, agreements and certificates of the Developer and the Fee Developer as we have deemed necessary or appropriate to render the opinions expressed below.

In basing the opinions and other matters set forth herein on "our knowledge," the words "our knowledge" signify that, in the course of our representation of the Developer and the Fee Developer the principal attorneys in this firm involved in the current actual transaction do not have actual knowledge or actual notice that any such opinions or other matters are not accurate or that any of the documents, certificates, reports and information on which we have relied are not accurate and complete. Except as otherwise stated herein, we have undertaken no independent investigation or certification of such matters. The words "our knowledge" and similar language used herein are intended to be limited to the knowledge of the attorneys within our firm who have worked on the matters contemplated by our representation as special counsel.

In rendering the opinions set forth herein, we have assumed, without independent investigation (other than the Developer and the Fee Developer), that: (i) the due authorization, execution, and delivery of each of the documents referred to in this opinion letter by all parties thereto and that each such document constitutes a valid, binding, and enforceable obligation of each party thereto, (ii) all of the parties to the documents referred to in this opinion letter are duly organized, validly existing, in good standing and have the requisite power, authority (corporate, limited liability company, partnership or other) and legal right to execute, deliver, and perform its obligations under such documents (except to the extent set forth in our opinions set forth herein regarding valid existence and power and authority of the Developer and the Fee Developer to execute, deliver, and perform its obligations under the Material Documents), (iii) each certificate from governmental officials reviewed by us is accurate, complete, and authentic, and all official public records are accurate and complete, (iv) the legal capacity of all natural persons, (v) the genuineness of all signatures (other than those of the Developer and the Fee Developer in respect of the Material Documents), (vi) the authenticity and accuracy of all documents submitted to us as originals, (vii) the conformity to original documents of all documents submitted to us as photostatic or certified copies, (viii) that no laws or judicial, administrative, or other action of any governmental City of any jurisdiction not expressly opined to herein would adversely affect the opinions set forth herein, and (ix) that the execution and delivery by each party of, and performance of its agreements in, the Material Documents do not breach or result in a default under any existing obligation of such party under any agreements, contracts or instruments to which such party is a party to or otherwise subject to or any order, writ, injunction or decree of any court applicable to such party.

In addition, we have assumed that the Material Documents accurately reflect the complete understanding of the parties with respect to the transactions contemplated thereby and the rights and obligations of the parties thereunder. We have also assumed that the terms and conditions of the transaction as reflected in the Material Documents have not been amended, modified or supplemented, directly or indirectly, by any other agreement or understanding of the parties or waiver of any of the material provisions of the Material Documents.

We assume that none of the parties to the Material Documents (other than Developer and Fee Developer) is a party to any court or regulatory proceeding relating to or otherwise affecting the Material Documents or is subject to any order, writ, injunction or decree of any court or federal, state or local governmental agency or commission that would prohibit the execution and delivery of the Material Documents, or the consummation of the transactions therein contemplated in the manner therein provided, or impair the validity or enforceability thereof. We assume that each of the parties to the Material Documents (other than Developer and Fee Developer) has full authority to close this transaction in accordance with the terms and provisions of the Material Documents.

We assume that neither the Underwriter nor the City nor their respective counsel has any current actual knowledge of any facts not known to us or any law or judicial decision which would make the opinions set forth herein incorrect, and that no party upon whom we have relied for purposes of this opinion letter has perpetrated a fraud.

We have only been engaged by our clients in connection with the Material Documents (and the transactions contemplated in the Material Documents) and do not represent these clients generally.

<u>Opinions and Assurances</u>

Based solely upon the foregoing, and subject to the assumptions and limitations set forth herein, we are of the opinion that:

1. The execution and delivery by the Developer and the Fee Developer of the respective Material Documents to which each is a party, and the performance by the Developer and the Fee Developer of their respective obligations under the Material Documents will not (i) violate any applicable law; or (ii) conflict with or result in the breach of any court decree or order of any governmental body identified in the Developer Certificate and the Fee Developer Certificate or otherwise actually known to the lawyers who have provided substantive attention to the representation reflected in this opinion binding upon or affecting the Developer and the Fee Developer, the conflict with which or breach of which would have a material, adverse effect on the ability of the Developer and the Fee Developer to perform their respective obligations under the Material Documents to which it is a party.

2. To our knowledge, no governmental approval which has not been obtained or taken is required to be obtained or taken by the Developer and the Fee Developer on or before the date hereof as a condition to the performance by the Developer and the Fee Developer of their obligations under the Material Documents to which it is a party, except for governmental approvals that may be required to comply with certain covenants contained in the Material Documents (including, without limitation, covenants to comply with applicable laws).

3. The Developer and the Fee Developer have duly executed and delivered each of the Material Documents to which each is a party, and each of the Material Documents constitute the legal, valid, and binding obligations of the Developer and the Fee Developer (to the extent that the Developer and Fee Developer are a party thereto), enforceable against the Developer and the Fee Developer in accordance with their respective terms, subject to the following qualifications: (i) the effect of applicable bankruptcy, insolvency, reorganization, moratorium

and other similar laws affecting the rights of creditors generally, and (ii) the effect of the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or of equity), and (iii) the effect that enforceability of the indemnification provisions therein may be limited, in whole or in part. The execution, delivery, and performance by the Developer and the Fee Developer of its of their respective obligations under the Material Documents do not violate any existing laws of the State of Texas applicable to the Developer and the Fee Developer.

4. To our knowledge after reasonable inquiry, there are no actions, suits or proceedings pending or threatened against the Developer identified in the Developer Certificate or the Fee Developer identified in the Fee Developer Certificate or otherwise actually known to the lawyers who have provided substantive attention to the representation reflected in this opinion in any court of law or equity, or before or by any governmental instrumentality with respect to the validity or enforceability against it of such Material Documents or the transactions described therein.

5. The execution and delivery of the Material Documents do not, and the transactions described therein may be consummated and the terms and conditions thereof may be observed and performed in a manner that does not, conflict with or constitute a breach of or default under any loan agreement, Indenture, bond note, resolution, agreement or other instrument to which the Developer and the Fee Developer is a party or is otherwise subject and which have been identified in the Developer Certificate or the Fee Developer Certificate which violation, breach or default would materially adversely affect the Developer or the Fee Developer or its performance of its obligations under the transactions described in the Material Documents; nor will any such execution, delivery, adoption, fulfillment, or compliance result in the creation or imposition of any lien, charge, or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Developer or the Fee Developer, except as expressly described in the Material Documents (a) under applicable law or (b) under any such loan agreement, indenture, bond note, resolution, agreement, or other instrument.

6. The information set forth in the Limited Offering Memorandum under the captions *"PLAN OF FINANCE — The District and Status of Development in Improvement Area #2," "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, as defined in the Limited Offering Memorandum)," "LEGAL MATTERS — Litigation — The Developer," "— Litigation — The Fee Developer,"* and *"CONTINUING DISCLOSURE — The Developer,"* adequately and fairly describe the information summarized under such captions and are correct as to matters of law.

7. Subject to the below qualifications and based upon our participation in the preparation of the Limited Offering Memorandum and our participation at conferences with representatives of the Underwriter and its Counsel, of the City and its counsel, and with representatives of the Developer and the Fee Developer at which the Limited Offering Memorandum and related matters were discussed, and although we have not independently verified the information in the Limited Offering Memorandum and are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements

contained in the Limited Offering Memorandum and any amendment or supplement thereto, no facts have come to our attention that lead us to believe that the information set forth under the captions referenced in the preceding paragraph as of the date of the Limited Offering Memorandum and the date hereof, contained or contains any untrue statement of a material fact, or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Qualifications

In addition to any assumptions, qualifications and other matters set forth elsewhere herein, the opinions set forth above are subject to the following assumptions and qualifications:

(a) We have not examined any court dockets, agency files or other public records regarding the entry of any judgments, writs, decrees or orders or the pendency of any actions, proceedings, investigations or litigation.

(b) We have relied upon the Developer Certificate and the Fee Developer Certificate, as well as the representations of the Developer and the Fee Developer contained in the Material Documents, with respect to certain facts material to our opinion. Except as otherwise specifically indicated herein, we have made no independent investigation regarding any of the foregoing documents or the representations contained therein.

(c) Our opinion delivered pursuant to Section 3 above is subject to the effect of any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditors' rights generally and to the effect of general principles of equity, including (without limitation) remedies of specific performance and injunctive relief and concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(d) Except for the Material Documents, we have not reviewed, and express no opinion as to, any other contracts or agreements to which the Developer and the Fee Developer is a party or by which the Developer and the Fee Developer are or may be bound.

(e) The opinions expressed herein are based upon and limited to the applicable laws of the State of Texas and the laws of the United States of America, excluding the principles of conflicts of laws thereof, as in effect as of the date hereof, and our knowledge of the facts relevant to such opinions on such date. In this regard, we note that we are members of the Bar of the State of Texas, we do not express any opinion herein as to matters governed by the laws of any other jurisdiction, except the United States of America, we do not purport to be experts in any other laws and we can accept no responsibility for the applicability or effect of any such laws. In addition, we assume no obligation to supplement the opinions expressed herein if any applicable laws change after the date hereof, or if we become aware of any facts or circumstances that affect the opinions expressed herein.

(f) This letter is strictly limited to the matters expressly set forth herein and no statements or opinions should be inferred beyond such matters.

(g) Notwithstanding anything contained herein to the contrary, we express no opinion whatsoever concerning the status of title to any real or personal property.

(h) The opinions expressed herein regarding the enforceability of the Material Documents are subject to the qualification that certain of the remedial, waiver or other provisions thereof may not be enforceable; but such unenforceability will not, in our judgment, render the Material Documents invalid as a whole or substantially interfere with the practical realization of the principal legal benefits provided in the Material Documents, except to the extent of any economic consequences of any procedural delays which may result therefrom.

(i) The opinion expressed herein as to the enforceability of the Material Documents is specifically subject to the qualification that enforceability of the Material Documents is limited by the following: (i) the rights of the United States under the Federal Tax Lien Act of 1966, as amended; (ii) principles of equity, public policy and unconscionability which may limit the availability of certain remedies; (iii) bankruptcy, insolvency, reorganization, fraudulent conveyance, liquidation, probate, conservatorship and other laws applicable to creditors' rights or the collection of debtors' obligations generally; and (iv) requirements of due process under the United States Constitution, the Constitution of the State of Texas and other laws or court decisions limiting the rights of creditors to repossess, foreclose or otherwise realize upon the property of a debtor without appropriate notice or hearing or both.

(j) We express no opinion as to whether a court would grant specific performance or any other equitable remedy with respect to the enforcement of the Material Documents.

(k) We express no opinion as to the validity, binding effect, or enforceability of: (i) provisions which purport to waive rights or notices, including rights to trial by jury, counterclaims or defenses, jurisdiction or venue; (ii) provisions relating to consent judgments, waivers of defenses or the benefits of statutes of limitations, marshaling of assets, the transferability of any assets which by their nature are nontransferable, sales in inverse order of alienation, or severance; (iii) provisions purporting to waive the benefits of present or of future laws relating to exemptions, appraisement, valuation, stay of execution, redemption, extension of time for payment, setoff and similar debtor protection laws; or (iv) provisions requiring a party to pay fees and expenses regardless of the circumstances giving rise to such fees or expenses or the reasonableness thereof.

(l) The opinions expressed herein are subject to the effect of generally applicable rules of law that provide that forum selection clauses in contracts are not necessarily binding on the court(s) in the forum selected.

(m) We express no opinion as to the enforceability of any provisions in the Material Documents purporting to entitle a party to indemnification in respect of any matters arising in whole or in part by reason of any negligent, illegal or wrongful act or omission of such party.

This opinion is furnished to those parties addressed in this letter solely in connection with the transactions, for the purposes and on the terms described above and may not be relied upon for any other purpose or by any other person in any manner or for any purpose.

Very truly yours,

____

MIKLOS CINCLAIR
ATTORNEY FOR THE DEVELOPER AND THE
FEE DEVELOPER

APPENDIX E-1

CLOSING CERTIFICATE OF DEVELOPER

Land Solutions SV LLC, a Delaware limited liability company ("Developer") DOES HEREBY CERTIFY the following as of the date hereof. All capitalized terms not otherwise defined herein shall have the meaning given to such term in the Limited Offering Memorandum.

1. Developer is a limited liability company organized, validly existing and in good standing under the laws of the State of Delaware.

2. Representatives of have provided information to the City of McLendon-Chisholm, Texas (the "City") and FMSbonds, Inc. (the "Underwriter") to be used in connection with the offering by the City of its $6,225,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project) (the "Bonds"), pursuant to the City's Preliminary Limited Offering Memorandum, dated June 4, 2019, and Limited Offering Memorandum dated June 11, 2019 (together, the "Limited Offering Memorandum").

3. The Developer has delivered to the Underwriter and the City true, correct, complete and fully executed copies of the Developer's organizational documents, and such documents have not been amended or supplemented and are in full force and effect as of the date hereof.

4. The Developer has delivered to the Underwriter and the City a (i) Certificate of Good Standing from the Delaware Secretary of State and (ii) verification of franchise tax account status from the Texas Comptroller of Public Accounts for the Developer.

5. The Developer has executed and delivered each of the below listed documents (individually, a "Developer Document" and collectively, the "Developer Documents") in the capacity provided for in each such Developer Document, and each such Developer Document constitutes a valid and binding obligation of Developer, enforceable against Developer in accordance with its terms:

(a) that certain Developer Letter of Representation dated June 4, 2019;

(b) that certain Development Agreement dated effective June 11, 2007 relating to the District (the "Original Development Agreement") which 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, all as partially assigned to the Developer pursuant to a Partial Assignment and Assumption of Development Agreement effective as of August 17, 2018 (collectively, the "Development Agreement");

(c) that certain Continuing Disclosure Agreement of Developer with respect to the Bonds, dated as of July 1, 2019 (the "Continuing Disclosure Agreement of the Developer"), made by and among P3Works, LLC, as dissemination agent and P3Works, LLC, as Administrator;

(d) that certain Improvement Area #2 Construction, Funding and Acquisition Agreement, effective June 11, 2019, and executed and delivered by the City and the Developer (the "CFA Agreement");

(e) the Development and Management Agreement dated as of August 17, 2018 between the Developer and TDI SV Management LLC (the "Fee Developer"); and

6. The Developer has complied in all material respects with all of the Developer's agreements and covenants and satisfied all conditions required to be complied with or satisfied by the Developer under the Developer Documents on or prior to the date hereof.

7. The execution and delivery of the Developer Documents by the Developer does not violate any judgment, order, writ, injunction or decree binding on the Developer or any indenture, agreement, or other instrument to which the Developer is a party. To the Developer's knowledge, after due inquiry, there are no proceedings pending or threatened in writing before any court or administrative agency against the Developer that are either not covered by insurance or which singularly or collectively would have a material, adverse effect on the ability of the Developer to perform its obligations under the Developer Documents in all material respects or that would reasonably be expected to prevent or prohibit the development of the Development in accordance with the description thereof in the Limited Offering Memorandum.

8. The Developer has reviewed and approved the information contained in the Limited Offering Memorandum under the captions "PLAN OF FINANCE – The District and Status of Development in Improvement Area #2," "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), "LEGAL MATTERS — Litigation — The Developer," "and "CONTINUING DISCLOSURE — The Developer", and certifies that the same does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading respecting such Developer and the Development, provided, however, that the foregoing certification is not a certification as to the accuracy,

completeness or fairness of any of the other statements contained in the Limited Offering Memorandum.

9. The Developer is in compliance in all material respects with all provisions of applicable law in all material respects relating to the Developer in connection with the Development. Except as otherwise described in the Limited Offering Memorandum: (a) there is no default of any zoning condition, land use permit or development agreement binding upon the Developer or any portion of the Development that would materially and adversely affect the Developer’s ability to complete or cause to be completed the development of the Development as described in the Limited Offering Memorandum; and (b) we have no reason to believe that any additional permits, consents and licenses required to complete the Development as and in the manner described in the Limited Offering Memorandum will not be reasonably obtainable in due course.

10. The Developer is not insolvent and has not made an assignment for the benefit of creditors, filed or consented to a petition in bankruptcy, petitioned or applied (or consented to any third party petition or application) to any tribunal for the appointment of a custodian, receiver or any trustee or commenced any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction.

11. The levy of the Assessments (as defined in the Limited Offering Memorandum) on property in Improvement Area #2 of the District will not conflict with or constitute a breach of or default under any agreement, indenture or other instrument to which the Developer is a party or to which the Developer or any of its property or assets is subject.

12. The Developer is not in default under any mortgage, trust indenture, lease or other instrument to which it or any of its assets is subject, which default would have a material and adverse effect on the Bonds or the development of the Development.

13. The Developer has no knowledge of any physical condition of the Development owned or to be developed by Developer that currently requires, or currently is reasonably expected to require in the process of development investigation or remediation under any applicable federal, state or local governmental laws or regulations relating to the environment in any material and adverse respect.

Dated: ____________________, 2019

DEVELOPER:

LAND SOLUTIONS SV LLC, a Delaware limited liability company

By: ____
Printed Name:__________________________
Title:__________________________________

APPENDIX E-2

CLOSING CERTIFICATE OF FEE DEVELOPER

Land Solutions SV LLC, a Delaware limited liability company ("Developer") and TDI SV Management LLC, a Texas limited liability company ("Fee Developer"), DO HEREBY CERTIFY the following as of the date hereof. All capitalized terms not otherwise defined herein shall have the meaning given to such term in the Limited Offering Memorandum.

1. The Fee Developer is a limited liability company organized, validly existing and in good standing under the laws of the State of Texas.

2. Representatives the Fee Developer have provided information to the City of McLendon-Chisholm, Texas (the "City") and FMSbonds, Inc. (the "Underwriter") to be used in connection with the offering by the City of its $6,225,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project) (the "Bonds"), pursuant to the City's Preliminary Limited Offering Memorandum, dated June 4, 2019, and Limited Offering Memorandum dated June 11, 2019 (together, the "Limited Offering Memorandum").

3. The Fee Developer has delivered to the Underwriter and the City true, correct, complete and fully executed copies of the Fee Developer's organizational documents, and such documents have not been amended or supplemented and are in full force and effect as of the date hereof.

4. The Fee Developer has delivered to the Underwriter and the City a (i) Certificate of Status from the Texas Secretary of State and (ii) verification of franchise tax account status from the Texas Comptroller of Public Accounts for the Developer and the Fee Developer.

5. The Fee Developer has executed and delivered each of the below listed documents (individually, a "Fee Developer Document" and collectively, the "Fee Developer Documents") in the capacity provided for in each such Fee Developer Document, and each such Fee Developer Document constitutes a valid and binding obligation of Fee Developer, enforceable against Fee Developer in accordance with its terms:

(a) that certain Developer Letter of Representation dated June 4, 2019; and

(b) that certain Development and Management Agreement dated as of August 17, 2018 between Land Solutions SV LLC and the Fee Developer;

6. The Fee Developer has complied in all material respects with all of the Fee Developer's agreements and covenants and satisfied all conditions required to be complied with or satisfied by the Fee Developer under the Fee Developer Documents on or prior to the date hereof.

7. The execution and delivery of the Fee Developer Documents by the Fee Developer does not violate any judgment, order, writ, injunction or decree binding on the Fee Developer or any indenture, agreement, or other instrument to which the Fee Developer is a

party. To the Fee Developer's knowledge, after due inquiry, there are no proceedings pending or threatened in writing before any court or administrative agency against the Fee Developer that are either not covered by insurance or which singularly or collectively would have a material, adverse effect on the ability of the Fee Developer to perform its obligations under the Fee Developer Documents in all material respects or that would reasonably be expected to prevent or prohibit the development of the Development in accordance with the description thereof in the Limited Offering Memorandum.

8. The Fee Developer has reviewed and approved the information contained in the Limited Offering Memorandum under the following captions (to the extent such information pertains to the Fee Developer) "PLAN OF FINANCE – The District and Status of Development in Improvement Area #2," "THE IMPROVEMENT AREA #2 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER AND THE FEE DEVELOPER," "BONDHOLDERS' RISKS" (only as it pertains to the Fee Developer, the Improvement Area #2 Improvements, and the Development), and "Litigation — The Fee Developer" and certifies that the same does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading respecting such Developer and Fee Developer and the portion of the Development owned by such Developer, provided, however, that the foregoing certification is not a certification as to the accuracy, completeness or fairness of any of the other statements contained in the Limited Offering Memorandum.

9. The Fee Developer is in compliance in all material respects with all provisions of applicable law in all material respects relating to the Fee Developer in connection with the Development. Except as otherwise described in the Limited Offering Memorandum: (a) there is no default of any zoning condition, land use permit or development agreement binding upon the Fee Developer or any portion of the Development that would materially and adversely affect the Fee Developer's ability to complete or cause to be completed the development of such portion of the Development as described in the Limited Offering Memorandum; and (b) we have no reason to believe that any additional permits, consents and licenses required to complete the Development as and in the manner described in the Limited Offering Memorandum will not be reasonably obtainable in due course.

10. The Fee Developer is not insolvent and has not made an assignment for the benefit of creditors, filed or consented to a petition in bankruptcy, petitioned or applied (or consented to any third party petition or application) to any tribunal for the appointment of a custodian, receiver or any trustee or commenced any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction.

11. The Fee Developer is not in default under any mortgage, trust indenture, lease or other instrument to which it or any of its assets is subject, which default would have a material and adverse effect on the Bonds or the development of the Development.

12. The Fee Developer has no knowledge of any physical condition of the Development owned or to be developed by the Fee Developer that currently requires, or currently is reasonably expected to require in the process of development investigation or

remediation under any applicable federal, state or local governmental laws or regulations relating to the environment in any material and adverse respect.

Dated: ____________________, 2019

FEE DEVELOPER:

TDI SV MANAGEMENT LLC, a Texas limited liability company

By: ______________________________________
Printed Name:_________________________
Title:________________________________

APPENDIX F

[LETTERHEAD OF MUNICAP, INC.]

July 11, 2019

City of McLendon-Chisholm, Texas
1371 West FM 550
McLendon-Chisholm, Texas 75032

FMSbonds, Inc.
100 Crescent Court, Suite 700
Dallas, Texas 75201

Wilmington Trust
15950 North Dallas Parkway, Suite 550
Dallas, Texas 75248

Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, Texas 75201

Re: City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Verde Public Improvement District Improvement Area #2 Project) (the "Bonds")

Ladies and Gentlemen:

The undersigned, _________________, of MuniCap, Inc., consultant in connection with the creation and administration by the City of McLendon-Chisholm, Texas (the "City"), of Sonoma Verde Public Improvement District (the "District"), does hereby represent the following:

1. On behalf of MuniCap, Inc., I have supplied certain information contained in the Preliminary Limited Offering Memorandum, dated June 4, 2019 (the "Preliminary Limited Offering Memorandum"), and the final Limited Offering Memorandum, dated on or about June 11, 2019 (the "Limited Offering Memorandum"), both in connection with the Bonds, relating to the issuance of the Bonds by the City, as described above. The information I provided for the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum is located (a) under the captions "ASSESSMENT PROCEDURES — Assessment Methodology" and " — Assessment Amounts," and "THE DISTRICT – Collection and Delinquency History of the District", (b) under the caption "THE ASSESSMENT CONSULTANT" and (c) in the Service and Assessment Plan (the "SAP") for the City located in APPENDIX B to the Limited Offering Memorandum.

2. To the best of my professional knowledge and belief, the portions of the Limited Offering Memorandum described above do not contain an untrue statement of a material fact as to the information and data set forth therein, and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

3. I agree to the inclusion of the SAP in the Limited Offering Memorandum and to the use of the name of my firm in the Limited Offering Memorandum for the Bonds.

4. I agree that, to the best of my ability, I will inform you immediately should I learn of any event(s) or information of which you are not aware subsequent to the date of this letter and prior to the actual time of delivery of the Bonds (anticipated to occur on or about July 11, 2019) which would render any such information in the Limited Offering Memorandum untrue, incomplete, or incorrect, in any material fact or render any such information materially misleading.

5. The undersigned hereby represents that he has been duly authorized to execute this letter of representation.

Sincerely yours,

MUNICAP, INC.

____

By: ______________________________

Its: ______________________________

Exhibit C

CONTINUING DISCLOSURE AGREEMENT

CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of July 1, 2019 (this "Disclosure Agreement") is executed and delivered by and between the City of McLendon-Chisholm, Texas (the "Issuer"), P3Works, LLC (the "Administrator") and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc. (the "Dissemination Agent"), with respect to the Issuer's "Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)" (the "Bonds"). The Issuer, Administrator and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of July 1, 2019, relating to the Bonds (the "Indenture"), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Administrative Expenses" shall have the meaning assigned to such term in the Indenture.

"Administrator" shall mean an employee or designee of the Issuer who shall have the responsibilities provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities for the administration of the District.

"Annual Financial Information" shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

"Annual Installment(s)" shall have the meaning assigned to such term in the Indenture.

"Annual Issuer Report" shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Assessment(s)" shall have the meaning assigned to such term in the Indenture.

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

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"Developer" shall mean Land Solutions SV LLC, a Delaware limited liability company, its successors and assigns, including any Affiliate of the Developer.

"Disclosure Agreement of Developer" shall mean the Continuing Disclosure Agreement of the Developer dated as of July 1, 2019 executed and delivered by the Developer, the Administrator and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as dissemination agent.

"Disclosure Representative" shall mean the Finance Director or City Manager of the Issuer or such other officer or employee as the Issuer, may designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"District" shall mean Sonoma Public Improvement District.

"EMMA" shall mean the Electronic Municipal Market Access System currently available on the internet at http://emma.msrb.org.

"Filing Due Date" is April 10 of each calendar year beginning in April 2020.

"Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall mean the calendar year from October 1 through September 30.

"Improvement Area #2" shall have the meaning assigned to such term in the Service and Assessment Plan.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reporting pursuant to the Rule.

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

"Owner" shall mean the beneficial owner of any Bonds.

"Participating Underwriter" shall mean FMSbonds, Inc., and its successors and assigns.

~~"Improvement Area #2" shall have the meaning assigned to such term in the Service and Assessment Plan.~~

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

"Rule" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"Service and Assessment Plan" shall have the meaning assigned to such term in the Indenture.

"Trust Estate" shall have the meaning assigned to such term in the Indenture.

"Trustee" shall mean Wilmington Trust, National Association, or any successor trustee pursuant to the Indenture.

SECTION 3. Provision of Annual Issuer Reports.

(a) The Issuer shall cause and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, commencing with the Fiscal Year ending September 30, 2019, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement. The audited financial statements of the Issuer, if prepared and when available, may be submitted separately from the Annual Issuer Report, and may be submitted later than the date required in this paragraph for the filing of the Annual Issuer Report if audited financial statements are not available by that date. If, however, the audited financial statements are not complete by the deadline specified in Section 4(a), then the Issuer shall provide unaudited financial statements within such period. In each case, the Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall file notice of such change (and of the date of the new Fiscal Year) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide the Annual Issuer Report pursuant to this paragraph. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the ~~date specified in Section 4 of this Disclosure Agreement for providing the Annual Issuer Report to the MSRB~~Filing Due Date, the Issuer shall provide the Annual Issuer Report to the Dissemination Agent. The Dissemination Agent shall provide such Annual Issuer Report to the MSRB not later than ten (10) days from receipt of such Annual Issuer Report from the Issuer, but in no case later than the Filing Due Date.

If by the fifth (5th) day before the filing date required under Section 4 of this Disclosure Agreement, the Dissemination Agent has not received a copy of the Annual Issuer Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the applicable Annual Issuer Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Issuer Report no later than two (2) Business Days prior to the filing date required under Section 4 of this Disclosure Agreement; or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Issuer Report within the time required under this Disclosure Agreement, state the date by which the Annual Issuer Report for such year will be provided and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or (ii) described above, the Dissemination Agent still must file the Annual Issuer Report or the notice of failure to file, as applicable, to the MSRB, no later than six months after the end of each Fiscal Year; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than on the last Business Day of the six month period after the end of the Fiscal Year.

(b) The Issuer shall or shall cause the Dissemination Agent to:

(i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Issuer Report on the date required in subsection (a);

(ii) file the Annual Issuer Report containing or incorporating by reference the information set forth in Section 4 hereof; and

(iii) if the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

SECTION 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file, the following:

(a) ~~Within six months after the end of each Fiscal Year the following~~ Annual Financial Information (any or all of which may be unaudited):

(i) Tables setting forth the following information, as of the end of such Fiscal Year:

(A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;

(B) The amounts in the funds and accounts securing the Bonds; and

(C) The assets and liabilities of the Trust Estate.

(ii) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.

(iii) Any changes to the land use designation for the property in Improvement Area #2 of the District from the purposes identified in the Service and Assessment Plan.

(iv) Updates to the information in the Service and Assessment Plan as most recently amended or supplemented (a "SAP Update"), including any changes to the methodology for levying the Assessments in Improvement Area #2 of the District.

(v) The aggregate taxable assessed valuation for parcels or lots within Improvement Area #2 of the District based on the most recent certified tax roll available to the Issuer.

(vi) With respect to single-family residential lots, until building permits have been issued for parcels or lots representing, in the aggregate, 95% of the total Assessments levied within Improvement Area #2 of the District, such SAP Update shall include the following:

(A) the number of new homes completed in Improvement Area #2 of the District during such Fiscal Year; and

(B) the aggregate number of new homes completed within Improvement Area #2 of the District since filing the initial Annual Issuer Report for Fiscal Year ended September 30, 2019.

(vii) Listing of any property or property owners in Improvement Area #2 of the District representing more than five percent (5%) of the levy of Assessments, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments within Improvement Area #2 of the District, all as of the October 1 billing date for the Fiscal Year.

(viii) Collection and delinquency history of the Initial Assessments and the Additional Assessments within Improvement Area #2 of the District for the past five Fiscal Years, in the following format:

Collection and Delinquent History of Assessments

Collected in Fiscal Year Ending 9/30	Assessment Billed	Parcels Levied	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Total Assessments Collected[(1)]
2019	$			—	—		$

(1) Collected as of _________, 2019. Includes $___________ attributable to Prepayments.

(ix) For each calendar year, if the total amount of Annual Installments that are delinquent as of September 1 in such calendar year is equal to or greater than ten (10%) of the total amount of Annual Installments due in such calendar year, a list of parcel numbers for which the Annual Installments are delinquent.

(x) Total amount of Prepayments collected, as of the February 15 of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year).

(xi) The amount of delinquent Assessments by Fiscal Year:

(A) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);

(B) which are currently subject to foreclosure proceedings which have not been concluded;

(C) which have been reduced to judgment but not collected;

(D) which have been reduced to judgment and collected; and

(E) the result of any foreclosure sales of assessed property within Improvement Area #2 of the District if the assessed property represents more than one percent (1%) of the total amount of Assessments.

(xii) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer's audited financial statements during such Fiscal Year.

(b) If not provided with the financial information provided under subsection 4(a) above, if prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If audited financial statements are not included with the financial information provided under subsection 4(a) above, unaudited financial statements shall be included with such financial information within the time period specified.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated P3Works, LLC as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information.

(c) Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of Owners, if material.

8. Bond calls, if material, and tender offers.

9. Defeasances.

10. Release, substitution, or sale of property securing repayment of the bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Issuer.

13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor trustee under the Indenture or the change of name of a trustee, if material.

15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures made under this Section 5. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, "actual knowledge" means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer, the Participating Underwriter, the Trustee, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8 (as to Bond calls only), 10, 13, 14 or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (b).

SECTION 6. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be HTS Continuing Disclosure Services, a division of Hilltop Securities Inc.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Issuer Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Issuer Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which materially adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least twenty-five (25%) aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of Developer by the Developer, and a default under the Disclosure Agreement of Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in Improvement Area #2 of the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

(b) Except as otherwise provided herein, the Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in Improvement Area #2 of the District, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent or the Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE

ADMINISTRATOR OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

SECTION 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, Administrator or Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members, officer, agent or employee of the Issuer, Administrator or Dissemination Agent in other than that person's official capacity.

SECTION 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Sovereign Immunity. The Dissemination Agent agrees that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent, the Participating Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 17. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Dissemination Agent has entered into a separate agreement with the Issuer, which agreement provides for the payment of the fees and expenses of the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement.

SECTION 18. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of Improvement Area #2 of the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

SECTION 19. Anti-Boycott Verification. The Dissemination Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Disclosure Agreement is a contract for goods or services, will not boycott Israel during the term of this Disclosure Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Dissemination Agent understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent and exists to make a profit.

SECTION 20. Iran, Sudan and Foreign Terrorist Organizations. The Dissemination Agent represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code on the following website: https://comptroller.texas.gov/purchasing/publications/divestment.php. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Dissemination Agent and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Dissemination Agent understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the Dissemination Agent and exists to make a profit.

SECTION 21. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 22. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow]

CITY OF MCLENDON-CHISHOLM, TEXAS

By: ____
City Manager

HTS CONTINUING DISCLOSURE SERVICES,
A Division Of Hilltop Securities Inc.
(as Dissemination Agent)

By: ____
Authorized Officer

P3WORKS, LLC
(as Administrator)

By: ____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL ISSUER REPORT

Name of Issuer:	City of McLendon-Chisholm, Texas
Name of Bond Issue:	Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project) (the "Bonds")
CUSIP Nos.	[insert CUSIP NOs.]
Date of Delivery:	______________, 20__

NOTICE IS HEREBY GIVEN that the City of McLendon-Chisholm, Texas (the "Issuer"), has not provided [an Annual Issuer Report][annual audited financial statements] with respect to the Bonds as required by the Continuing Disclosure Agreement of Issuer dated July 1, 2019, between the Issuer, P3Works, LLC, as "Administrator" and HTS Continuing Disclosure Services, a division of Hilltop Securities Inc., as "Dissemination Agent." The Issuer anticipates that [the Annual Issuer Report][annual audited financial statements] will be filed by ________________.

Dated: _________________

HTS Continuing Disclosure Services, a division of Hilltop Securities Inc.,
on behalf of the City of McLendon-Chisholm, Texas
(as Dissemination Agent)

By: ______________________________________

Title: ______________________________________

cc: City of McLendon-Chisholm, Texas

EXHIBIT B

CITY OF MCLENDON-CHISHOLM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019
(SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

ANNUAL ISSUER REPORT*

Delivery Date: __________, 20__

CUSIP NOSs: [insert CUSIP NOs.]

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

INVESTMENTS

Fund/ Account Name	Investment Description	Par Value	Book Value	Market Value

*Excluding Audited Financial Statements of the Issuer

ITEMS REQUIRED BY SECTIONS 4(a)(ii) – (vi)
[Insert a line item]

SECTION 4(a)(vii) COLLECTION AND DELINQUENCY HISTORY OF THE ASSESSMENTS WITHIN IMPROVEMENT AREA #2 FOR THE PAST FIVE FISCAL YEARS, IN THE FOLLOWING FORMAT:

Collection and Delinquent History of Assessments

Collected in Fiscal Year Ending 9/30	Assessment Billed	Parcels Levied	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Total Assessments Collected(1)
2019	$			—	—		$

(1) Collected as of _________ __, 20__. Includes $__________ attributable to Prepayments.

4145-5098-5242.2

ITEMS REQUIRED BY SECTIONS 4(a)(viii) – (xi) OF THE CONTINUING DISCLOSURE AGREEMENT OF ISSUER RELATING TO THE CITY OF MCLENDON-CHISHOLM, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2019, (SONOMA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

[Insert a line item for each applicable listing]

EXHIBIT C

BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES[1]

Date	Delinquency Clock (Days)	Activity
January 31		Annual Installments of Assessments are due.
February 1	1	Annual Installments of Assessments Delinquent if not received.
February 15	15	Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter. Issuer and/or Administrator should be aware of actual and specific delinquencies. Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payments on March 1. **If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified in writing.** Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment. Issuer and/or Administrator should determine if previously collected surplus funds, if any, plus actual collections will be fully adequate for debt service in March and September. At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Annual Installments of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. **For properties delinquent by more than one year or if the delinquency exceeds $10,000 the matter will be referred for commencement of foreclosure.** **If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue**

[1] Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of Assessments, which dates and procedures are subject to adjustment by the Issuer.

		Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.
March 15	43/44	Trustee pays bond interest payments to bondholders. Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate. Issuer, or the Trustee, on behalf of the Issuer, to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw on the Fund for debt service. **Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.** Issuer determines whether or not any Annual Installments of Assessments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments of Assessments.
March 20	**48/49**	**Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies.** **If any property owner with ownership of property responsible for more than $10,000 of the Annual Installments of Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with City Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Annual Installments of Assessments.**
April 15	**74/75**	**Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity.**

		If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
May 1	90/91	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the bondholders under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
May 15	104/105	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than June 1 (day 121/122).
June 1	**121/122**	**Foreclosure action to be filed with the court.**
June 15	**135/136**	**Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing.** Dissemination Agent notifies bondholders.
July 1	151/152	If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

A committee of not less than twenty-five (25%) of the Owners may request a meeting with the Mayor, City Manager, or other responsible official of the City to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day 30 if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed five percent (5%) Owners may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the Owners may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Annual Installments of Assessments.

Document comparison by Workshare 9.5 on Tuesday, June 04, 2019 5:06:55 PM

Input:	
Document 1 ID	netdocuments://4843-8435-9058/5
Description	(FMS) SONOMA VERDE PID (2019 Phase #2 Bonds) -- Issuer CDA
Document 2 ID	netdocuments://4843-8435-9058/6
Description	(FMS) SONOMA VERDE PID (2019 Phase #2 Bonds) -- Issuer CDA
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	4
Deletions	3
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	7

Exhibit D

UPDATE TO SERVICE AND ASSESSMENT PLAN

SONOMA PUBLIC IMPROVEMENT DISTRICT

Sonoma Verde Project
CITY OF MCLENDON-CHISHOLM, TEXAS

SERVICE AND ASSESSMENT PLAN

January 13, 2015

As Updated for Phase #2 (Improvement Area #1C and Improvement Area #2) on April 13, 2015, June 13, 2017, and ______, 2019

PREPARED BY:

MUNICAP, INC.
PUBLIC FINANCE

SONOMA PUBLIC IMPROVEMENT DISTRICT

SERVICE AND ASSESSMENT PLAN

TABLE OF CONTENTS

I. *Plan Description and Defined Terms*

A. Introduction

On September 10, 2007, (the "Creation Date") the City of McLendon-Chisholm City Council passed and approved Resolution No. 2007-21 approving and authorizing the creation of Sonoma Public Improvement District ("PID") to finance the costs of certain public improvements for the benefit of property in the PID, all of which is located within the City of McLendon-Chisholm (the "City").

The property in the PID is proposed to be developed in approximately seven phases, and the PID will finance improvements that benefit the entire property in the PID and improvements that benefit each phase as each phase is developed. Assessments will be imposed on all property in the PID for the improvements that benefit the entire PID and on the property in each phase for the public improvements to be provided for that phase.

Upon application of the current property owners, the property within the PID was zoned by Ordinance No. 2007-20 (the "Planned Development District Ordinance") adopted by the City on September 10, 2007. The Planned Development District Ordinance designates the type of land uses that are permitted within the project and include development standards for each land use type.

Chapter 372 of the Texas Local Government Code, "Improvement Districts in Municipalities and Counties" (as amended, the "PID Act"), governs the creation of public improvement districts within the State of Texas. This Service and Assessment Plan has been prepared pursuant to Sections 372.013, 372.014, 372.015 and 372.016 of the PID Act. According to Section 372.013 of the PID Act, a service plan "must cover a period of at least five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements." The service plan is described in Section V of this Service and Assessment Plan. Section 372.014 of the PID Act states that "an assessment plan must be included in the annual service plan." The assessment plan is described in Section IV.

Section 372.015 of the PID Act states that "the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district." The method of assessing the costs of the Authorized Improvements to the property in the PID is included in Section IV of this Service and Assessment Plan.

Section 372.016 of the PID Act states that "after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter." The Assessment Roll for t Phase 1 is attached hereto as Appendix G, for Improvement Area #1C 1 is attached hereto as Appendix H-1 and the Assessment Roll for Improvement Area #2 is attached hereto as Appendix H-2 of this Service and Assessment Plan. The Assessments as shown on the Assessment Roll are based on the method of assessment described in Section IV of this Service and Assessment Plan.

B. Definitions

Capitalized terms shall have the meanings ascribed to them as follows:

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

Actual Costs include general contractor's fees in an amount up to a percentage equal to the percentage of work completed and accepted by the City or construction management fees in an amount up to five percent of the eligible Actual Costs described in a Certification for Payment. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated. Actual Costs also may be paid to the Developer or any other person or entity only in the capacity of construction manager or only in the capacity of general contractor but not both.

"Administrator" means the employee or designee of the City who shall have the responsibilities provided for herein, in the Indenture, or in another agreement approved by the City Council.

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

"Annual Installment" means, with respect to each Assessed Property, each annual payment of: (i) the Assessment, as shown on the Assessment Roll attached hereto as **Appendix F, Appendix G, Appendix H-1 and Appendix H-2,** as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) Administrative Expenses, (iii) the prepayment reserve described in Section IV of this Service and Assessment Plan, and (iv) the delinquency reserve described in Section IV of this Service and Assessment Plan.

"Annual Service Plan Update" has the meaning set forth in Section V of this Service and Assessment Plan.

"Assessed Property" means, for any year, Parcels within the PID other than Non-Benefited Property.

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

"Assessment Ordinance" means an Assessment Ordinance adopted by the City Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

"Assessment Revenues" mean the revenues actually received by the City from Assessments.

"Assessment Roll" means, as applicable, the Phase 1 Assessment Roll, the Improvement Area #1C Assessment Roll, the Improvement Area #2 Assessment Roll, an Assessment Roll for any Future Phases related to future phases of development or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an Annual Service Plan Update.

"Authorized Improvements" mean those public improvements described in Section 372.003 of the PID Act designed, constructed, and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments, including improvements for Future Phases described in an amendment or supplement to this Service and Assessment Plan or in an Annual Service Plan Update.

"Bonds" mean any bonds secured by the Assessment Revenues issued by the City in one or more series, including the Phased PID Bonds.

"Certification for Payment" means the document to be provided by the Developer or construction manager to substantiate the Actual Cost of one or more Authorized Improvements.

"City" means the City of McLendon-Chisholm, Texas.

"City Council" means the duly elected governing body of the City.

"Delinquent Collection Costs" mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney's fees.

"Developer" means as applicable, MC 550 Investors, LP., MC 550 Holdings, L.P., and/or Land Solutions, LLC.

"Equivalent Units" mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix D attached hereto.

"**Future Phases**" means Phases that are fully developed after Phase 1 and Phase #2, as such areas are generally shown on Appendix A. The Future Phases are subject to adjustment and are shown for example only.

"Homeowner Association Property" means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, a home owners' association established for the benefit of a group of homeowners or property owners within the PID.

"**Improvement Area #1C**" means part of Phase #2 being developed, identified as "Improvement Area #1C" and generally shown on Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix H-1.

"**Improvement Area #1C Assessed Property**" means all Parcels within Improvement Area #1C other than Non-Benefited Property.

“Improvement Area #1C Assessment” means an Assessment levied against Parcels within Improvement Area #1C imposed pursuant to the Phase #2 Assessment Ordinance and the provisions herein, as shown on the Improvement Area #1C Assessment Roll included herein as Appendix H-1, subject to reallocation upon the subdivision of such Parcel created by such subdivision or reduction according to the provisions herein and the PID Act.

“Improvement Area #1C Assessment Roll” means the document included in this Service and Assessment Plan as Appendix H-1**,** as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds, if any, or in connection with any Annual Service Plan Update.

“**Improvement Area #1C Improvements**” means that portion of the Phase #2 Improvements benefitting Improvement Area #1C.

“**Improvement Area #2**” means the part of Phase #2 being developed excluding Improvement Area #1C, identified as “Phase #2A”, “Phase #2B” and “Phase #2C” and generally shown in Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix H-2.

“**Improvement Area #2 Revenues**” mean the revenues received by the City from the collection of Assessments and Annual Installments for the Improvement Area #2 Assessed Property.

“**Improvement Area #2 Assessed Property**” means all Parcels within Improvement Area #2 other than Non-Benefited Property.

“Improvement Area #2 Assessment” means an Assessment levied against Parcels within Improvement Area #2 imposed pursuant to the Phase #2 Assessment Ordinance and the provisions herein, as shown on the Improvement Area #2 Assessment Roll included herein as Appendix H-2, subject to reallocation upon the subdivision of such Parcel created by such subdivision or reduction according to the provisions herein and the PID Act.

“Improvement Area #2 Assessment Roll” means the document included in this Service and Assessment Plan as Appendix H-2**,** as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds, if any, or in connection with any Annual Service Plan Update.

Improvement Area #2 Bonds" means the City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project).

“**Improvement Area #2 Improvements**” means that portion of the Phase #2 Improvements benefitting Improvement Area #2.

“**Improvement Area #2 Revenues**” mean the revenues received by the City from the collection of Assessments and Annual Installments for the Improvement Area #2 Assessed Property.

“**Indenture**” means any indenture, trust agreement, ordinance, or similar document setting forth the terms and provisions relating to any series of Bonds, as may be amended or supplemented from time to time.

“Land Use Class” means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single family residential Lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final average home value for each Lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the Lot, as determined by the Administrator and confirmed by the City Council.

“Lot” means a tract of land described as a “lot” in a subdivision plat recorded in the Official Public Records of Rockwall County, Texas.

“**Major Improvements**” means Authorized Improvements which benefit all Assessed Property within the PID and are described in Section III.B.

“Non-Benefited Property” means Parcels within the boundaries of PID that accrue no special benefit from the Authorized Improvements, including Owner Association Property, Public Property and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to Section VI-F remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI-F.

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

“Phase” means one or more Parcels within the PID that will be developed in the same general time period. The Parcels within a Phase will be assessed in connection with the Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the Parcels within the Phase.

“**Phase 1**” means the initial Phase to be developed, identified as “Phase 1” and generally shown on Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix G.

"**Phase 1 Assessed Property**" means all Parcels within Phase 1 other than Non-Benefited Property.

"Phase 1 Assessment" means an assessment levied against Parcels within Phase 1 imposed pursuant to the Phase 1 Assessment Ordinance and the provisions herein, as shown on an Assessment Roll, subject to reallocation upon the subdivision of such Parcel created by such subdivision or reduction according to the provisions herein and the PID Act.

"Phase 1 Assessment Ordinance" means the Ordinance No. 2015-02 adopted by the City Council on April 14, 2015 approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments on Phase 1.

"Phase 1 Assessment Roll" means the document included in this Service and Assessment Plan as Appendix G**,** as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds, if any, or in connection with any Annual Service Plan Update.

"**Phase 1 Cost**" is defined in Section V.

"**Phase 1 Improvements**" means Authorized Improvements which only benefit Phase 1 Assessed Property and are described in Section III.C.

"Phase 1 PID Bonds" means those certain bonds that are secured by Assessments levied on Phase 1 Assessed Property, including the Phase 1A Bonds.

"**Phase 1 Revenues**" mean the revenues received by the City from the collection of Assessments and Annual Installments for the Phase 1 Assessed Property.

"**Phase 1A Bonds**" means the City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2015 (Sonoma Public Improvement District Phase 1 Project).

"**Phase #2**" means collectively the second Phase to be developed as Improvement Area #1C and Improvement Area #2, generally shown on Appendix A and as specifically depicted and described as the sum of all Parcels shown in Appendix H-1 and Appendix H-2.

"**Phase #2 Assessed Property**" means all Parcels within Improvement Area #1C and Improvement Area #2 other than Non-Benefited Property.

"Phase #2 Assessment Ordinance" means the Ordinance No. 2017-09 adopted by the City Council on June 13, 2017 approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) as updated for Phase #2 and levying the Assessments on Phase #2.

"Phase #2 Assessment Rolls" means the documents included in this Service and Assessment Plan as Appendix H-1 and Appendix H-2**,** as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of Bonds, if any, or in connection with any Annual Service Plan Update.

"**Phase #2 Cost**" means the costs of the Authorized Improvements benefitting Phase #2 Assessed Property as shown in Table V-B.

"**Phase #2 Improvements**" means Authorized Improvements which only benefit Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property and are described in Section III.D.

"**Phase #2 Revenues**" mean the revenues received by the City from the collection of Assessments and Annual Installments for the Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property.

"Phased PID Bonds" means bonds issued to fund Authorized Improvements (or a portion thereof) in a Phase or Improvement Area. In connection with the Phased PID Bonds, Assessments will be levied only on Parcels located within the Phase in question.

"PID" has the meaning set forth in Section I.A of this Service and Assessment Plan.

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

"Planned Development District Ordinance" has the meaning set forth in Section I.A of this Service and Assessment Plan.

"**Prepayment Costs**" mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment.

"Property" has the meaning set forth in Section II.A of this Service and Assessment Plan.

"Public Property" means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Rockwall County, the City, a school district, a public utility provider or any other public agency, whether in fee simple or through an exclusive use easement.

"Reimbursement Agreement" means each Reimbursement Agreement by and between the City and the Developer in which the Developer agrees to fund the Actual Costs of certain Authorized Improvements and the City agrees to reimburse the Developer for the Actual Costs of those Authorized Improvements funded by the Developer with interest as permitted by the Act.

"Service and Assessment Plan" means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

“Trustee” means the fiscal agent or trustee as specified in the Indenture, including a substitute fiscal agent or trustee.

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II. PROPERTY INCLUDED IN THE PID

A. PROPERTY INCLUDED IN THE PID

The area constituting the PID is depicted and described by metes and bounds on Exhibit A to Resolution No. 2007-21 adopted by the City Council ("Property"). The PID is located in the corporate limits of the City of McLendon Chisholm, Texas, within Rockwall County, Texas. The PID contains approximately 548 acres. A map of the property within the PID is shown in Appendix A.

At completion, the PID is expected to consist of approximately 1,095 detached single-family residential units, eleven non-residential lots, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID. The estimated number of lots and the classification of each lot are based upon the Planned Development District Ordinance.

B. PROPERTY INCLUDED IN PHASE 1

Phase 1 consists of approximately 145 acres projected to consist of 356 single family residential units and nine non-residential lots, to be developed as Phase 1, as further described in Section III. A list of the Parcels within Phase 1 is included in Appendix G. A map depicting the boundaries of each proposed Phase, including Phase 1, is included in Appendix A.

C. PROPERTY INCLUDED IN PHASE #2 (CONSISTING OF IMPROVEMENT AREA #1C AND IMPROVEMENT AREA #2)

Phase #2 consists of approximately 74 acres being developed as Improvement Area #1C and Improvement Area #2 and is projected to consist of 41 single family residential units to be developed as Improvement Area #1C and 213 single family residential units to be developed as Improvement Area #2, as further described in Section III. A map of the property within Phase #2 is shown in Appendix A. A list of the Parcels within Phase #2 is included in Appendix H-1 and H-2. A map depicting the boundaries of each proposed Phase is included in Appendix A

D. PROPERTY INCLUDED IN FUTURE PHASES

As Phases are developed, in connection with the issuance of Phased PID Bonds, this Service and Assessment Plan will be amended to add additional details of each new Phase(s) as shown for Section II.B and II.C. A map of the projected property within each Future Phase is shown in Appendix A. The Future Phases are shown for illustrative purposes only and are subject to adjustment.

III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

A. AUTHORIZED IMPROVEMENT OVERVIEW

Section 372.003 of the PID Act defines the improvements that may be undertaken by a municipality or county through the establishment of a public improvement district, as follows:

372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

(i) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;

(ii) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;

(iii) projects similar to those listed in Subdivisions (i)-(x);

(iv) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;

(v) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement; and

(vi) payment of expenses incurred in the establishment, administration and operation of the district.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements described Section III.B and Section III.C should be undertaken by the City for the benefit of the property within the PID.

B. Description and Estimated Costs of the Major Improvements

The Major Improvements benefit the entire PID. The costs of the Major Improvements are allocated proportionally throughout the entire PID, excluding Non-Benefited Property, in a manner that anticipates planned development of the PID based on the Equivalent Units as calculated and shown in Appendix D using the planned lot types, anticipated number of lots and estimated average home values.

The Major Improvements are described below. The costs of the Major Improvements are shown in Table III-A. The costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates.

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.

Table III-A below shows the estimated costs of the Major Improvements.

Table III-A
Estimated Major Improvement Costs

Authorized Improvements	Estimated Cost[1]
Roadway improvement costs	$321,346
Water distribution system improvement costs	$78,085
Sanitary sewer collection system improvement costs	$1,525,144
Storm drainage collection system improvements	$82,153
Contingency for hard costs	$156,764
Engineering, design, surveying, geotechnical and materials testing	$31,210
General contractor, project general conditions and PID legal fees	$37,414
Total estimated Major Improvement Costs	**$2,232,116**

1 – See Appendix B for detailed cost estimates

The costs shown in Table III-A are current estimates and may be revised in Annual Service Plan Updates.

C. Description and Estimated Costs of the Phase 1 Improvements

Either the Developer pursuant to a Reimbursement Agreement or proceeds from Phase 1 PID Bonds will fund their proportionate share of the costs of the Major Improvements (as described above in Section III.B) as well as Phase 1 Improvements, which only benefit Phase 1 Assessed Property.

The Phase 1 Improvements are described below. All of the Phase 1 Improvements provide benefit to Phase 1. The costs of the Phase 1 Improvements are shown in Table III-B. The costs shown in Table III-B are estimates and may be revised in Annual Service Plan Updates.

Road Improvements

The roadway portion of the Phase 1 Improvements include the construction of 6,300 linear feet of a 37' wide, 3600-psi concrete curb and gutter pavement. The roadway construction will consist of grading, lime stabilization, striping, signage and erosion control measures during construction. Other roadway improvements within Phase 1 include construction of approximately 17,469 linear feet of 6" thick, 31-foot wide, concrete pavement with curb and gutter. The concrete will be 3,600 pounds per square inch (psi) strength. Excavation for the roadway will consists of 55,360 cubic yards of cut and fill. 68,260 square yards (sy) of pavement sub-grade will be lime stabilized and compacted. Turn lanes, intersections, signage, lighting and re-vegetation of all disturbed areas within the right of way are included. These roadway improvements include streets that will provide street access to each lot within Phase 1. All roadway projects will be designed and constructed in accordance with City standards and specifications.

Water Improvements

The Phase 1 water distribution system improvements include:

- Water Line 1 - This project consists of constructing approximately 9,223 linear feet of 12" diameter water transmission main from the east entrance of Via Toscana at Highway 205 along Via Toscana and through the development to the southern edge of the project at League Road. The waterline will be constructed within the proposed right-of way (ROW) of Via Toscana. The waterline improvements will include connection to the 8" water-main at Hwy 205 and the 12" main at League Road, installation of Twenty Five 12" valves, 17 fire hydrants, five tons of ductile iron fittings, and associated erosion control, trench safety and waterline testing. The waterline will be designed and constructed in accordance with City standards and specification.

- 8" Water Line Segments - These waterline improvements consists of constructing approximately 17,168 linear feet of 8" water line, associated 8" and 6" gate valves. One-inch diameter water services will be provided to each of the Parcels within Phase 1. All associated waterline testing, trench safety and erosion protection during construction are included. The waterline will be connected to the 12" water line constructed in Via Toscana. These lines will be designed and constructed in accordance with City 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 the limits of Phase 1 and all lots within Phase 1.

Sanitary Sewer Improvements

The sanitary sewer collection system improvements include:

- Wastewater Line (12" Gravity Line) – These improvements consists of constructing approximately 4,400 linear feet of 12" gravity sewer line along Via Toscana, crossing Hackberry Creek and flowing to the proposed lift station north of Via Toscana. 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 18,289 linear feet of 8" gravity sanitary sewer line that connect to the Via Toscana sewer trunk main. Construction includes connection at multiple points through 58 concrete manholes. Services to individual lots are by 4" gravity sewer services. Twenty five cleanouts will be constructed to facilitate maintenance.

All sanitary sewer collection system improvements will be designed and constructed in accordance with City standards and specifications.

Storm Drainage Improvements

The storm drainage portion of the Phase 1 Improvements consist of underground storm sewer pipes, storm water detention pond and construction of a major culvert/ creek crossing at Via Toscana and Hackberry Creek. The primary means of conveyance of storm drainage within Phase 1, is within roadways and underground storm drain pipes. The roadway pavement section incorporates the use of curbs with integrated drainage inlets to control runoff and conveyance of storm-water throughout the drainage basins associated with Phase 1. The system includes approximately 5,000 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 Phase 1 flow to a detention pond and subsequent release to Hackberry Creek. Excavation of the City required detention pond is included in the drainage improvements. In addition to the storm sewer improvements, a triple span 40' wide by 13' tall bolted structural plate arch system will be constructed over Hackberry Creek. This Drainage culvert will include precast headwalls. All storm drainage collection system improvements will be constructed in accordance with City standards and specifications.

Table III-B on the following page shows the estimated costs of the Phase 1 Improvements.

Table III-B
Phase 1 Improvement Costs

Authorized Improvements	Allocation %	Total Cost[1]
Roadway improvement costs	100%	$3,498,998
Water distribution system improvement costs	100%	$1,579,466
Sanitary sewer collection system improvement costs	100%	$1,012,461
Storm drainage collection system improvements	100%	$1,617,278
Contingency for hard costs	100%	$794,730
Engineering, design, surveying, geotechnical and materials testing	100%	$776,647
General contractor	100%	$577,344
Project general conditions	100%	$258,184
PID legal fees	100%	$276,000
PID establishment expenses		$54,031
Debt service reserve	100%	$571,188
Other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	100%	$1,285,200
Subtotal - Phase 1 Improvement Costs		$12,301,527
Phase 1 share of estimated Major Improvement Costs[2]		$753,120
Total Phase 1 Improvement Costs		**$13,054,647**

1 – See Appendix B for detailed cost estimates.
2 – See Section IV (C) regarding allocation of costs of the Major Improvement to Phase 1.

The costs shown in Table III-B are current estimates and may be revised in Annual Service Plan Updates.

D. Description and Estimated Costs of the Phase #2 Improvements , Including Improvement Area #1C Improvements and Improvement Area #2 Improvements

Either the Developer pursuant to a Reimbursement Agreement or proceeds from Bonds will fund their proportionate share of the costs of the Major Improvements (as described above in Section III.B) as well as Phase #2 Improvements, which only benefit Phase #2 Assessed Property.

The Phase #2 Improvements are described below. All of the Phase #2 Improvements provide benefit to Phase #2. The costs of the Phase #2 Improvements are shown in Table III-C. The costs shown in Table III-C are estimates and may be revised in Annual Service Plan Updates.

Road Improvements

The Phase #2 roadway improvements include 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 Phase #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 Phase #2 roadway improvements. These roadway improvements include streets that will provide access to each lot within Phase #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 Improvements

The Phase #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 254 lots within Phase #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 the limits of Phase #2 and all lots within Phase #2.

Sanitary Sewer Improvements

The Phase #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, trench safety 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 Phase #2 and each of the 254 lots within Phase #2.

Storm Drainage Improvements

The storm drainage portion of the Phase #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 Phase #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 Phase #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 Phase #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.

Table III-C below shows the estimated costs of the Phase #2 Improvements.

Table III-C
Estimated Phase #2 Improvement Costs

Authorized Improvements	Allocation %	Estimated Cost[1]
Roadway improvement costs	100%	$2,349,701
Water distribution system improvement costs	100%	$1,008,093
Sanitary sewer collection system improvement costs	100%	$920,852
Storm drainage collection system improvements	100%	$1,777,546
Engineering, design, surveying, geotechnical and materials testing	100%	$880,428
Estimated general contractor	100%	$419,446
Estimated project general conditions	100%	$279,195
Estimated PID legal fees	100%	$284,568
Estimated PID establishment expenses		$29,101
Estimated capitalized interest	100%	$366,583
Estimated debt service reserve	100%	$425,250
Estimated other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	100%	$622,500
Subtotal - Estimated Phase #2 Improvement Costs		$9,363,263
Phase #2 share of estimated Major Improvement Costs[2]		$499,240
Total Estimated Phase #2 Improvement Costs		**$9,862,503**

1 – See Appendix B for detailed cost estimates.
2 – See Section IV (C) regarding allocation of Major Improvement Costs to Phase #2.

The costs shown in Table III-C are current estimates and may be revised in Annual Service Plan Updates. Table III-D on the following page shows the breakdown of Phase #2 Improvement Costs to Improvement Area #1C and Improvement Area #2 based on the total equivalent units shown in Appendix D

Table III-D
Allocation of Phase #2 Improvement Costs to Improvement Area #1C Improvements and Improvement Area #2 Improvements

Authorized Improvements	Allocation %[1]	Improvement Area #1C Improvements	Allocation %[1]	Improvement Area #2 Improvements	Total
Roadway improvement costs	17.81%	$418,379	82.19%	$1,931,322	$2,349,701
Water distribution system improvement costs	17.81%	$179,497	82.19%	$828,596	$1,008,093
Sanitary sewer collection system improvement costs	17.81%	$163,963	82.19%	$756,889	$920,852
Storm drainage collection system improvements	17.81%	$316,503	82.19%	$1,461,043	$1,777,546
Engineering, design, surveying, geotechnical and materials testing	17.81%	$156,766	82.19%	$723,662	$880,428
Estimated general contractor	17.81%	$74,685	82.19%	$344,761	$419,446
Estimated project general conditions	17.81%	$49,712	82.19%	$229,483	$279,195
Estimated PID legal fees	17.81%	$50,669	82.19%	$233,899	$284,568
Estimated PID establishment expenses	17.81%	$5,182	82.19%	$23,919	$29,101
Estimated capitalized interest	0%	$0	100.00%	$366,583	$366,583
Estimated debt service reserve	0%	$0	100.00%	$425250	$425250
Estimated other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	0%	$0	100.00%	$622,500	$622,500
Subtotal - Estimated Phase #2 Improvement Costs		*$1,415,356*		*$7,947,908*	*$9,363,263*
Phase #2 share of estimated Major Improvement Costs	17.81%	$88,893	82.19%	$410,347	$499,240
Total Estimated Phase #2 Improvement Costs		**$1,504,248**		**$8,358,255**	**$9,862,503**

1 – The total costs shown in Table III-C are allocated to Improvement Area #1C and Phase #2 based on the total Equivalent Units shown in Appendix D. See Section IV.C for calculation of the allocation percentages based on the applicable Equivalent Units

E. Future Phase Authorized Improvements

As Future Phases are developed, in association with issuing Phased PID Bonds and/or execution of a Reimbursement Agreement for such Future Phase, this Service and Assessment Plan will be amended to identify the Authorized Improvements that benefit each Phase (e.g., a Table III-E will be added to show the estimated costs for Phase #3 Future Improvements, etc.).

IV. ASSESSMENT PLAN

A. INTRODUCTION

The PID Act requires the City Council to apportion the Actual Cost of the Authorized Improvements on the basis of special benefits conferred upon the Property by the Authorized Improvements. The PID Act provides that the Actual Costs may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes or improvements.

For purposes of this Service and Assessment Plan, the City Council has determined that the Authorized Improvement costs shall be allocated to the Assessed Property as described below:

1. The Authorized Improvement costs shall be allocated to the Assessed Property on the basis of the relative value of Parcels once such property is developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement Costs to Parcels similarly benefited.
2. The City Council has concluded that larger more expensive homes are likely to be built on the larger lots, and that larger more expensive homes are likely to make greater use of and receive greater benefit from the Authorized Improvements. In determining the relative values of Parcels, the City Council has taken in to consideration (i) the type of development (i.e., residential, commercial, etc), (ii) single-family lot sizes and the size of homes likely to be built on lots of different sizes, (iii) current and projected home prices provided by the Developer, (iv) the Authorized Improvements to be provided and the estimated costs, and (v) the ability of different property types to utilize and benefit from the improvements.
3. The Assessed Property is classified into different Land Use Classes as described in Appendix D based on the type and size of proposed development on each Parcel.
4. Equivalent Units are calculated for each Land Use Class based on the relative value of each Land Use Class.
5. The Major Improvement costs that benefit the Assessed Property are proportionally allocated to the Assessed Property based on the ratio of total Equivalent Units estimated for the Assessed Property.
6. The Phase 1 Improvement costs (including Phase 1 Assessed Property's proportional share of the Major Improvement costs) are allocated to each Parcel within the Phase 1 Assessed Property based on the total Equivalent Units estimated for each Parcel.
7. The Phase #2 Improvement costs (including Phase #2 Assessed Property's proportional share of the Major Improvement costs) are allocated to each Parcel within the Phase #2 Assessed Property based on the total Equivalent Units estimated for each Parcel.

Table IV-A provides the estimated allocation of costs of the Major Improvements portion of the Phase 1 Improvements to the Phase 1 Assessed Property.

Table IV-B provides the estimated allocation of costs of the Major Improvements portion of the Phase #2 Improvements to the Phase #2 Assessed Property.

Table IV-C provides the estimated allocation of costs of the Major Improvements portion of the Phase #2 Improvements to the Improvement Area #1C Assessed Property and the Improvement Area #2 Assessed Property.

At this time it is impossible to determine with absolute certainty the amount of special benefit each Parcel within Future Phases will receive from Authorized Improvements for such Future Phases. Therefore, at this time Parcels will only be assessed for the special benefits conferred upon the Parcel because of the Major Improvements, the Phase 1 Improvements and the Phase #2 Improvements.

In connection with issuance of Phased PID Bonds and/or execution of a Reimbursement Agreement for Future Phases, this Service and Assessment Plan will be updated to reflect the special benefit each Parcel of Assessed Property within a Future Phase receives from Authorized Improvements for Future Phases funded with proceeds from Phased PID Bonds issued with respect to that Future Phase or pursuant to a Reimbursement Agreement for that Future Phase. Prior to assessing Parcels located within Future Phases, each owner of the Parcels to be assessed must acknowledge that the Authorized Improvements confer a special benefit on their Parcel and must consent to the imposition of the Assessments to pay for the Actual Costs.

This section of this Service and Assessment Plan currently describes the special benefit received by each Parcel within the PID as a result of the Authorized Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments, and establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Authorized Improvements to Parcels in a manner that results in equal shares of the Actual Costs being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

As Future Phases are developed, this Service and Assessment Plan will be updated based on the City's determination of the assessment methodology for each Future Phase.

B. Special Benefit

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and

Assessment Plan) and the payment of costs incurred in the establishment of the PID shown in Table V-A and Table V-B are authorized by the Act.

Each of the owners of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

Each owner of the Assessed Property has ratified, confirmed, accepted, agreed to and approved; (i) the determinations and finding by the City Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) this Service and Assessment Plan and the Assessment Ordinance; and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the Planned Development District Ordinance requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs using Bond proceeds or through Developer advances pursuant to a Reimbursement Agreement has been determined by the City Council to be the most beneficial means of doing so. As a result, the Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

In summary, the Assessments result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property and provide a special benefit to the Assessed Property as a result;

2. The Developer has consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer is acting in its interest by consenting to this imposition;

3. The Authorized Improvements are required for the highest and best use of the Assessed Property;

4. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);

5. Financing of the Authorized Improvement costs using Bond proceeds or through Developer advances pursuant to a Reimbursement Agreement is determined to be the most beneficial means of providing for the Authorized Improvements; and

6. As a result, the special benefits to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

C. Allocation of Actual Costs of Major Improvements

The Major Improvements will provide a special benefit to all property in the PID. Accordingly, the Actual Costs of the Major Improvements must be allocated to the Assessed Property based on the special benefit each receives. Table IV-A summarizes the allocation of Actual Costs for each Major Improvement. The costs shown in Table IV-A are estimates and may be revised in Annual Service Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

Phase 1 is projected to contain 356 residential units, eight office lots and one church lot. As shown in Appendix D, the total Equivalent Units for Phase 1 is calculated as 201.47. The Future Phases, including Phase #2, are projected to contain 727 residential units, one daycare lot and one senior living lot resulting in a total of 395.65 (133.55 + 262.10) Equivalent Units as shown in Appendix D. The Total projected Equivalent Units in the PID is, therefore, calculated to be 597.12 (i.e. 201.47 + 395.65 = 597.12). As a result, 33.74 percent of the estimated costs of Major Improvements (i.e. 201.47 ÷ 597.12 = 33.74%) are allocated to the Phase 1 Assessed Property and 66.26 percent of the estimated costs of Major Improvements (i.e. 395.65 ÷ 597.12 = 66.26%) are allocated to the Future Phases. Either Developer advances pursuant to a Reimbursement Agreement or Phase 1 Bonds will fund the proportionate share of the estimated costs of the Major Improvements benefitting the Phase 1 Assessed Property.

Phase #2 is projected to contain 254 residential units. As shown in Appendix D, the total Equivalent Units for Phase #2 is calculated as 133.55. The Total projected Equivalent Units in the PID is shown above as 597.12. As a result, 22.37 percent of the estimated costs of Major Improvements (i.e. 133.55 ÷ 597.12 = 22.37%) are allocated to the Phase #2 Assessed Property and 43.89 percent of the estimated costs of Major Improvements (i.e. 100% - 33.74% - 22.37 = 43.89%) are allocated to the Future Phases. Either Developer advances pursuant to a Reimbursement Agreement or Phased PID Bonds will fund the proportionate share of the estimated costs of the Major Improvements benefitting the Phase #2 Assessed Property.

Improvement Area #1C and Improvement Area #2 within Phase #2 are projected to contain 41 residential units and 213 residential units, respectively. As shown in Appendix D, the total Equivalent Units for Improvement Area #1C and Improvement Area #2 are shown as 23.78 and 109.77, respectively. The Total projected Equivalent Units within Phase #2 of the PID is shown above as 133.55. As a result, 17.81 percent of the estimated costs of the Major Improvements allocated to Phase #2 Improvements (i.e. 23.78 ÷ 133.55 = 17.81%) are allocated to the Improvement Area #1C Assessed Property and 82.19 percent of the estimated costs of Major Improvements allocated to Phase #2 (i.e. 109.77 ÷ 133.55 = 82.19%) are allocated to the Improvement Area #2 Assessed Property. The Developer will advance the proportionate share of the estimated costs of the Major Improvements benefitting the Improvement Area #1CAssessed

Property advances pursuant to the applicable Reimbursement Agreement. Either Developer advances pursuant to a Reimbursement Agreement or Phased PID Bonds will fund the proportionate share of the estimated costs of the Major Improvements benefitting the Improvement Area #2 Assessed Property.

Table IV-A below shows the allocation of the costs of the Major Improvements to Phase 1.

Table IV-A
Allocation of Authorized Improvement Costs to Phase 1

		Phase 1 Assessed Property		Phase #2 Assessed Property and Future Phases	
	Estimated Cost	**% Allocation**	**Share of Costs**	**% Allocation**	**Share of Costs**
Major Improvements					
Road Improvements	$321,346	33.74%	$108,423	66.26%	$212,923
Water Improvements	$78,085	33.74%	$26,346	66.26%	$51,739
Sanitary Sewer Improvements	$1,525,144	33.74%	$514,587	66.26%	$1,010,557
Storm Drainage Improvements	$82,153	33.74%	$27,719	66.26%	$54,434
Contingency for hard costs	$156,764	33.74%	$52,892	66.26%	$103,872
Engineering, design, surveying, geotechnical and materials testing	$31,210	33.74%	$10,530	66.26%	$20,680
General contractor, project general conditions and PID legal fees	$37,415	33.74%	$12,624	66.26%	$24,791
Total Major Improvements	*$2,232,117*		*$753,121*		*$1,478,996*
Estimated PID establishment costs	$149,341		$50,388		$98,953
GRAND TOTAL	**$2,381,458**		**$803,509**		**$1,577,949**

Notes: 1 - The % allocation of the Major Improvements is shown in Section IV.C.

Table IV-B on the following page shows the allocation of the costs of the Major Improvements to Phase #2.

Table IV-B
Allocation of Major Improvement to Phase #2

	Estimated Major Improvement Cost	Phase 1 Assessed Property % Allocation[1]	Phase 1 Assessed Property Share of Costs	Phase #2 Assessed Property % Allocation[1]	Phase #2 Assessed Property Share of Costs	Future Phase Assessed Property % Allocation[1]	Future Phase Assessed Property Share of Costs
Major Improvements							
Road Improvements	$321,346	33.74%	$108,423	22.37%	$71,873	43.89%	$141,050
Water Improvements	$78,085	33.74%	$26,346	22.37%	$17,465	43.89%	$34,274
Sanitary Sewer Improvements	$1,525,144	33.74%	$514,587	22.37%	$341,117	43.89%	$669,441
Storm Drainage Improvements	$82,153	33.74%	$27,719	22.37%	$18,375	43.89%	$36,060
Contingency for hard costs	$156,764	33.74%	$52,892	22.37%	$35,062	43.89%	$68,809
Engineering, design, surveying, geotechnical and materials testing	$31,210	33.74%	$10,530	22.37%	$6,980	43.89%	$13,699
General contractor, project general conditions and PID legal fees	$37,415	33.74%	$12,624	22.37%	$8,368	43.89%	$16,423
Total Major Improvements	*$2,232,117*		*$753,121*		*$499,240*		*$979,756*
Estimated PID establishment costs	$149,341		$50,388		$33,402		$65,551
GRAND TOTAL	**$2,381,458**		**$803,509**		**$532,642**		**$1,045,308**

Notes: 1 - The % allocation of the Major Improvements is shown in Section IV.C.

Table IV-C on the following page summarizes the allocation of Phase #2's share of Major Improvements to Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property.

Table IV-C
Allocation of Phase #2 share of Major Improvement to Improvement Area #1C and Improvement Area #2

		Improvement Area #1C Assessed Property		Improvement Area #2 Assessed Property	
	Phase #2 Share of Estimated Major Improvements	% Allocation	Share of Costs	% Allocation	Share of Costs
Major Improvements					
Road Improvements	$71,873	17.81%	$12,797	82.19%	$59,075
Water Improvements	$17,465	17.81%	$3,110	82.19%	$14,355
Sanitary Sewer Improvements	$341,117	17.81%	$60,738	82.19%	$280,379
Storm Drainage Improvements	$18,375	17.81%	$3,272	82.19%	$15,103
Contingency for hard costs	$35,062	17.81%	$6,243	82.19%	$28,819
Engineering, design, surveying, geotechnical and materials testing	$6,980	17.81%	$1,243	82.19%	$5,738
General contractor, project general conditions and PID legal fees	$8,368	17.81%	$1,490	82.19%	$6,878
Total Major Improvements	$499,240		$88,893		$410,347
Estimated PID establishment costs	$33,402		$5,947		$27,454.5
GRAND TOTAL	**$532,642**		**$94,840**		**$437,802**

Notes: 1 - The % allocation of the Major Improvements is shown in Section IV.C.

D. ALLOCATION OF ACTUAL COSTS OF PHASE 1 AUTHORIZED IMPROVEMENTS

The Phase 1 Improvements will provide a special benefit to Phase 1 Assessed Property only. Accordingly, the Actual Costs of the Phase 1 Improvements are allocated entirely to Phase 1 Assessed Property based on the special benefit it receives.

Tables III-B and IV-A summarize the allocation of Actual Costs for each Phase 1 Improvement. The costs shown in Table III-A and Table IV-A are estimates and may be revised in Annual Service Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

E. ALLOCATION OF ACTUAL COSTS OF PHASE #2 AUTHORIZED IMPROVEMENTS

The Phase #2 Improvements will provide a special benefit to Phase #2 Assessed Property only, which consists of the Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property. Accordingly, the Actual Costs of the Phase #2 Improvements are allocated entirely to Phase #2 Assessed Property based on the special benefit it receives.

Tables III-C and IV-B summarizes the allocation of Actual Costs for each Phase #2 Improvement.

Tables III-D and IV-C summarizes the allocation of Actual Costs for each Improvement Area #1C Improvement and Improvement Area #2 Improvement. The costs shown in Tables III-D and IV-C are estimates and may be revised in Annual Service Plan Updates but may not result in increased Assessments without consent by each of the owners of the Parcels to the imposition of the increased Assessments to pay for the Actual Costs.

F. ALLOCATION OF ACTUAL COSTS OF AUTHORIZED IMPROVEMENTS BENEFITING FUTURE PHASES

As Future Phases are developed, this Service and Assessment Plan will be amended to identify the Authorized Improvements that confer a special benefit to property inside the Future Phase resulting from the Authorized Improvements (e.g. Table IV-A will be amended to show the estimated allocation of Actual Costs for Authorized Improvements benefiting the Future Phases).

G. ASSESSMENT METHODOLOGY

The Actual Costs may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the amount of the Assessments. The Actual Costs may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

1. Assessment Methodology for Phase 1

For purposes of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Phase 1 Improvements and the portion of the Major Improvements to be financed as Phase 1 Cost shall be allocated to the Phase 1 Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Phase 1.

Based on the estimates provided by FC Cuny Corporation of the costs of the Phase 1 Improvements and the portion of the Phase 1 Improvements that benefit Phase 1, as set forth in Table III-B, the City Council has determined that the benefit to Phase 1 property of the Phase 1 Improvements is at least equal to the Assessments levied on the Phase 1 property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the City Council has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Phase 1 is shown on the Phase 1 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

2. Assessment Methodology for Phase #2

For purposes of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Phase #2 Improvements and the portion of the Major Improvements to be financed as Phase #2 Cost shall be allocated to the Phase #2 Assessed Property (which consists of the Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property) by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units as calculated and shown in Appendix D using the types, number and average home value of the Lots anticipated to be developed on each Parcel within Phase #2.

Based on the estimates provided by FC Cuny Corporation of the costs of the Phase #2 Improvements and the portion of the Major Improvements that benefit Phase #2, as set forth in Table III-C, the City Council has determined that the benefit to Phase #2 Assessed Property of the Phase #2 Improvements is at least equal to the Assessments levied on the Phase #2 Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Lot Type based on the ratio of the Equivalent Unit applicable to each Lot Type at the time residential Lots are platted to the total Equivalent Units of all Lots in the platted Parcel, as determined by the Administrator and confirmed by the City Council. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar values will have the same Assessment, with larger, more valuable Lots having a proportionately larger share of the Assessments than smaller, less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the City Council has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption, and larger, more expensive homes are likely to be built on larger, more valuable lots.

The Assessment and Annual Installments for each Parcel or Lot located within Phase #2 are shown on the Improvement Area #1C Assessment Roll and Improvement Area #2 Assessment Roll, attached as Appendix H-1 and Appendix H-2, respectively, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

3. Assessment Methodology for Future Phases

When any given Future Phase is developed, this Service and Assessment Plan will be amended to determine the assessment methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within each Future Phase.

H. Assessments

The Assessments for the applicable Authorized Improvements will be levied on each Parcel according to the Phase 1 Assessment Roll, the Improvement Area #1C Assessment Roll, and the Improvement Area #2 Assessment Roll, attached hereto as Appendix F, Appendix G, Appendix H-1 and Appendix H-2, respectively. The Annual Installments will be collected at the time and in the amounts shown on the Phase 1 Assessment Roll, the Improvement Area #1C Assessment Roll, and the Improvement Area #2 Assessment Roll, respectively, subject to any revisions made during an Annual Service Plan Update.

I. Administrative Expenses

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Phase 1 Assessment Roll, and the Improvement Area #1C Assessment Roll, and the Improvement Area #2 Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates.

J. Prepayment Reserve

Pursuant to the PID Act, the interest rate for Assessments may exceed the actual interest rate per annum paid on the related Bonds, if any, by no more than one half of one percent (0.50%). The interest rate used to determine the Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the Bonds, with up to 0.20% allocated to fund the associated interest charged between the date of prepayment of a Phase 1 Assessment and the date on which Phase 1A Bonds are prepaid, and up to 0.30% allocated to fund a delinquency reserve account as described below.

K. Delinquency Reserve

The City has allocated up to 0.30% of the interest rate component of the Annual Installments of the Phase 1 Assessments to offset any possible delinquent payments. The delinquency reserve shall be funded up to 4% on the outstanding Phase 1A Bonds. The City may allocate up to 0.50%

of the interest rate component of the Annual Installments to any other use that benefits the Assessed Property, as determined by the City Council.

L. Delinquency and Prepayment Reserve

Pursuant to the PID Act, the interest rate for Improvement Area #2Assessments may exceed the actual interest rate per annum paid on the related Improvement Area #2 Bonds by no more than one half of one percent (0.50%) (the "Additional Interest"). The interest rate used to determine the Improvement Area #2 Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the Improvement Area #2 Bonds, with the 0.5% Additional Interest component of the Annual Installments allocated to fund a reserve to be used for paying prepayment and delinquency related costs (the "Prepayment and Delinquency Reserve"). The Prepayment and Delinquency Reserve shall be funded until it reaches 5.50% of the outstanding Improvement Area #2 Bonds as stipulated in the Bond documents. Once the Prepayment and Delinquency Reserve is funded in full, the City may allocate the Additional Interest component of the Annual Installments of the Improvement Area #2 Assessments to pay for Administrative Expenses, improvement costs, any other use that benefits the Improvement Area #2 Assessed Property or redeem Improvement Area #2 Bonds and reduce the Improvement Area #2 Assessments, as determined by the City Council.

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V. SERVICE PLAN

A. SOURCES AND USES OF FUNDS

The PID Act requires the service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during a five-year period. It is anticipated that it will take approximately 12 months for the Major Improvements to be constructed and approximately 12 months for the Phase 1 Improvements to be constructed. At some point after the Phase 1 Improvements and the Phase #2 Improvements are constructed, Phase 3 will begin development. After Phase 3 is developed, it is anticipated that Phase 4 will begin development, and so on, with each Future Phase to be subsequently developed corresponding with a Service and Assessment Plan update for that Future Phase.

The Phase 1 Cost is $10,700,000 as shown in Table V-A. The Phase 1 Cost will be reimbursed to the Developer, plus interest, in accordance with a Reimbursement Agreement and in accordance with the Indenture for the Phase #1A solely from Phase 1 Revenues received and collected by the City. The obligations of the City under this Service and Assessment Plan, any Indenture and any Reimbursement Agreement do not create a debt or other obligation payable from any other City revenues, taxes, income or property.

The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the estimated Authorized Improvement costs, and updating the Assessment Roll. Any update to this Service and Assessment Plan is herein referred as an "Annual Service Plan Update."

Table V-A summarizes the Phase 1 Cost. The information provided in Table V-A shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and Actual Costs.

Table V-B summarizes the Phase #2 Cost. The information provided in Table V-B shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and Actual Costs.

As Future Phases are developed, this Service and Assessment Plan will be amended to include costs of Authorized Improvements for those Future Phases (e.g. Table V-D will be amended to add Phase 3).

Table V-A
Sources and Uses of Funds

	Phase 1 Costs financed with Series 2015 Phase 1A Bonds	Phase 1 Costs financed with Reimbursement Agreement	Total Phase 1 Cost
Major Improvements			
Road Improvements	$53,721	$49,563	$103,284
Water Improvements	$13,054	$12,043	$25,097
Sanitary Sewer Improvements	$254,965	$235,233	$490,198
Storm Drainage Improvements	$13,734	$12,671	$26,405
Contingency for hard costs	$26,206	$24,178	$50,384
Engineering, design, surveying, geotechnical and materials testing	$5,217	$4,814	$10,031
General contractor, project general conditions and PID legal fees	$6,256	$5,772	$12,028
Subtotal	$373,153	$344,274	$717,427
Phase 1 Improvements			
Road Improvements	$1,612,174	$1,886,824	$3,498,998
Water Improvements	$1,037,415	$542,051	$1,579,466
Sanitary Sewer Improvements	$486,848	$525,613	$1,012,461
Storm Drainage Improvements	$1,091,462	$525,816	$1,617,278
Contingency for hard costs	$446,700	$348,030	$794,730
Engineering, design, surveying, geotechnical and materials testing	$414,647	$362,000	$776,647
General contractor	$302,894	$274,450	$577,344
Project general conditions	$101,184	$157,000	$258,184
PID legal fees	$93,000	$183,000	$276,000
Subtotal	$5,586,324	$4,804,784	$10,391,108
PID establishment costs	$28,103	$25,928	$54,031
Debt service reserve	$571,188	$0	$571,188
Capitalized interest	$151,383	$0	$151,383
Other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	$1,071,000	$0	$1,071,000
Total	$7,781,150	$5,776,414	$12,956,137
Less: Developer contributions	($181,150)	($2,074,986)	($2,256,137)
Total Phase 1 Cost	**$7,600,000**	**$3,100,000**	**$10,700,000**

Note: The proceeds of the Phase 1A Bonds are anticipated to be used by the Developer to finance construction of the remaining Phase 1 Costs that have not yet been constructed as part of Phases 1A and/or 1B.
While the Phase 1A Bonds and the City's payment obligations under the Reimbursement Agreement are both secured by the Assessments levied on the Phase 1 Assessed Property, the payment of debt service on the Phase 1A Bonds is superior in right to the payment obligations under the Reimbursement Agreement.

The Phase #2 Cost is $9,862,503 as shown in Table V-B. The Phase #2 Cost funded with the Reimbursement Agreement for Phase #2 (the "Phase #2 Reimbursement Agreement ") will be reimbursed to the Developer, plus interest, in accordance with the Phase #2 Reimbursement Agreement solely from Improvement Area #1C Revenues received and collected by the City. The remaining balance of Phase #2 Costs is being financed with the Improvement Area #2 Bonds, which are payable solely from the Improvement Area #2 Revenues and the balance of Phase #2 Costs not financed by the Phase #2 Reimbursement Agreement and the Improvement Area #2 Bonds will be financed by the Developer. The Phase #2 Reimbursement Agreement and/or the Improvement Area #2 Bonds do not create a debt or other obligation payable from any other City revenues, taxes, income or property.

Table V-B summarizes the Phase #2 Cost. The information provided in Table V-B shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and Actual Costs.

Table V-B
Estimated Sources and Uses of Funds (Phase #2)

	Improvement Area #1C	Improvement Area #2	Phase #2 Cost
Estimated Sources of Funds			
Improvement Area #2 Bonds	$0	$6,225,000	$6,225,000
Reimbursement Agreement for Phase #2 (1)	$1,348,775	$0	$1,348,775
Other funding sources	$155,473	$2,133,255	$2,288,728
Total Estimated Sources	**$1,504,248**	**$8,358,255**	**$9,862,503**
Estimated Uses of Funds			
Major Improvements			
Road Improvements	$12,797	$59,075	$66,580
Water Improvements	$3,110	$14,355	$16,179
Sanitary Sewer Improvements	$60,738	$280,379	$315,996
Storm Drainage Improvements	$3,272	$15,103	$17,021
Contingency for hard costs	$6,243	$28,819	$32,480
Engineering, design, surveying, geotechnical and materials testing	$1,243	$5,738	$6,466
General contractor, project general conditions and PID legal fees	$1,490	$6,878	$7,752
Subtotal	$88,893	$410,347	$462,474
Phase #2 Improvements			
Road Improvements	$418,379	$1,931,322	$2,349,701
Water Improvements	$179,497	$828,596	$1,008,093
Sanitary Sewer Improvements	$163,963	$756,889	$920,852
Storm Drainage Improvements	$316,503	$1,461,043	$1,777,546
Engineering, design, surveying, geotechnical and materials testing	$156,766	$723,662	$880,428
Estimated general contractor	$74,685	$344,761	$419,446
Estimated project general conditions	$49,712	$229,483	$279,195
Estimated PID legal fees	$50,669	$233,899	$284,568
Subtotal	$1,410,174	$6,509,655	$7,919,829
Estimated PID establishment costs	$5,182	$23,919	$29,101
Estimated capitalized interest	$0	$366,583	$366,583
Estimated debt service reserve fund	$0	$425,250	$425,250
Estimated other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	$0	$622,500	$622,500
Total Estimated Uses	**$1,504,248**	**$8,358,255**	**$9,862,503**

Phase #2 Assessments were initially levied against the Phase #2 Assessed Property to reimburse the Developer pursuant to the Phase #2 Reimbursement Agreement. Improvement Area #2 Bonds are being issued to reimburse the Developer for a portion of the cost of the Phase #2 Improvements in relation to Improvement Area #2 and the remaining portion of the Phase #2 Improvements in relation to Improvement Area #1C will continue to be financed through Phase #2 Reimbursement Agreement, which will be only paid from Improvement Area #1C Revenues.

B. Annual Projected Costs and Annual Projected Indebtedness

The annual projected costs and annual projected indebtedness is shown by Table V-C. The annual projected costs and indebtedness is subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year. The project indebtedness will either reflect anticipated or outstanding Bonds or Reimbursement Agreement obligations or both.

Table V-C
Annual Projected Costs and Annual Projected Indebtedness

Year	Annual Projected Cost	Annual Projected Indebtedness	Sources other than Bonds
2015	$14,894,703	$12,310,000	$2,584,703
2016	$0	$0	$0
2017	$9,363,263	$7,573,775	$1,789,488
2018	$0	$0	$0
2019	$0	$0	$0
	$24,257,966	**$19,883,775**	**$4,374,191**

The annual projected costs shown in Table V-C are the annual expenditures relating to the Phase 1 Improvements shown in Table III-B, the Phase #2 Improvements shown in Table III-C and the costs associated with setting up the PID and Bond issuance costs including reserves shown in Table V-A and V-B. The difference between the total projected cost and the total projected indebtedness is the amount contributed by the Developer in excess of those advances made by the Developer pursuant to a Reimbursement Agreement. As Future Phases are developed, this Table V-C will be updated to identify the Phased PID Bond Authorized Improvements and the projected indebtedness. The project indebtedness will either reflect anticipated or outstanding Bonds or Reimbursement Agreement obligations or both.

C. Major Repair and Extraordinary Maintenance of the Authorized Improvements

Administrative and operation expenses of the PID shall include the expenses of major repair and extraordinary maintenance of the Authorized Improvements in order to operate and maintain the applicable Authorized Improvements in a manner consistent with the City's standards for similar public improvements throughout the City. The Annual Installments may include in Administrative Expenses an amount to pay such expenses.

VI. Terms of the Assessments

A. Amount of Assessments and Annual Installments for Phase 1

The Assessment and Annual Installments for each Assessed Property located within Phase 1 is shown on the Phase 1 Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act. The Annual Installments shall be collected in an amount sufficient to pay principal and interest on financing obligations, to fund the prepayment reserve and delinquency reserve described in Section IV, and to cover Administrative Expenses of Phase 1.

B. Amount of Assessments and Annual Installments for Parcels Located Within Improvement Area #1C

The Assessment and Annual Installments for each Assessed Property located within Improvement Area #1C is shown on the Improvement Area #1C Assessment Roll, attached as Appendix H-1, and no Improvement Area #1C Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act. The Annual Installments shall be collected in an amount sufficient to pay principal and interest on financing obligations and to cover Administrative Expenses of Improvement Area #1C.

C. Amount of Assessments and Annual Installments for Parcels Located Within Improvement Area #2

The Assessment and Annual Installments for each Assessed Property located within Improvement Area #2 is shown on the Improvement Area #2 Assessment Roll, attached as Appendix H-2, and no Improvement Area #2 Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act. The Annual Installments shall be collected in an amount sufficient to pay principal and interest on financing obligations, to fund the prepayment and delinquency reserve described in Section IV, and to cover Administrative Expenses of Improvement Area #2.

D. Amount of Assessments and Annual Installments for Parcels Located Within Future Phases

As Future Phases are developed, this Service and Assessment Plan will be amended to determine the Assessment and Annual Installments for each Assessed Property located within Future Phases (e.g., an Appendix will be added as the Assessment Roll for Phase #3). The Assessments shall not exceed the benefit received by the Assessed Property.

E. Reallocation of Assessments for Parcels

1. Upon Subdivision Prior to Recording of Subdivision Plat

Upon the subdivision of any Parcel of Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the newly divided Parcels according to the following formula:

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

Where the terms have the following meanings:

A = the Assessment for the new subdivided Parcel

B = the Assessment for the Parcel prior to subdivision

C = the Equivalent Units of the newly subdivided Parcel

D = the sum of the Equivalent Units for all of the newly subdivided Parcels

The calculation of the Equivalent Units of a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcels prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the City Council.

2. Upon Subdivision by a Recorded Subdivision Plat

Upon the subdivision of any Assessed Property based on a recorded Subdivision Plat, the Administrator shall reallocate the Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula:

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

Where the terms have the following meanings:

A = the Assessment for the new subdivided Lot

B = the Assessment for the Parcel prior to subdivision

C = the Equivalent Units of the new subdivided Lot

D = the sum of the Equivalent Units for all of the new subdivided Lots

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the City Council.

3. Upon Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in an update to this Service and Assessment Plan approved by the City Council.

F. REALLOCATION OF ASSESSMENTS FOR PARCELS LOCATED WITHIN FUTURE PHASES

As Future Phases are developed, this Service and Assessment Plan will be updated to determine the assessment reallocation methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within each Future Phase.

G. MANDATORY PREPAYMENT OF ASSESSMENTS

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

3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

H. Reduction of Assessments

1. If after all Authorized Improvements to be funded with a series of Bonds have been completed, including any additional Authorized Improvements described in Section VI.J and Section VI.K, and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessments securing such series of Bonds, resulting in excess Bond proceeds being available to redeem Bonds of such series, then the Assessment securing such series of Bonds for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs and such excess Bond proceeds shall applied to redeem Bonds of such series. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

2. If the Authorized Improvements to be funded with a series of Bonds, including any additional Authorized Improvements described in Section VI.J and Section VI.K, are not undertaken by the City, resulting in excess Bond proceeds being available to redeem Bonds of such series, the Assessment securing such series of Bonds for each Assessed Property shall be reduced by the City Council to reflect only the Actual Costs that were expended and such excess Bond proceeds shall be applied to redeem Bonds of such series. The City Council shall reduce such Assessments for each Assessed Property pro rata such that the sum of the resulting reduced Assessments equals the Actual Costs with respect to such Authorized Improvements that were undertaken. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds.

3. If after all Authorized Improvements to be funded with Developer advances pursuant to a Reimbursement Agreement have been completed, including any additional Authorized Improvements described in Section VI.J and Section VI.K, and Actual Costs for such Authorized Improvements are less than the Actual Costs used to calculate the Assessments securing such reimbursement obligations, then the Assessment securing such reimbursement obligations for each Parcel of Assessed Property shall be reduced by the City Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding reimbursement obligations. If all of the Authorized Improvements are not completed, the City may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

I. Payment of Assessments

1. Payment in Full

(a) The Assessment for any Parcel may be paid in full at any time. Payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Indenture, net of any other costs applicable to the redemption of Bonds.

(b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

(c) Upon payment in full of an Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the Indenture, if any, or a Reimbursement Agreement; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.

(d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part in an amount sufficient to allow for redemption of Bonds in authorized denominations as determined by the Administrator. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The PID Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the City to collect interest and collection costs on the outstanding Assessment. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Phase 1 Assessment Roll, the Improvement Area #1C Assessment Roll and the Improvement Area #2 Assessment Roll, which includes interest on the outstanding Assessment and Administrative Expenses.

Each Assessment for a Phase shall bear interest at a rate of interest on the Bonds plus up to 0.5%. and/or at the rate of the Reimbursement Agreement approved and issued by the City to fund all or a portion of the Authorized Improvements for such Phase The Annual Installments as listed on Phase 1 Assessment Roll have been calculated assuming an interest rate of 8.00 percent (for years 1 through 5) and 6.43 percent (for years 6 through 30), the Annual Installments as listed on the Phase 1 Assessment Roll have been calculated using interest rates of 5.000%, 5.125%, 5.375% and 5.500% for the Phase 1A serial Bonds through 2019, Phase 1A term Bonds due 2028, Phase 1A term Bonds due 2035 and Phase 1A term Bonds due 2040, respectively, and 5.314407% for the Phase 1 Reimbursement Agreement amount due in 2016 and 6.350% for the remaining Reimbursement Agreement amounts through 2045. Each Assessment on a Improvement Area #1C Assessed Property shall be paid with interest based on an interest rate of

8.92% per annum for years 1 through 5 and 5.92% per annum following the fifth Annual Installment. Each Improvement Area #1C Assessment shall be paid at a rate not to exceed five hundred basis points above the highest average index rate for tax-exempt bond reported in a daily or weekly bond index approved by the City and reported in the month prior to the establishment of the Improvement Area #1C Assessments and continuing for a period of five years from such date. Such rate shall then adjust and shall not exceed two hundred basis points above the bond index rate described above and shall continue until the Assessments are paid in full. The index approved by the City is the Bond Buyer Index for which the highest average rate during the month prior to the date of levy was 3.92%. The City has determined that the Improvement Area #1C Assessments shall bear interest at the estimated rate of 8.92% per annum for years 1 through 5 and 5.92% per annum following the fifth Annual Installment, which rate are equal to the initial maximum allowable rate of interest of 8.92% and equal to the maximum allowable rate of interest following the fifth Annual Installment, which would be 5.92%. The Annual Installments as listed on the Improvement Area #2 Assessment Roll have been calculated using an estimated interest rates of 5% for the Improvement Area #2 Bonds due 2049.

The Annual Installments may not exceed the amounts shown on the Phase 1 Assessment Roll the Improvement Area #1C Assessment Roll and the Improvement Area #2 Assessment Roll, except pursuant to any amendment or update to this Service and Assessment Plan.

The Annual Installments shall be reduced to equal the actual costs of repaying the related series of Bonds if any, or obligations pursuant to a Reimbursement Agreement, and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The City reserves and shall have the right and option to refund the Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds, and such refunding bonds shall constitute Bonds for purposes of this Service and Assessment Plan.

J. Collection of Annual Installments

No less frequently than annually, the Administrator 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 Phase 1 Assessment Roll, Improvement Area #1C Assessment Roll, Improvement Area #2 Assessment Roll and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any credits applied under any applicable Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any existing deposits for a prepayment reserve. Annual Installments shall be collected by the City in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the PID Act.

The collection of the first Annual Installment for a Lot or Parcel within Phase #2 shall 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 Phase PID Bonds for Phase #2, or (iii) the two year anniversary of the levy of Assessments on the Phase #2 Assessed Property. Such first Annual Installment for a Phase #2 Lot or Phase #2 Parcel shall be due by January 31st of the following calendar year.

Any sale of property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed by September 1 and shall be due on October 1 once such Annual Installments become due. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

K. Surplus Funds Remaining in Phase 1 PID Bond Account

If Phase 1A Bond proceeds, if any, still remain after all of the Phase 1 Improvements (including Phase 1's share of the Major Improvements) are constructed and accepted by the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit all Phase 1 Assessed Property. If there are no other Authorized Improvements to be constructed that specially benefit the Phase 1 Assessed Property, then the surplus funds shall be used to reduce the Assessments as described under Section VI.G of this Service and Assessment Plan.

L. Surplus Funds Remaining in Improvement Area #2 PID Bond Account

If Improvement Area #2 Bond proceeds, if any, still remain after all of the Improvement Area #2 Improvements (including Phase #2's share of the Major Improvements) are constructed and accepted by the City, the proceeds may be utilized to finance other Authorized Improvements that specially benefit all Improvement Area #2 Assessed Property. If there are no other Authorized Improvements to be constructed that specially benefit the Improvement Area #2 Assessed Property, then the surplus funds shall be used to reduce the Assessments as described under Section VI.H of this Service and Assessment Plan.

VII. THE ASSESSMENT ROLL

A. PHASE 1 ASSESSMENT ROLL

Each Parcel within Phase 1 has been evaluated by the City Council (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Phase 1 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the City Council) to determine the Assessed Property within the Parcel.

Phase 1 Assessed Property will be assessed for the special benefits conferred upon the property as a result of the Phase 1 Improvements that benefit Phase 1, and the proportionate share of the Major Improvements. Table V-A summarizes the $12,956,137 in special benefit received by Phase 1 Assessed Property from the Phase 1 Improvements, a proportionate share of the Major Improvements that benefit Phase 1, the costs of the PID formation, and Phase 1A Bond issuance costs. The amount of Phase 1A Bonds and the amount under the Reimbursement Agreement for Phase 1 is $10,700,000, which is less than the benefit received by Phase 1 Assessed Property, and as such the total Assessment for all Assessed Property within Phase 1 is $10,700,000 plus annual Administrative Expenses. The Assessment for each Parcel of Assessed Property within Phase 1 is calculated based on the allocation methodologies described in Section IV.F of this Service and Assessment Plan. The Phase 1 Assessment Roll is attached hereto as Appendix G.

B. PHASE #2 ASSESSMENT ROLLS

Each Parcel within Phase #2 has been evaluated by the City Council (based on the Planned Development District Ordinance, developable area, proposed Homeowner Association Property and Public Property, the Phase #2 Improvements, a proportionate share of the Major Improvements, best and highest use of land, and other development factors deemed relevant by the City Council) to determine the Assessed Property within the Parcel.

Phase #2 Assessed Property (consisting of Improvement Area #1C Assessed Property and Improvement Area #2 Assessed Property) will be assessed for the special benefits conferred upon the property as a result of the Phase #2 Improvements, and the proportionate share of the Major Improvements that benefit Phase #2. Table V-B summarizes the $9,862,503 in special benefit received by Phase #2 Assessed Property from the Phase #2 Improvements, a proportionate share of the Major Improvements that benefit Phase #2, the costs of the PID formation, and Improvement Area #2 Bond issuance costs. The amount of Improvement Area #2 Bonds is $6,225,000 and the amount funded with Phase #2 Reimbursement Agreement is $1,348,775 (a total of $7,573,775), which is less than the benefit received by Phase #2 Assessed Property, and as such the total Assessment for all Assessed Property within Phase #2 is $7,573,775 plus annual Administrative Expenses (i.e. $1,348,775 for Improvement Area #1C Assessed Property and $6,225,000 for Improvement Area #2 Assessed Property). The Assessment for each Parcel of Assessed Property within Phase #2 is calculated based on the allocation methodologies described in Section IV.F of this Service and Assessment Plan. The

Improvement Area #1C Assessment Roll and the Improvement Area #2 Assessment Roll (collectively the Phase #2 Assessment Roll) are attached hereto as Appendix H-1 and Appendix H-2, respectively.

C. Future Phase Assessment Roll

As Future Phases are developed, this Service and Assessment Plan will be updated to determine the Assessment for each Parcel located within Future Phases (e.g., an Appendix will be added as the Assessment Roll for Phase 3, etc.).

D. Annual Assessment Roll Updates

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Phase 1 Assessment Roll, the Improvement Area #1C Assessment Roll and the Improvement Area #2 Assessment Roll, in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel; (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by this Service and Assessment Plan or the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.H of this Service and Assessment Plan. The timing of such annual updates shall be structured to correspond with the City budget approval and tax collection cycles, as much as practicable.

Once Bonds are issued, the Assessment Roll shall be updated, which update may be done in the next Annual Service Plan Update, to reflect any changes resulting from the issuance of the Bonds. This update shall reflect the actual interest on the Bonds on which the Annual Installments shall be paid, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by Bonds and other funds.

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VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATIVE REVIEW

The City may elect to designate a third party to serve as Administrator. The City shall notify Developer in writing at least thirty (30) days in advance before appointing a third-party Administrator.

To the extent consistent with the Act, an owner of an Assessed Property claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the City not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the City Council for approval, to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council. Any amendments made to the Assessment Roll pursuant to calculations errors shall be made pursuant to the PID Act.

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

B. TERMINATION OF ASSESSMENTS

The Assessment on a Parcel shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment, and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable "Notice of the PID Assessment Termination."

C. AMENDMENTS

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The City Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels: (i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; and (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Collection Costs, and other charges imposed by this Service and Assessment Plan.

D. Administration and Interpretation of Provisions

The City Council shall administer (or cause the administration of) the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act, and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Indenture, which determination shall be conclusive.

E. Severability

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

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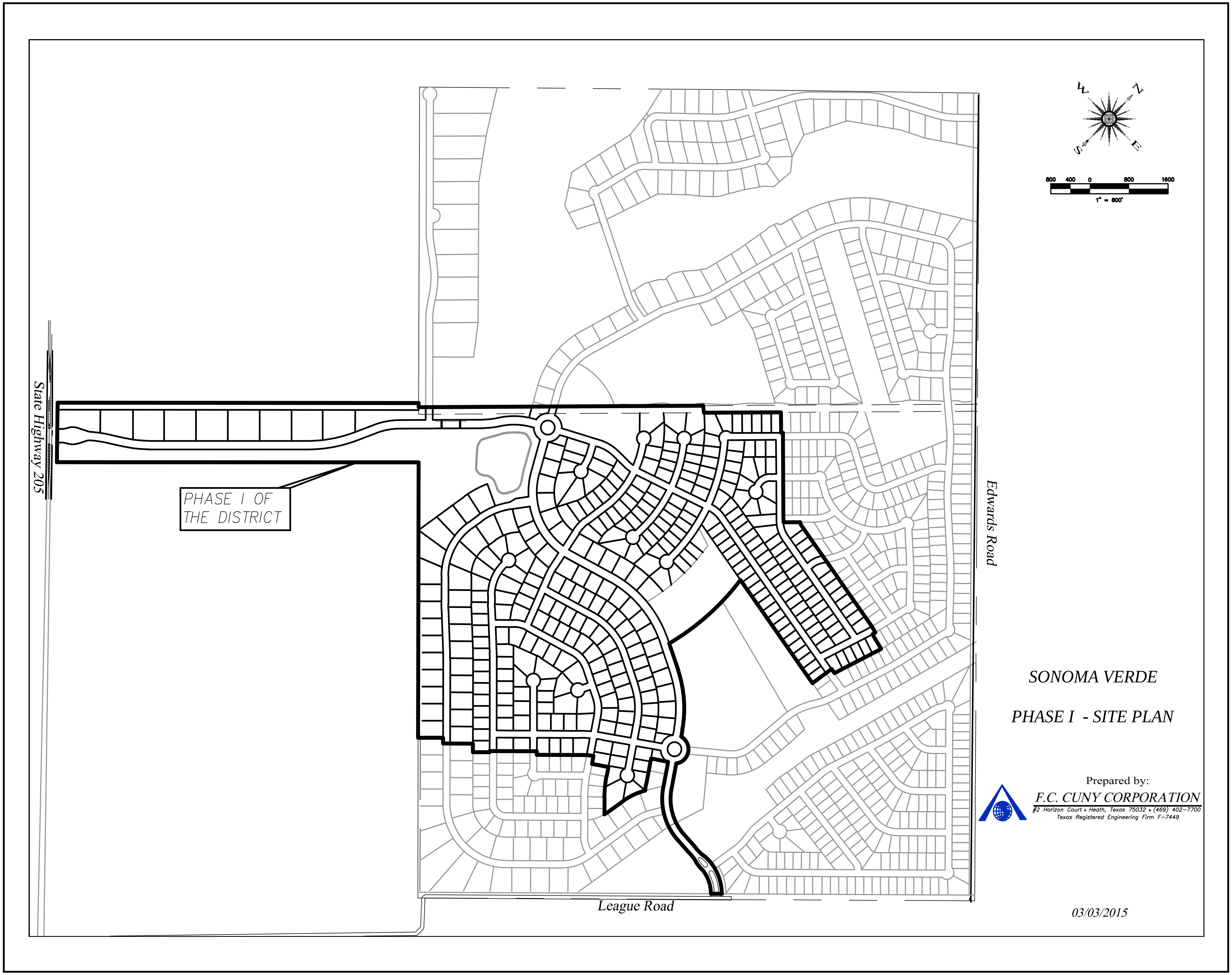
APPENDIX A
PID AND PHASE MAPS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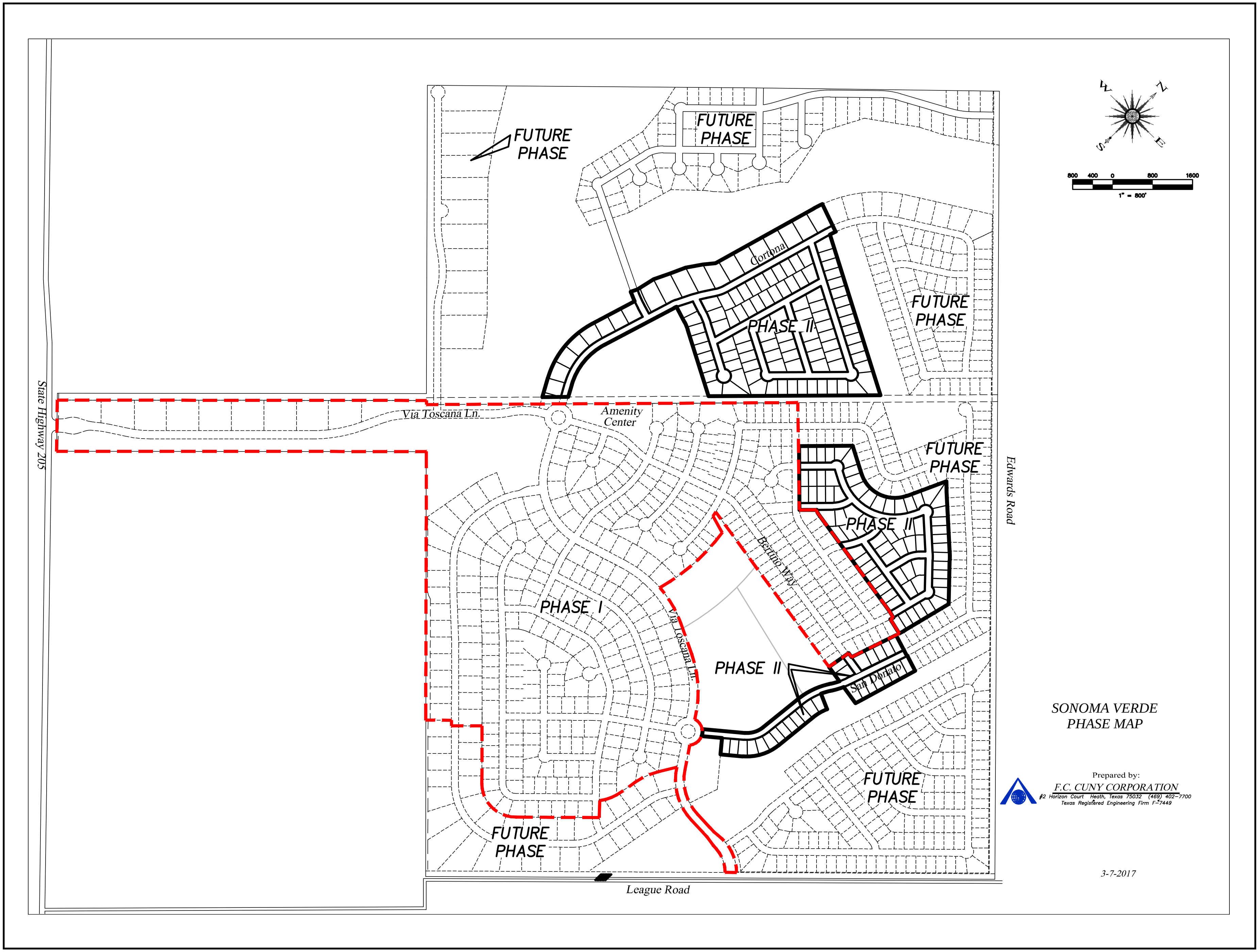
League Road
SONOMA VERDE
PHASE I - SITE PLAN
Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449
03/03/2015


FUTURE PHASE
FUTURE PHASE
Cortona
PHASE II
FUTURE PHASE
State Highway 205
Via Toscana Ln.
Amenity Center
FUTURE PHASE
PHASE II
Edwards Road
Bertino Way
PHASE I
Via Toscana Ln.
PHASE II
San Donato
FUTURE PHASE
FUTURE PHASE
League Road
W
N
S
E
800 400 0 800 1600
1" = 800'
SONOMA VERDE
PHASE MAP
Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court Heath, Texas 75032 (469) 402-7700
Texas Registered Engineering Firm F-7449
3-7-2017

APPENDIX B
AUTHORIZED IMPROVEMENT ESTIMATED COSTS

Appendix B

Details of Authorized Improvements

Authorized Improvement	Estimated Costs[1] Major Improvements	Phase 1 Improvements financed with Series 2015 PID Bonds	Phase 1 Improvements financed with Reimbursement Agreement	Total
Roadway Improvements				
Right-of-way clearing & Grubbing	$1,162	$15,438	$238,055	$254,655
Street Excavation	$6,720	$89,280	$61,955	$157,955
Lime Stabilization	$7,953	$105,666	$68,528	$182,148
Lime Material	$9,611	$127,692	$84,974	$222,277
Concrete Paving	$89,175	$1,184,747	$887,576	$2,161,498
Conc. Pvmnt to Leauge & asphalt overlay to 205	$200,000	$0	$350,000	$550,000
Concrete Header & Barricade	$949	$12,614	$0	$13,564
Sawcut & Connect to Exiting Paving	$25	$335	$3,000	$3,360
5' Concrete Flumes	$214	$2,838	$29,680	$32,732
Maintenance Bond	$945	$12,555	$18,556	$32,056
Street Signs	$665	$8,835	$12,500	$22,000
Street Lights	$1,330	$17,670	$30,000	$49,000
Erosion Control and Storm Water Pollution Prevention	$2,597	$34,503	$102,000	$139,100
Subtotal - Road Improvements	**$321,346**	**$1,612,174**	**$1,886,824**	**$3,820,345**
Water Distribution System Improvements				
12" Water SDR-21 CL 200 W/ Sand Embedment	$27,739	$368,539	$54,588	$450,866
8" Water SDR-21 CL 200 W/ Sand Embedment	$22,293	$296,176	$119,963	$438,432
12" Valves	$6,948	$92,303	$13,268	$112,518
8" Valves	$2,694	$35,786	$26,160	$64,640
6" Valves	$1,628	$21,623	$21,538	$44,788
Fire Hydrant w/ 6" lead	$5,555	$73,796	$73,611	$152,961
Fittings	$2,979	$39,581	$40,095	$82,655
12"x8" T.S. W/ Valve	$581	$7,719	$1,545	$9,845
1" Service / Meter Box (Domestic)	$5,358	$71,182	$172,040	$248,580
2" Irrig. Serv. w/ Dbl. Chk. w/ Backflow Prev.	$326	$4,325	$2,885	$7,535
Testing Onsite Waterline	$616	$8,184	$8,179	$16,979
Trench Safety	$23	$310	$8,179	$8,512
1" Blow Off	$129	$1,711	$0	$1,840
16" Steel Encasement	$1,218	$16,182	$0	$17,400
Subtotal - Water Improvements	**$78,085**	**$1,037,415**	**$542,051**	**$1,657,551**
Sanitary Sewer Collection System Improvements				
Offsite Sewer	$1,488,500	$0	$0	$1,488,500
8" PVC Sanitary Sewer Line	$20,830	$276,744	$224,923	$522,497
12" PVC Sanitary Sewer Line	$377	$5,009	$0	$5,387
6" PVC Sanitary Sewer Line	$2,527	$33,573	$0	$36,100
4' Manhole	$5,600	$74,400	$134,954	$214,954
5' Manhole w/ Internal Drop Connection	$319	$4,232	$0	$4,550
Cleanout	$95	$1,265	$3,200	$4,560
4" Lateral Service	$4,299	$57,111	$141,680	$203,090
TV / Testing (per City specs.)	$1,016	$13,504	$8,179	$22,699
Trench Safety	$102	$1,350	$8,179	$9,631
Concrete RipRap	$216	$2,864	$0	$3,080
Concrete Encasement	$168	$2,232	$4,498	$6,898
12" encasement Pipe	$1,096	$14,564	$0	$15,660
Subtotal - Sanitary Improvements	**$1,525,144**	**$486,848**	**$525,613**	**$2,537,606**

Appendix B

Authorized Improvement	Estimated Costs[1] Major Improvements	Phase 1 Improvements financed with Series 2015 PID Bonds	Phase 1 Improvements financed with Reimbursement Agreement	Total
Storm Collection system Drainage Improvements				
Detention Pond & Channel Excavation	$23,968	$318,432	$50,000	$392,400
Box Culvert	$22,680	$301,320	$100,000	$424,000
Reinforced Concrete Storm Sewer Pipe	$27,279	$362,426	$325,000	$714,705
Inlets	$5,209	$69,211	$20,000	$94,420
Reinforced Concrete Headwalls	$785	$10,425	$6,500	$17,710
Trench Safety	$23	$307	$12,661	$12,991
Grade to Drain	$1,400	$18,600	$11,655	$31,655
Rock Rip Rap	$809	$10,742	$0	$11,550
Subtotal - Drainage Improvements	**$82,153**	**$1,091,462**	**$525,816**	**$1,699,431**
Total	**$2,006,728**	**$4,227,899**	**$3,480,303**	**$9,714,930**
Soft Costs				
Contingency hard costs (10%)	$156,764	$446,700	$348,030	$951,493
Engineering, Design & Surveying fees	$29,110	$386,747	$312,000	$727,857
Geotechnical and Materials Testing	$2,100	$27,900	$50,000	$80,000
General Contractor fee	$22,798	$302,894	$274,450	$600,143
General Conditions	$7,616	$101,184	$157,000	$265,800
PID Legal	$7,000	$93,000	$183,000	$283,000
Subtotal Soft Costs	$225,388	$1,358,424	$1,324,480	$2,908,293
Grand Total Improvements + Soft Costs	**$2,232,116**	**$5,586,324**	**$4,804,783**	**$12,623,223**
Estimated PID establishment expenses	$95,311	$28,103	$25,928	$149,342
Allocation of Major Improvements to Phase 1	($717,427)	$373,153	$344,274	$0
Total Costs	**$1,610,000**	**$5,987,580**	**$5,174,985**	**$12,772,565**
Estimated Bond issuance costs				
Estimated debt service reserve	$0	$571,188	$183,833	$755,020
Estimated capitalized interest	$0	$151,383	$0	$151,383
Estimated other bond issuance costs including underwriter's discount, financial advisors, bond counsel etc.	$0	$1,071,000	$417,595	$1,488,596
Total Costs including estimated Bond issuance costs	$1,610,000	$7,781,151	$5,776,413	$15,167,564
Less: Developer contributions and Bond issuance costs	**$0**	($181,151)	($2,676,413)	($2,857,564)
Major Improvement Area Excluding Phase 1 Cost	**$1,610,000**			**$1,610,000**
Phase 1 Cost	**$0**	**$7,600,000**	**$3,100,000**	**$10,700,000**

1 - The costs shown in this Appendix B are estimates and may be revised in Annual Service Plan Updates.

SONOMA VERDE	Phase 2
Authorized Improvements	**Improvements**
Road Improvements:	
Right-of-way clearing & Grubbing	$96,180
Street Excavation	$184,614
Lime Stabilization	$139,198
Lime Material	$136,825
Concrete Paving	$1,576,756
Asphalt Overlay	$30,280
ADA Ramps	$55,120
Sawcut & Connect to Existing Paving	$15,428
Street Signs	$17,000
Street Lights	$14,331
Erosion Control and Storm Water Pollution Prevention	$71,923
Maintenance Bond	$12,047
Subtotal - Road Improvements	$2,349,701

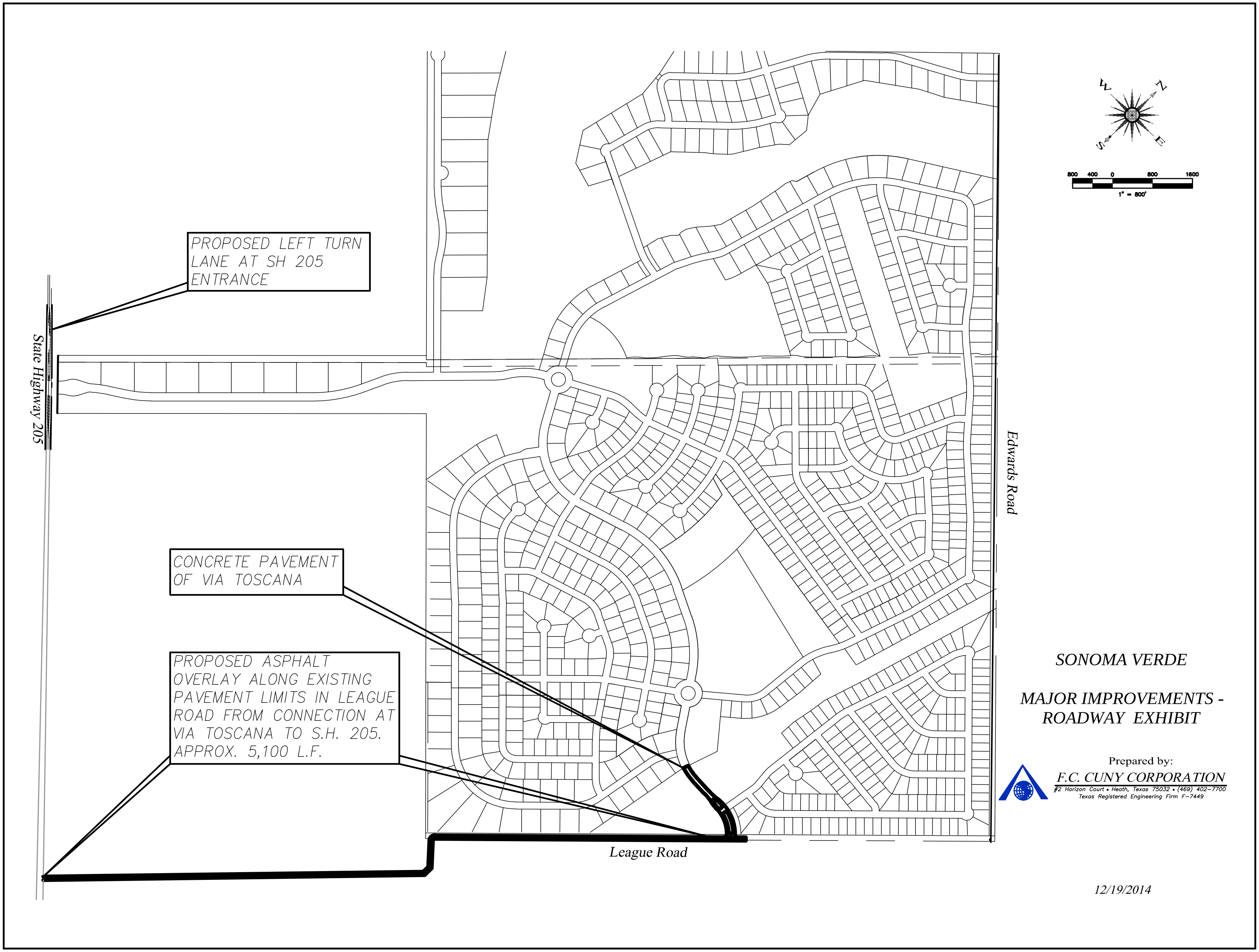
Storm Drainage Improvements:	
Basic storm sewer installation including:	$805,208
Reinforced Concrete Storm Sewer Pipe	$0
Inlets	$0
Reinforced Concrete Headwalls	$0
Box Culvert	$0
Trench Safety	$0
Rock Rip Rap	$0
Drainage Excavation & Infrastructure	$587,953
Grade to Drain storm outfalls	$35,000
Detention Pond & Channel Excavation	$96,250
Erosion Control and seeding	$245,464
Maintenance Bond	$7,672
Subtotal - Drainage Improvements	$1,777,546

Water Improvements:	
12" PVC Waterline	$213,555
8" PVC Waterline	$134,458
6" PVC Waterline	$15,960
4" PVC Waterline	$8,500
12" Gate valve	$100,100
8" Gate valve	$47,850
6" Gate valve	$40,160
Fire Hydrant with Lead	$171,810
1" Service	$131,510
2" Irrifgation Service	$9,800
2" Flush Valve	$16,000
Fittings	$74,154
Connect to Existing	$12,700
Roadway Bore	$2,250
Tench Safety	$12,391
Water testing and Chlorination	$12,391
Maintenance Bond	$4,504
Subtotal - Water Improvements	$1,008,093

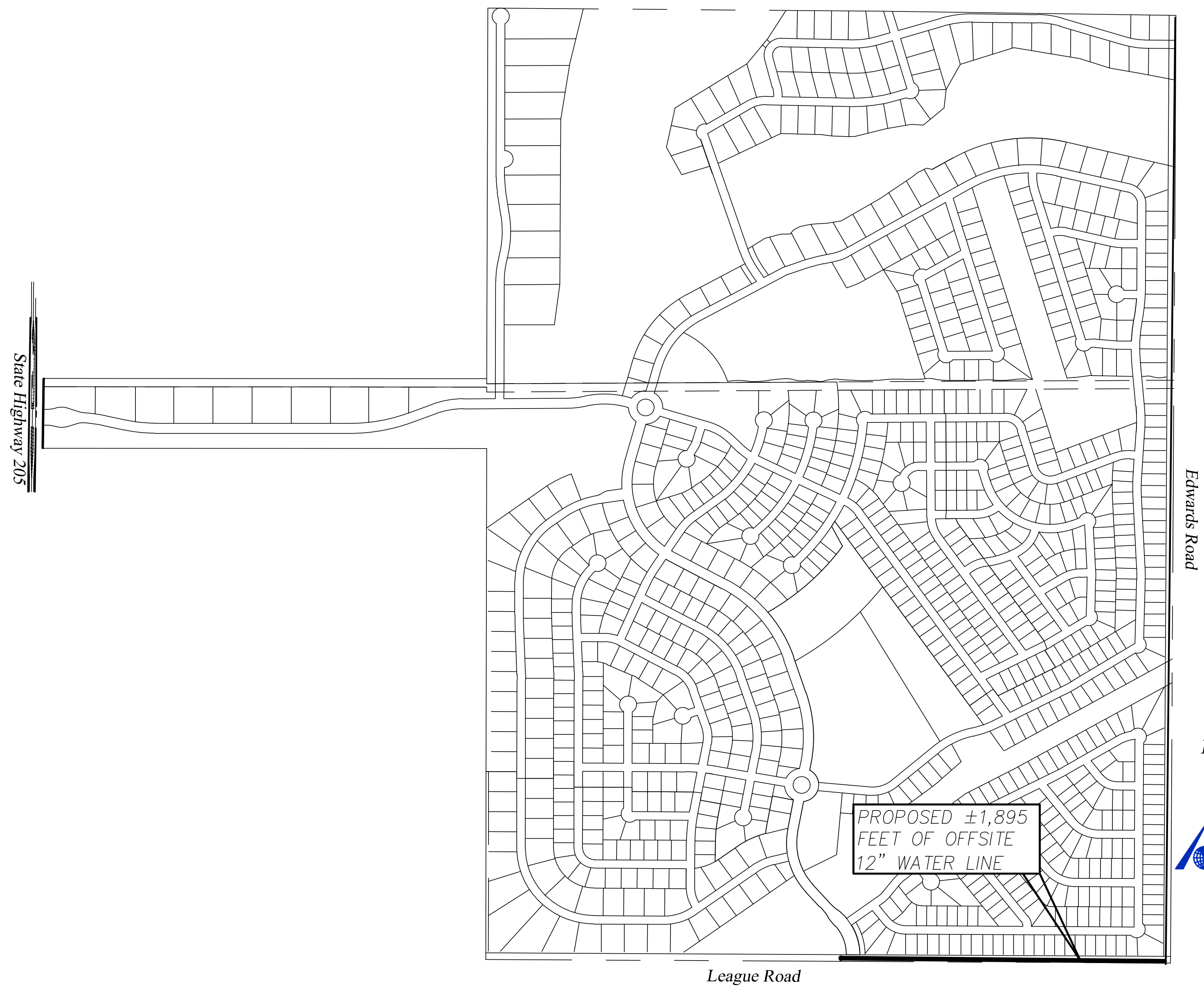
Sanitary Sewer Improvements	
12" PVC Sani Sewer Line	$234,911
8" PVC Sani Sewer Line	$143,657
8" SDR 26 Deep Sewer Pipe	$53,130
6" Forcemain	$104,328
Connect to Existing	$4,900
4" SWR Service	$209,990
4.0' Diameter Manhole	$89,400
Cleanout	$6,250
Concrete encasement	$21,060
Line testing	$21,207
Trench Safety	$12,951
Manhole Testing	$13,000
Maintenance Bond	$6,069
Subtotal - Sanitary Improvements	$920,852
Total Road, Water, Sanitary & Drainage Improvements	**$6,056,193**

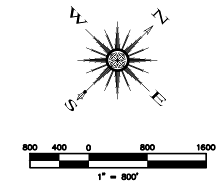
Soft Costs:	
Engineering, Surveying, Const. Staking	$628,192
City Inspection Fees 2%	$112,148
Geotechnical and Material Testing	$140,088
General Contractor Fees	$419,446
General Conditions	$279,195
PID Legal	$284,568
Total Soft Costs	$2,373,402
Grand Total Improvements + Soft Costs	**$7,919,829**

APPENDIX C
DIAGRAM OF AUTHORIZED IMPROVEMENTS



PROPOSED LEFT TURN LANE AT SH 205 ENTRANCE
State Highway 205
CONCRETE PAVEMENT OF VIA TOSCANA
PROPOSED ASPHALT OVERLAY ALONG EXISTING PAVEMENT LIMITS IN LEAGUE ROAD FROM CONNECTION AT VIA TOSCANA TO S.H. 205. APPROX. 5,100 L.F.
League Road
Edwards Road
W
N
S
E
800 400 0 800 1600
1" = 800'
SONOMA VERDE
MAJOR IMPROVEMENTS - ROADWAY EXHIBIT
Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449
12/19/2014





SONOMA VERDE

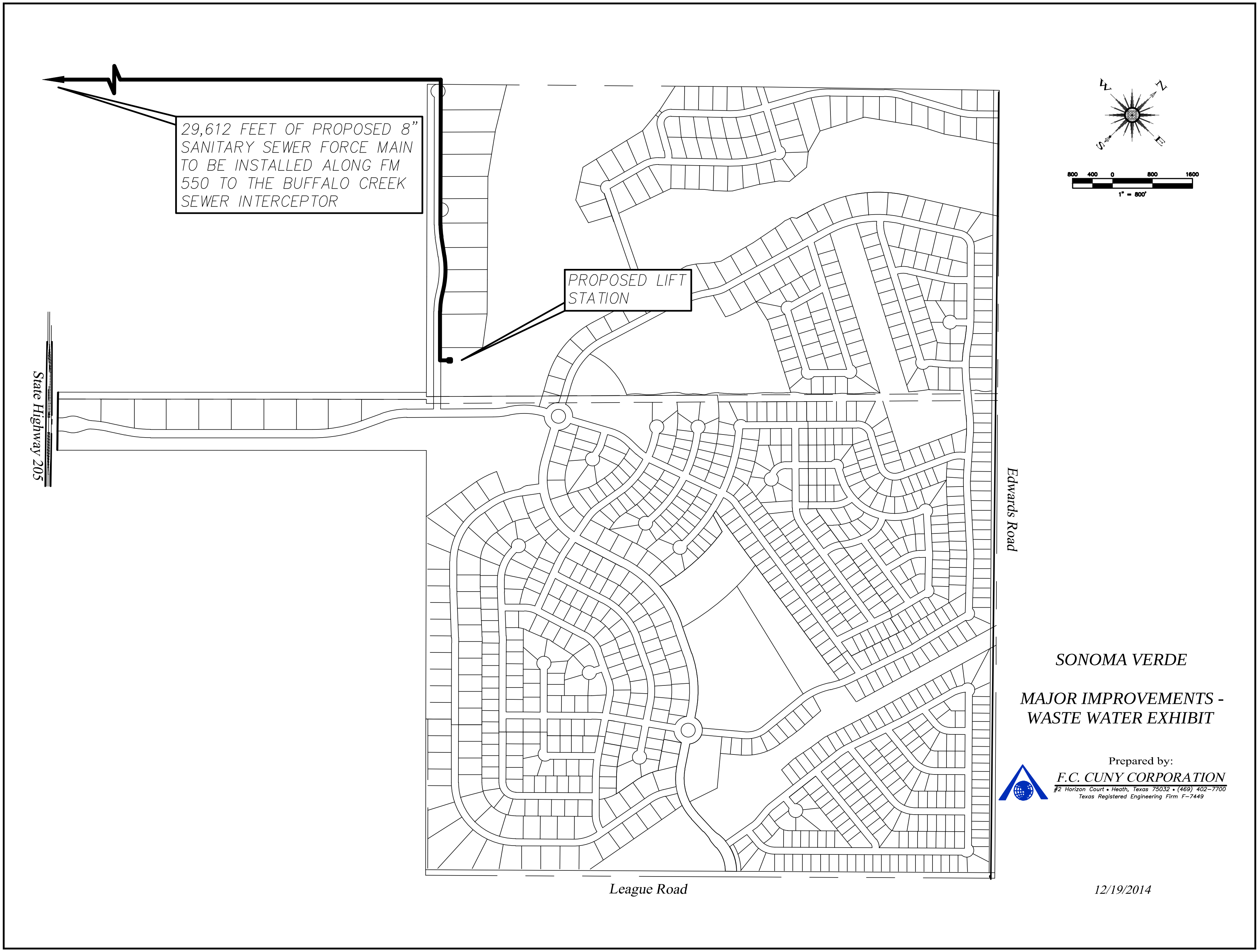
MAJOR IMPROVEMENTS -
WATER EXHIBIT

Prepared by:

F.C. CUNY CORPORATION

#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449

12/19/2014


29,612 FEET OF PROPOSED 8" SANITARY SEWER FORCE MAIN TO BE INSTALLED ALONG FM 550 TO THE BUFFALO CREEK SEWER INTERCEPTOR
PROPOSED LIFT STATION
State Highway 205
Edwards Road
League Road
W
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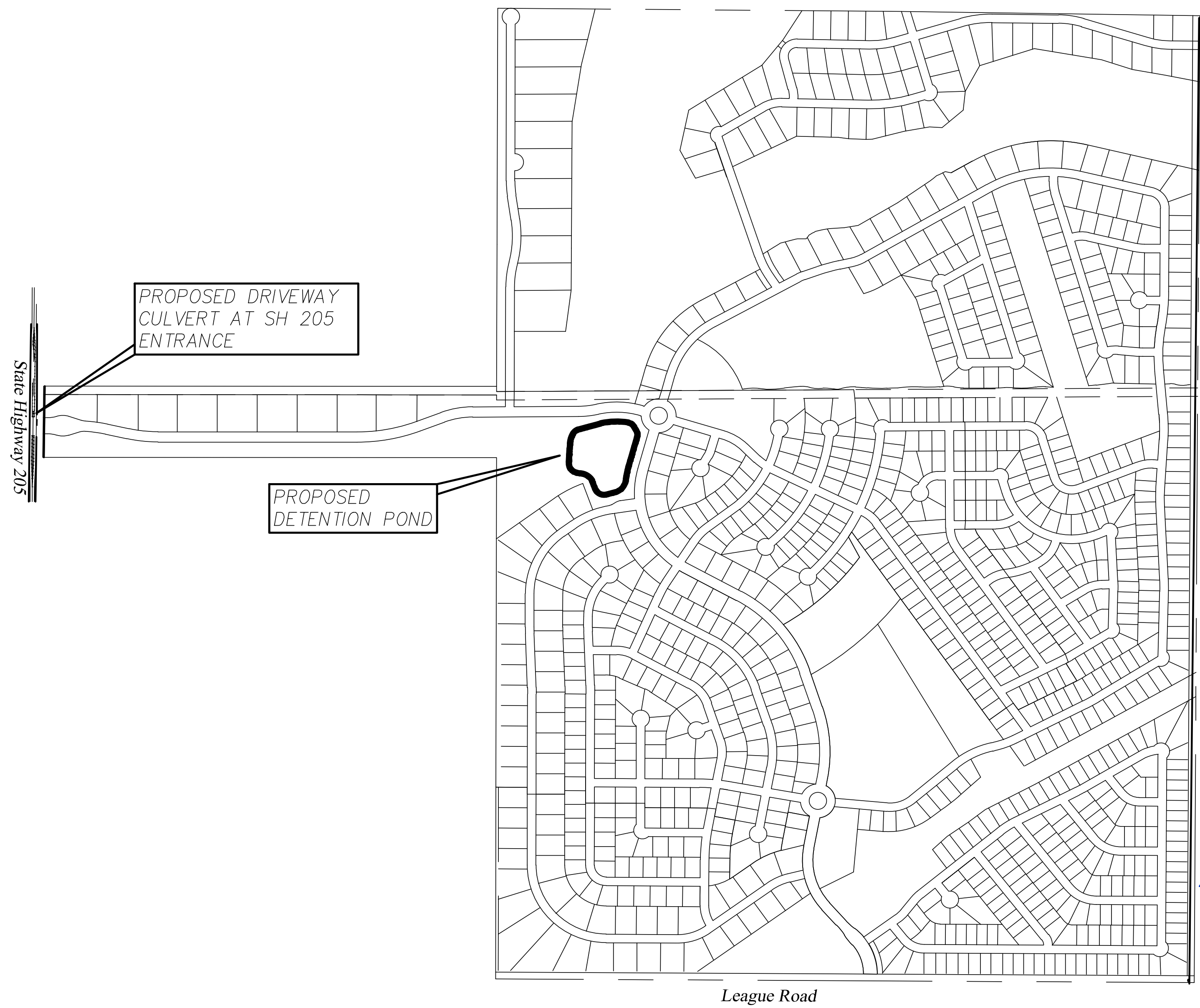
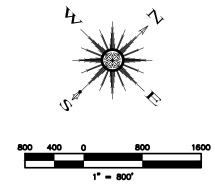
800 400 0 800 1600
1" = 800'
SONOMA VERDE
MAJOR IMPROVEMENTS - WASTE WATER EXHIBIT
Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449
12/19/2014





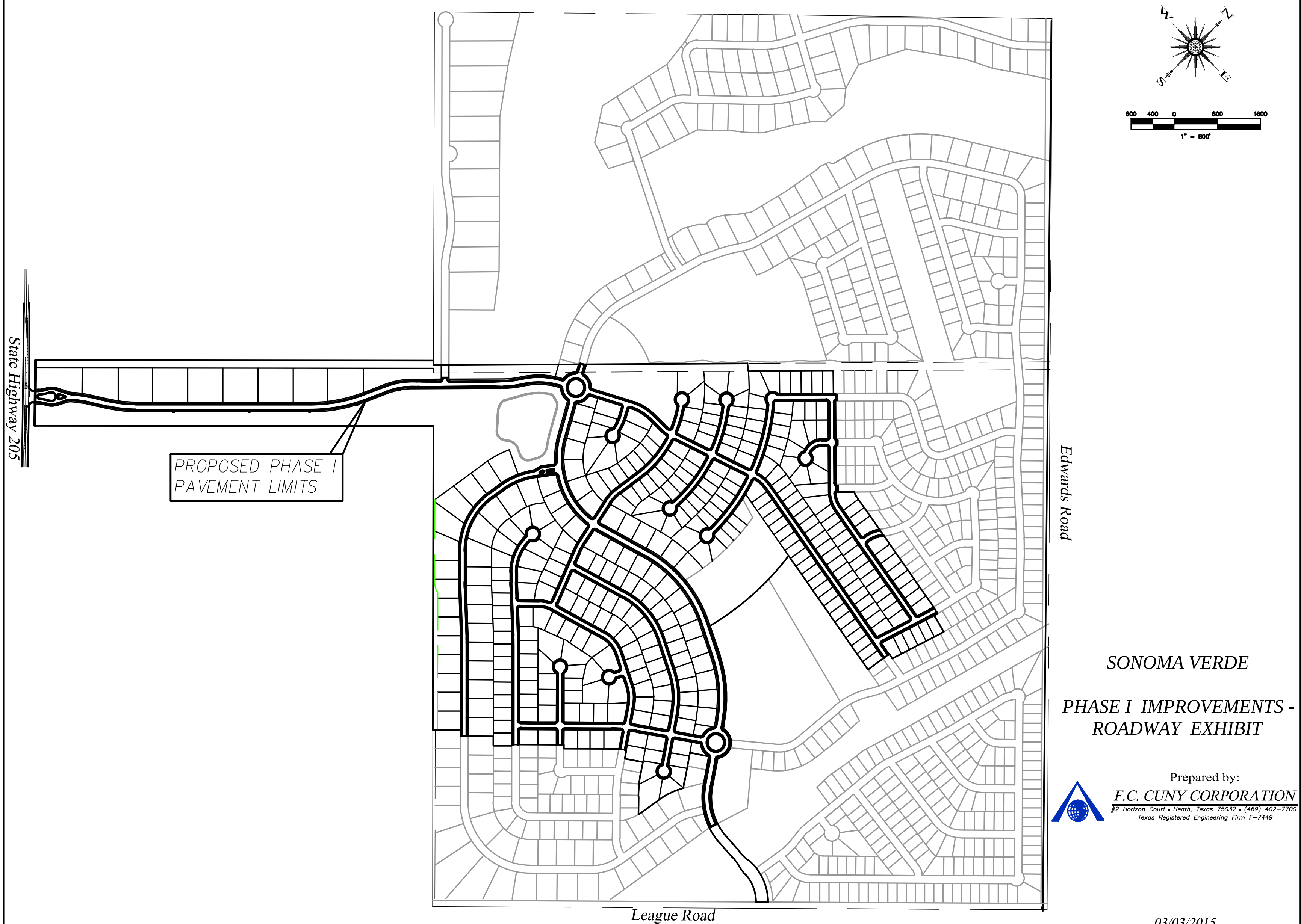
SONOMA VERDE

MAJOR IMPROVEMENTS - DRAINAGE EXHIBIT

Prepared by:

F.C. CUNY CORPORATION
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449

12/19/2014



SONOMA VERDE

PHASE I IMPROVEMENTS - ROADWAY EXHIBIT

Prepared by:

F.C. CUNY CORPORATION

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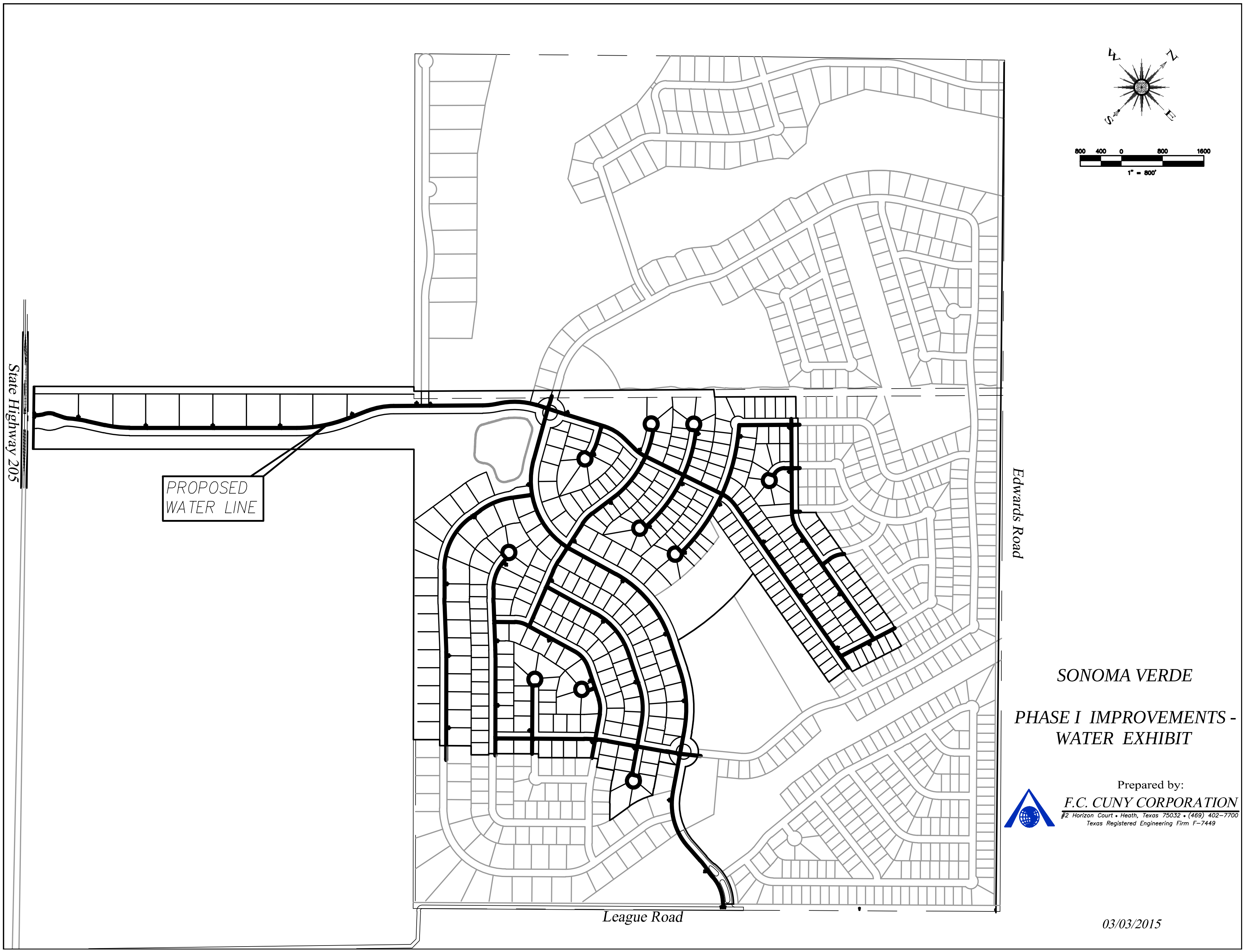
Texas Registered Engineering Firm F-7449

03/03/2015



SONOMA VERDE

PHASE I IMPROVEMENTS -
WATER EXHIBIT

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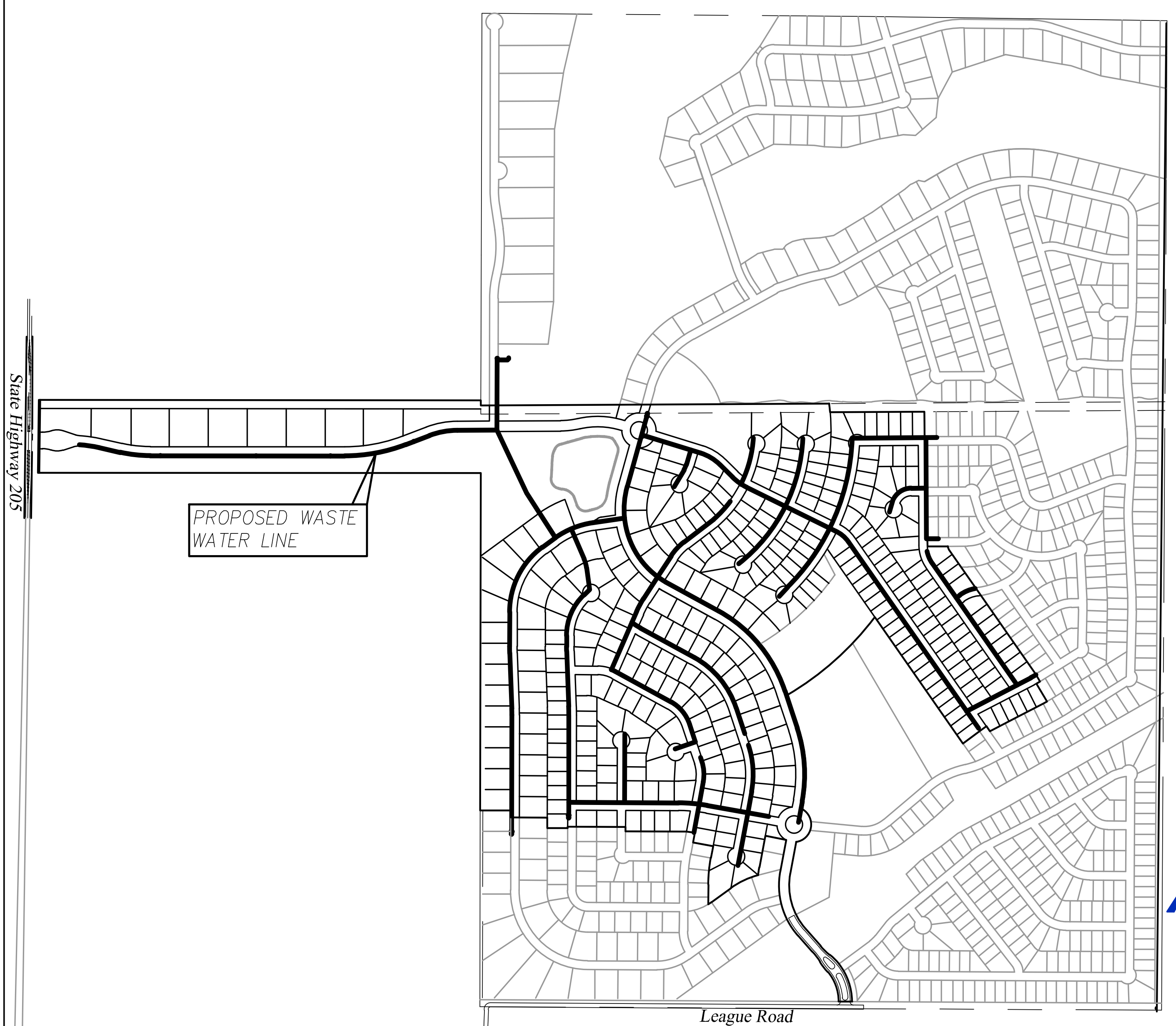
Texas Registered Engineering Firm F-7449

03/03/2015



SONOMA VERDE

PHASE I IMPROVEMENTS - WASTE WATER EXHIBIT

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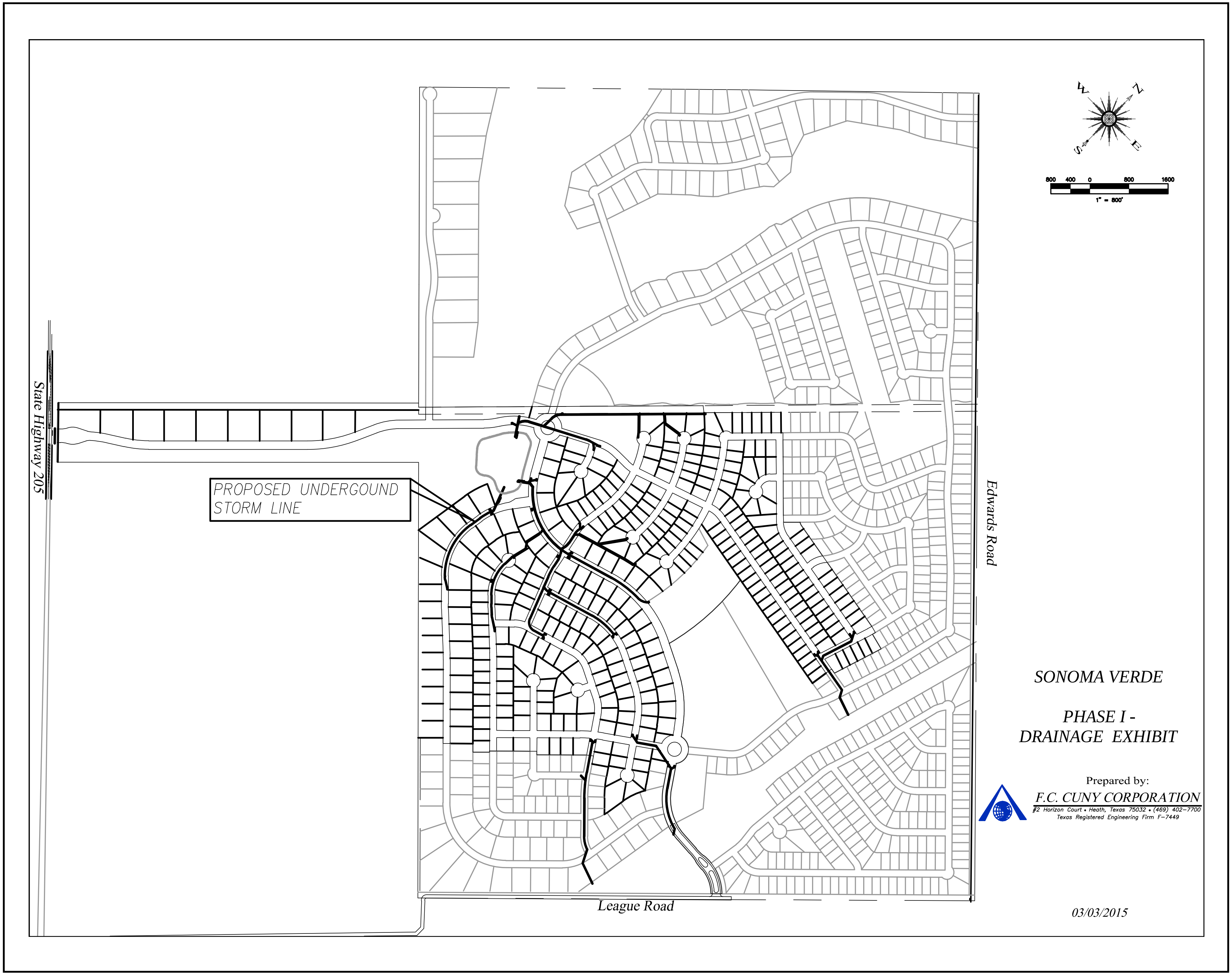
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449

03/03/2015



State Highway 205
PROPOSED UNDERGOUND
STORM LINE
Edwards Road
League Road
W
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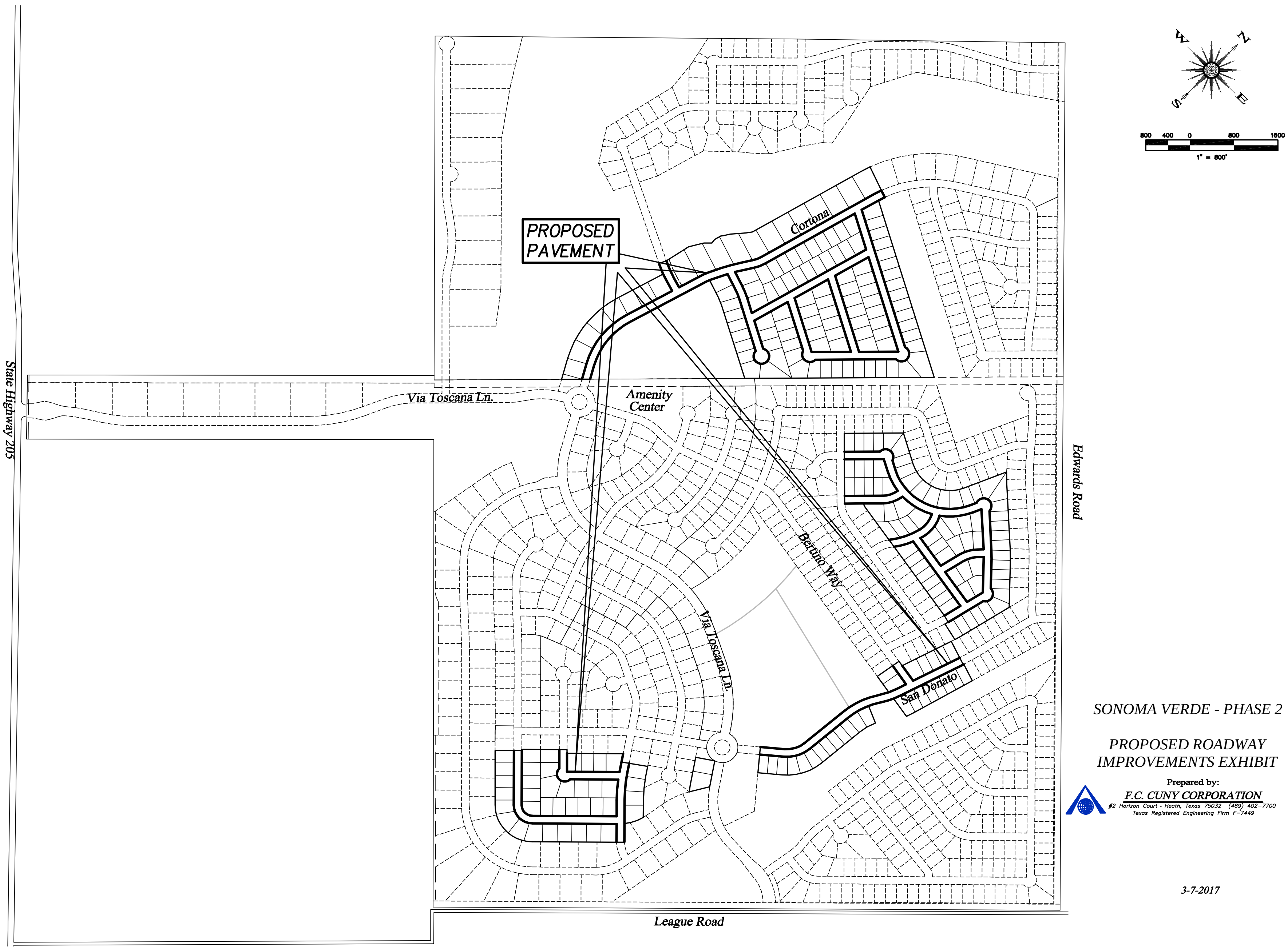
800 400 0 800 1600
1" = 800'
SONOMA VERDE
PHASE I -
DRAINAGE EXHIBIT
Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449
03/03/2015



SONOMA VERDE - PHASE 2

PROPOSED ROADWAY IMPROVEMENTS EXHIBIT

Prepared by:

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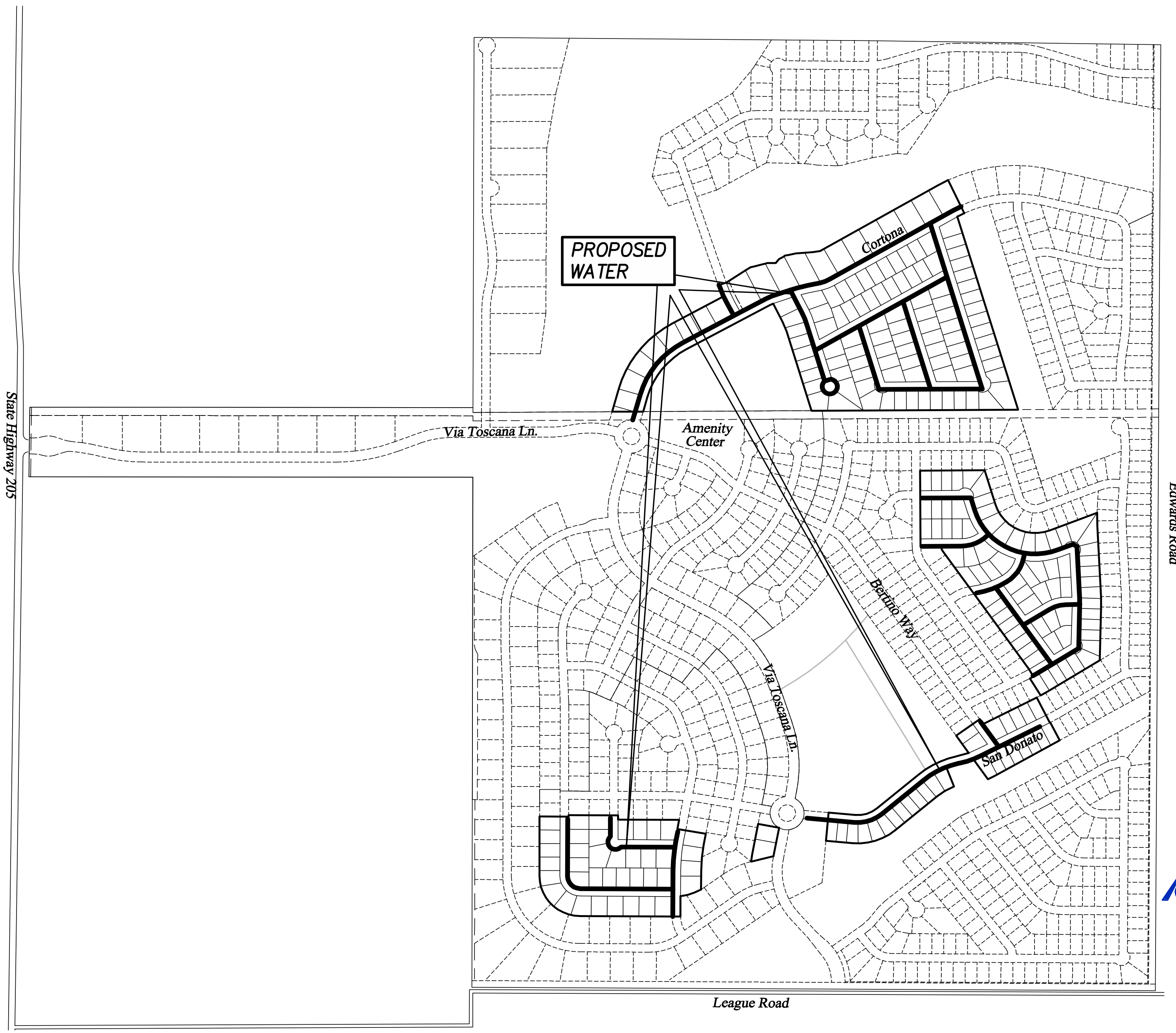
#2 Horizon Court • Heath, Texas 75032 (469) 402-7700
Texas Registered Engineering Firm F-7449

3-7-2017



N E S W

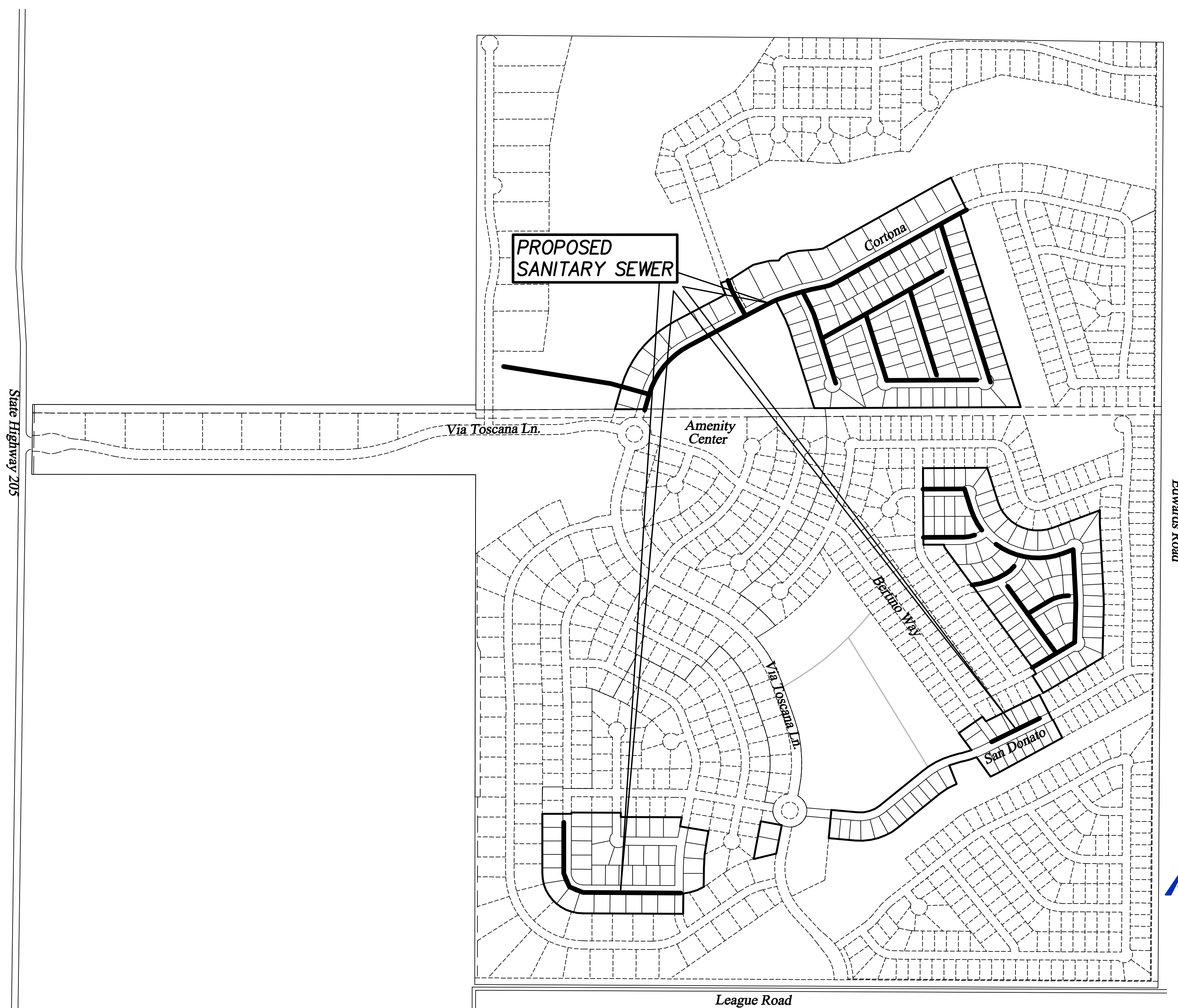
800 400 0 800 1600
1" = 800'

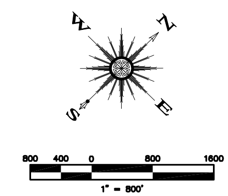
SONOMA VERDE - PHASE 2

PROPOSED WATER
IMPROVEMENTS EXHIBIT

Prepared by:
F.C. CUNY CORPORATION
#2 Horizon Court Heath, Texas 75032 (469) 402-7700
Texas Registered Engineering Firm F-7449

3-7-2017





SONOMA VERDE - PHASE 2

PROPOSED WASTE WATER
IMPROVEMENTS EXHIBIT

Prepared by:

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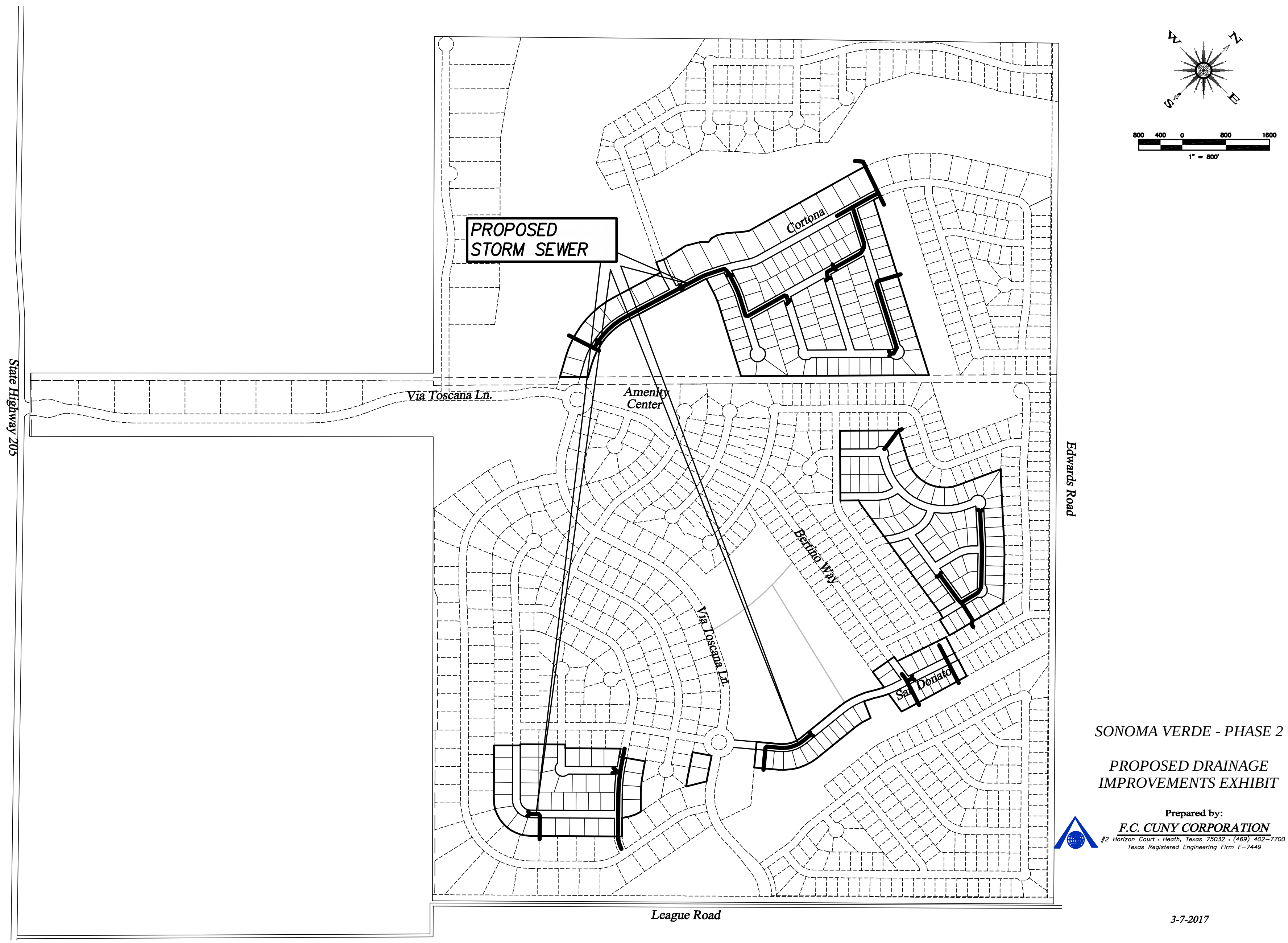
#2 Horizon Court • Heath, Texas 75032 (469) 402-7700
Texas Registered Engineering Firm F-7449

3-7-2017



SONOMA VERDE - PHASE 2

PROPOSED DRAINAGE IMPROVEMENTS EXHIBIT

Prepared by:

F.C. CUNY CORPORATION

#2 Horizon Court • Heath, Texas 75032 • (469) 402-7700
Texas Registered Engineering Firm F-7449

3-7-2017

APPENDIX D
LOT TYPES AND EQUIVALENT UNITS

Appendix D
Land Use Classes and Equivalent Units

For purposes of allocating the Assessments, the Assessed Property has been classified in one of nine Land Use Classes. The following table shows the proposed residential and non-residential Land Use Classes within the PID.

Table D-1
Original Proposed Development within the PID

Land Use Class	Description	Proposed Development	
Residential			
Land Use Class 1	One acre Lots	29	units
Land Use Class 2	One-half acre Lots	87	units
Land Use Class 3	90 Ft Lots	148	units
Land Use Class 4	80 Ft Lots	340	units
Land Use Class 5	60 Ft Lots	491	units
Non-residential			
Land Use Class 6	Office Lots	8	units
Land Use Class 7	Church Lots	1	units
Land Use Class 8	Daycare Lots	1	units
Land Use Class 9	Senior Living Lots	1	units
Total		**1,106**	**units**

The Land Use Classes shown in the Table are defined as follows:

"Land Use Class 1" means lots identified as such on the Assessment Roll, which are referred to as one acre lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 4,500 sq ft of air-conditioned living space.

"Land Use Class 2" means lots identified as such on the Assessment Roll, which are referred to as one-half acre lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 3,800 sq ft of air-conditioned living space.

"Land Use Class 3" means lots identified as such on the Assessment Roll, which are referred to as 90 Ft lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 3,200 sq ft of air-conditioned living space.

"Land Use Class 4" means lots identified as such on the Assessment Roll, which are referred to as 80 Ft lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 3,000 sq ft of air-conditioned living space.

"Land Use Class 5" means lots identified as such on the Assessment Roll, which are referred to as 60 Ft lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 2,400 sq ft of air-conditioned living space.

"Land Use Class 6" means lots identified as such on the Assessment Roll, which are referred to as office lots in the Planned Development District Ordinance and being generally lots for office uses with approximately 3,700 sq ft of air-conditioned working space.

"Land Use Class 7" means lots identified as such on the Assessment Roll, which are referred to as church lots in the Planned Development District Ordinance and being generally lots for church building uses.

"Land Use Class 8" means lots identified as such on the Assessment Roll, which are referred to as daycare lots in the Planned Development District Ordinance and being generally lots for daycare building uses.

"Land Use Class 9" means lots identified as such on the Assessment Roll, which are referred to as senior living lots in the Planned Development District Ordinance and being generally lots for senior living building uses.

According to the Developer, a new Lot Type is added within the PID as defined below.

"Land Use Class 10" means lots identified as such on the Assessment Roll, which are referred to as 70 Ft lots in the Planned Development District Ordinance and being generally lots for single family dwelling unit with approximately 2,700 sq ft of air-conditioned living space.

The revised proposed Development is provided in Table D-1-1 below, as provided by the Developer in relation to the development of Phase #2.

Table D-1-1
Revised Proposed Development within the PID

Land Use Class	Description	Proposed Development	
Residential			
Land Use Class 1	One acre Lots	11	units
Land Use Class 2	One-half acre Lots	64	units
Land Use Class 3	90 Ft Lots	51	units
Land Use Class 4	80 Ft Lots	255	units
Land Use Class 5	60 Ft Lots	372	units
Land Use Class 10	70 Ft Lots	324	units
Non-residential			
Land Use Class 6	Office Lots	8	units
Land Use Class 7	Church Lots	1	units
Land Use Class 8	Daycare Lots	1	units
Land Use Class 9	Senior Living Lots	1	units
Total		**1,088**	**units**

Table D-2 below shows the proposed Land Use Classes within Phase #1.

<u>Table D-2</u>
Proposed Development within Phase #1

Land Use Class	Description	Proposed Development	
Residential			
Land Use Class 1	One acre Lots	0	units
Land Use Class 2	One-half acre Lots	29	units
Land Use Class 3	90 Ft Lots	30	units
Land Use Class 4	80 Ft Lots	122	units
Land Use Class 5	60 Ft Lots	175	units
Non-residential			
Land Use Class 6	Office Lots	8	units
Land Use Class 7	Church Lots	1	units
Total		**365**	**units**

As explained under Section IV-D, For purpose of this Service and Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Major Improvements to be financed with the Major Improvement Area Bonds shall be allocated to the Major Improvement Area Excluding Phase #1 Assessed Property outside of Phase #1 by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units.

Having taken into consideration the matters described in Sections IV (A) and (B), the City Council has determined that allocating the Assessments among Parcels based on average value is best accomplished by creating classifications of benefited Parcels based on the Land Use Classes defined above. These classifications from Land Use Class 1 (One acre Lots) representing the highest value to Land Use Class 5 (60 Ft Lot) representing the lowest value for residential lots, Land Use Classes 6 through 9 representing office, church, daycare and senior living lots are set forth in Table D-4 below. Assessments are allocated to each Land Use Class on the basis of the average home value for each class of lots. This is accomplished by giving each Land Use Class an Equivalent Unit factor. Equivalent Units are the ratio of the average value of lots within each assessment class, setting the Equivalent Unit factor for Land Use Class 1 (One acre Lots) to 1.0.

Table D-3
Equivalent Unit Factors

Land Use Class	Estimated Average Unit Value	Equivalent Unit Factor	
Land Use Class 1 (Residential - One acre lot)	$530,000	1.00	per dwelling unit
Land Use Class 2 (Residential - One-half acre lot)	$440,000	0.83	per dwelling unit
Land Use Class 3 (Residential - 90 Ft lot)	$340,000	0.64	per dwelling unit
Land Use Class 4 (Residential - 80 Ft lot)	$310,000	0.58	per dwelling unit
Land Use Class 5 (Residential - 60 Ft lot)	$245,000	0.46	per dwelling unit
Land Use Class 6 (Office lot)	$425,000	0.80	per unit
Land Use Class 7 (Church lot)	$288,000	0.54	per unit
Land Use Class 8 (Daycare lot)	$192,000	0.36	per unit
Land Use Class 9 (Senior living lot)	$384,000	0.72	per unit
Land Use Class 10 (Residential - 70 Ft lot)	$277,500	0.52	per dwelling unit

The total estimated Equivalent Units for Phase #1 are shown in Table D-4 below as calculated based on the Equivalent Unit factors shown above, estimated Land Use Classes and number of units estimated to be built within Phase #1.

Table D-4
Estimated Equivalent Units - Phase #1

Land Use Class	Planned No. of units	Equivalent Unit Factor	Total Equivalent Units
Land Use Class 1 (Residential - One acre lot)	0	1.00	0.00
Land Use Class 2 (Residential - One-half acre lot)	29	0.83	24.07
Land Use Class 3 (Residential - 90 Ft lot)	30	0.64	19.20
Land Use Class 4 (Residential - 80 Ft lot)	122	0.58	70.76
Land Use Class 5 (Residential - 60 Ft lot)	175	0.46	80.50
Land Use Class 6 (Office lot)	8	0.80	6.40
Land Use Class 7 (Church lot)	1	0.54	0.54
Total Equivalent Units	**365**		**201.47**

The total estimated Equivalent Units for Phase #2 are shown in Table D-5 on the following page as calculated based on the Equivalent Unit factors shown in Table D-3, estimated Land Use Class and number of units estimated to be built within Phase #2.

Table D-5

Estimated Equivalent Units - Phase #2

Land Use Class	Planned No. of units	Equivalent Unit Factor	Total Equivalent Units
Improvement Area #1C			
Land Use Class 4 (Residential - 80 Ft lot)	41	0.58	23.78
Subtotal – Phase #1C	*41*		*23.78*
Improvement Area #2			
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 – Phase #2	*213*		*109.77*
Total Equivalent Units	**254**		**133.55**

APPENDIX E
ALLOCATION OF ASSESSMENTS

Appendix E
Allocation of Assessments

A) Allocation of Assessments to Land Use Classes in Phase #1

As shown in Sections V and VII of this Service and Assessment Plan, the total Phase #1 Assessments to be allocated on all Parcels within Phase #1, is $10,700,000. As shown in Appendix D, there are a total of 201.47 estimated Equivalent Units in Phase #1, resulting in an Assessment per Equivalent Unit of $53,109.64.

The Assessment per dwelling unit or acre is calculated as the product of (i) $53,109.64 multiplied by (ii) the applicable Equivalent Unit value for each Land Use Class. For example, the Assessment for a Land Use Class 1 (One acre Lot) dwelling unit is $53,109.64 (i.e. $53,109.64 × 1.00). The Assessment for a Land Use Class 2 (One-half acre Lot) dwelling unit is $44,081.00 (i.e. $53,109.64 × 0.83 = $44,081.00). Table E-2 sets forth the Assessment per dwelling unit for each of the seven Land Use Classes in Phase #1.

Table E-1
Assessment per Unit - Phase #1

Type	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit		Total Assessments
Residential						
Land Use Class 1	0	$53,109.64	1.00	$53,109.64	per dwelling unit	$0
Land Use Class 2	29	$53,109.64	0.83	$44,081.00	per dwelling unit	$1,278,349
Land Use Class 3	30	$53,109.64	0.64	$33,990.17	per dwelling unit	$1,019,705
Land Use Class 4	122	$53,109.64	0.58	$30,803.59	per dwelling unit	$3,758,038
Land Use Class 5	175	$53,109.64	0.46	$24,430.44	per dwelling unit	$4,275,326
Non-Residential						
Land Use Class 6	8	$53,109.64	0.80	$42,531.39	per unit	$339,902
Land Use Class 7	1	$53,109.64	0.54	$28,708.69	per unit	$28,679
Total	**365**					**$10,700,000**

B) Allocation of Assessments to Land Use Classes in Phase #2

Improvement Area #1C

As shown in Sections V and VII of this Service and Assessment Plan, the total Improvement Area #1C Assessments to be allocated on all Parcels within Improvement Area #1C, is $1,348,775. As shown in Appendix D, there are a total of 23.78 estimated Equivalent Units in Improvement Area #1C, resulting in an Assessment per Equivalent Unit of $56,718.89.

The Assessment per dwelling unit or acre is calculated as the product of (i) $56,718.89 multiplied by (ii) the applicable Equivalent Unit value for each Land Use Class. For example, the

Assessment for a Land Use Class 1 (One acre Lot) dwelling unit is \$56,718.89 (i.e. \$56,718.89 × 1.00). The Assessment for a Land Use Class 2 (One-half acre Lot) dwelling unit is \$47,076.68 (i.e. \$56,718.89 × 0.83 = \$47,076.68). Table E-2 sets forth the Assessment per dwelling unit for each of the four Land Use Classes in Improvement Area #1C.

Table E-2
Assessment per Unit – Improvement Area #1C

Type	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit		Total Assessments
Improvement Area #1C						
Land Use Class 4	41	$56,718.89	0.58	$32,896.95	per dwelling unit	$1,348,775
Total	**41**					**$1,348,775**

Improvement Area #2

As shown in Sections V and VII of this Service and Assessment Plan, the total Improvement Area #2 Assessments to be allocated on all Parcels within Improvement Area #2, is \$6,225,000. As shown in Appendix D, there are a total of 109.77 estimated Equivalent Units in Improvement Area #2, resulting in an Assessment per Equivalent Unit of \$56,707.73.

The Assessment per dwelling unit or acre is calculated as the product of (i) \$56,707.73 multiplied by (ii) the applicable Equivalent Unit value for each Land Use Class. For example, the Assessment for a Land Use Class 1 (One acre Lot) dwelling unit is \$56,707.73 (i.e. \$56,707.73 × 1.00). The Assessment for a Land Use Class 2 (One-half acre Lot) dwelling unit is \$47,067.42 (i.e. \$56,707.73 × 0.83 = \$47,067.42). Table E-3 sets forth the Assessment per dwelling unit for each of the four Land Use Classes in Improvement Area #2.

Table E-3
Assessment per Unit – Improvement Area #2

Type	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit		Total Assessments
Improvement Area #2						
Land Use Class 2	12	$56,707.70	0.83	$47.067.42	per dwelling unit	$564,809
Land Use Class 3	8	$56,707.70	0.64	$36,292.95	per dwelling unit	$290,344
Land Use Class 5	100	$56,707.70	0.46	$26,085.56	per dwelling unit	$2,608,556
Land Use Class 10	93	$56,707.70	0.52	$29,691.31	per unit	$2,761,292
Total	**213**					**$6,225,000**

APPENDIX F
RESERVED

APPENDIX G
PHASE 1 ASSESSMENT ROLL

Assessment Roll
Phase 1

Parcel	All
Total Equivalent Units	201.47
Assessment	$10,700,000

Year	Principal and Interest[1]	Principal and Interest[2]	Administrative Expenses[3]	Annual Installment
1	$151,383	$0	$52,630	$204,013
2	$591,688	$215,895	$52,930	$860,512
3	$608,438	$198,433	$53,233	$860,103
4	$598,813	$198,433	$53,539	$850,784
5	$589,188	$198,433	$53,848	$841,468
6	$604,563	$198,433	$54,160	$857,155
7	$593,313	$198,433	$54,476	$846,221
8	$582,063	$198,433	$54,794	$835,289
9	$595,813	$204,273	$55,116	$855,201
10	$583,156	$198,433	$55,441	$837,029
11	$595,500	$198,433	$55,769	$849,701
12	$581,438	$198,433	$56,100	$835,970
13	$592,375	$198,433	$56,435	$847,242
14	$576,906	$198,433	$56,773	$832,112
15	$586,438	$198,433	$57,114	$841,984
16	$593,813	$198,433	$57,459	$849,704
17	$574,719	$198,433	$57,807	$830,959
18	$580,625	$198,433	$58,159	$837,217
19	$585,063	$198,433	$58,514	$842,009
20	$563,031	$198,433	$58,873	$820,337
21	$566,000	$198,433	$59,236	$823,668
22	$567,500	$198,433	$59,602	$825,534
23	$567,000	$198,433	$59,971	$825,404
24	$565,000	$198,433	$60,345	$823,777
25	$561,500	$198,433	$60,722	$820,655
26	$556,500	$198,433	$61,103	$816,035
27	$0	$708,433	$61,488	$769,920
28	$0	$708,423	$61,876	$770,299
29	$0	$701,040	$62,269	$763,309
30	$0	$701,628	$62,665	$764,293
31	$0	$694,500	$63,065	$757,565
Total	**$14,711,820**	**$8,498,137**	**$1,785,512**	**$24,995,470**

1 - Principal and interest are based on Series 2015 Bond cash flows and rates. Amounts also include prepayment and delinquency reserve amounts.

2 - Interest for year 2 is calculated at 5.314407% on the Reimbursement Agreement amount due in 2016 and an annual interest rate of 6.35% afterwards plus 0.5% additional interest for delinquency reserve and other uses allowed by the Act.

3 - Preliminary estimates. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

APPENDIX H-1
IMPROVEMENT AREA #1C ASSESSMENT ROLL

Assessment Roll
Improvement Area #1C

Parcel	All
Total Equivalent Units	23.78
Assessment	$1,348,775

Year	Principal[1]	Interest[2]	Administrative Expenses[2]	Annual Installment
1	$0	$120,311	$8,146	$128,456
2	$0	$120,311	$8,199	$128,510
3	$19,586	$120,311	$8,253	$148,150
4	$20,476	$118,564	$8,308	$147,348
5	$21,367	$116,737	$8,363	$146,466
6	$23,147	$76,211	$8,418	$107,776
7	$24,038	$74,841	$8,474	$107,352
8	$25,818	$73,418	$8,531	$107,767
9	$27,599	$71,889	$8,588	$108,076
10	$29,379	$70,255	$8,646	$108,281
11	$31,160	$68,516	$8,705	$108,380
12	$32,940	$66,671	$8,764	$108,375
13	$34,721	$64,721	$8,823	$108,265
14	$37,392	$62,666	$8,883	$108,941
15	$39,172	$60,452	$8,944	$108,569
16	$41,843	$58,133	$9,006	$108,982
17	$44,514	$55,656	$9,068	$109,238
18	$47,185	$53,021	$9,130	$109,336
19	$49,856	$50,227	$9,193	$109,277
20	$53,417	$47,276	$9,257	$109,950
21	$56,088	$44,114	$9,322	$109,523
22	$59,649	$40,793	$9,387	$109,829
23	$63,210	$37,262	$9,453	$109,925
24	$67,661	$33,520	$9,519	$110,701
25	$71,222	$29,515	$9,587	$110,324
26	$75,674	$25,298	$9,654	$110,626
27	$80,125	$20,818	$9,723	$110,666
28	$85,467	$16,075	$9,792	$111,334
29	$90,809	$11,015	$9,862	$111,686
30	$95,260	$5,639	$9,933	$110,832
31	$0	$0	$0	$0
Total	**$1,348,775**	**$1,814,237**	**$269,931**	**$3,432,942**

1 - Interest is calculated at 8.92% for years 1-5 and 5.92% thereafter.

2 - Preliminary estimates. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

APPENDIX H-2
IMPROVEMENT AREA #2 ASSESSMENT ROLL

Assessment Roll
Improvement Area #2

Parcel	All
Total Equivalent Units	23.78
Assessment	$6,225,000

Year	Principal[1]	Interest[2]	Administrative Expenses[2]	Annual Installment
1	$0	$397,708	$37,837	$435,545
2	$95,000	$342,375	$38,083	$475,458
3	$100,000	$337,150	$38,332	$475,482
4	$105,000	$331,650	$38,583	$475,233
5	$110,000	$325,875	$38,837	$474,712
6	$115,000	$319,825	$39,093	$473,918
7	$125,000	$313,500	$39,352	$477,852
8	$130,000	$306,625	$39,614	$476,239
9	$135,000	$299,475	$39,878	$474,353
10	$145,000	$292,050	$40,144	$477,194
11	$150,000	$284,075	$40,414	$474,489
12	$160,000	$275,825	$40,686	$476,511
13	$165,000	$267,025	$40,961	$472,986
14	$175,000	$257,950	$41,238	$474,188
15	$185,000	$248,325	$41,519	$474,844
16	$195,000	$238,150	$41,802	$474,952
17	$205,000	$227,425	$42,088	$474,513
18	$215,000	$216,150	$42,376	$473,526
19	$230,000	$204,325	$42,668	$476,993
20	$240,000	$191,675	$42,963	$474,638
21	$255,000	$178,475	$43,260	$476,735
22	$265,000	$164,450	$43,561	$473,011
23	$280,000	$149,875	$43,864	$473,739
24	$295,000	$134,475	$44,171	$473,646
25	$315,000	$118,250	$44,481	$477,731
26	$330,000	$100,925	$44,793	$475,718
27	$350,000	$82,775	$45,109	$477,884
28	$365,000	$63,525	$45,428	$473,953
29	$385,000	$43,450	$45,751	$474,201
30	$405,000	$22,275	$46,076	$473,351
31	$0	$0	$0	$0
Total	**$6,225,000**	**$6,735,633**	**$1,252,963**	**$14,213,596**

1 - Principal and interest are estimated and will be updated upon final Bond pricing. Interest is estimated at 5% per annum.

2 - Preliminary estimates. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

Approved on 6/11/19

CITY OF MCLENDON-CHISHOLM
ORDINANCE NO. 2019-07

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM TEXAS, AUTHORIZING THE MAYOR TO EXECUTE AND DELIVER A CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT IN CONNECTION WITH THE SONOMA PUBLIC IMPROVEMENT DISTRICT

WHEREAS, the City of McLendon-Chisholm, Texas (the "City"), pursuant to and in accordance with the terms, provisions and requirements of the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, has previously established the "Sonoma Public Improvement District" (the "District"); and

WHEREAS, the City Council of the City (the "Council") has found and determined that it is in the best interests of the City to enter into a Construction, Funding, and Acquisition Agreement (the "Funding Agreement") between the City and Land Solutions SV, LLC, a Delaware limited liability company; and

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

WHEREAS, the Council finds that the passage of this Ordinance is in the best interests of the citizens of the City;

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

Section 1. Recitals. All matters stated in the Recitals hereinabove are found to be true and correct and are incorporated herein by reference as if copied in their entirety.

Section 2. Funding Agreement. The Funding Agreement is hereby authorized and approved in the substantially final form attached hereto as **Exhibit A** and incorporated herein as a part hereof for all purposes, with such changes as may be required to carry out the purposes of this Ordinance, and the Mayor of the City is hereby authorized and directed to execute and deliver the Funding Agreement and the City Secretary may attest the Mayor's signature. The City Secretary is directed to cause a copy of the Funding Agreement to be recorded in the real property records of Ellis County, Texas.

Section 3. Severability. If any portion of this Ordinance shall, for any reason, be declared invalid by any court of competent jurisdiction, such invalidity shall not affect the remaining provisions hereof and the Council hereby determines that it would have adopted this Ordinance without the invalid provision.

Section 4. Effective Date. This Ordinance shall become effective from and after its date of passage.

PASSED, APPROVED AND EFFECTIVE this June 11, 2019.

____
Mayor

ATTEST:

____
City Secretary

(City Seal)

Exhibit A

FUNDING AGREEMENT

CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT

THIS CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT (this "Agreement"), dated as of June 11, 2019, is by and between **CITY OF MCLENDON-CHISHOLM, TEXAS**, a general law municipality of the State of Texas (the "City"), and **LAND SOLUTIONS SV, LLC**, a Delaware limited liability company (the "Developer").

ARTICLE I
DEFINITIONS

The following terms shall have the meanings ascribed to them in this Article I for purposes of this Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Service and Assessment Plan (as hereinafter defined).

"Act" means Texas Local Government Code, Chapter 372, as amended.

"Actual Costs" means, with respect to each Authorized Improvement, the amount of the money expended or incurred for the labor, material, equipment, and other construction costs actually paid for the Authorized Improvement.

"Administrator" means an employee or designee of the City who shall have the responsibilities provided in the Service and Assessment Plan, an Indenture, or any other agreement or document approved by the City related to the duties and responsibilities for the administration of the District.

"Annual Service Plan Update" means the annual update to the Service and Assessment Plan conducted by the Administrator pursuant to the Service and Assessment Plan.

"Authorized Improvement(s)" means the Improvement Area # 2 Improvements as defined in the Service and Assessment Plan and as listed in **Exhibit A** attached hereto. An individual Authorized Improvement, including a completed segment or part, shall be referred to as an Authorized Improvement.

"Bond Ordinance" means Ordinance No. ________, adopted by the City Council on __________, 2019 authorizing the issuance of the Bonds pursuant to the Indenture.

"Bonds" mean the City's bonds designated "City of McLendon-Chisholm, Texas, Special Assessment Revenue Bonds, Series 2019 (Sonoma Public Improvement District Improvement Area #2 Project)".

"Budgeted Costs" means the costs shown on **Exhibit A** attached hereto.

"Certification for Payment" means a certification, substantially in the form attached to the Indenture or otherwise agreed to by the Developer, Administrator and the City Representative, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative specifying the amount of work performed and the amount charged for that work, including materials and labor costs, presented to the Trustee to request payment from the Improvement Account for Actual Costs of Authorized Improvements under the Indenture.

"City Representative" means the Mayor or City Administrator as authorized by the City Council to undertake the action referenced herein.

"Closing Disbursement Request" means the certificate, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Developer, Administrator, and the City, executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, specifying the amounts to be disbursed for costs of issuance of the Bonds and costs related to administration and operation of the District.

"Construction Contracts" means the contracts for the construction of the Authorized Improvements. "Construction Contract" means any one of the Construction Contracts.

"Cost" means the Budgeted Costs or the Actual Cost of an Authorized Improvement as reflected in a Construction Contract.

"Cost of Issuance Account" means the account in the Project Fund established pursuant to Section 6.1 of the Indenture.

"Cost Overrun" means, with respect to each Authorized Improvement, the amount of the Actual Cost paid for the Authorized Improvement in excess of the Budgeted Cost for such Authorized Improvement as provided for in **Exhibit A**.

"Development Agreement" means that certain Development Agreement, dated effective June 11, 2007, entered into by and between the City and Chisholm Properties, L.P. ("Chisholm"), which was (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. ("MC 550 Holdings") 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 Holdings and the City; (d) partially assigned by MC 550 Holdings to MC 550 Investors, L.P. ("MC 550 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 among MC 550 Holdings, MC 550 Investors, and the City; (f) partially assigned by MC 550 Holdings to MC 550 Investors pursuant to that certain Partial Assignment and Assumption of Development Agreement dated effective June 15, 2015;

and (g) partially assigned by MC 550 Holdings to the Developer pursuant to that certain Partial Assignment and Assumption of Development Agreement effective as of August 17, 2018.

"District" means the Sonoma Public Improvement District.

"Final Completion" means completion of an Authorized Improvement in compliance with existing City standards for dedication under the City's ordinances and the Development Agreement.

"Improvement Account" means the "Improvement Area #2 Bond Improvement Account" in the Project Fund established pursuant to Section 6.1 of the Indenture.

"Indenture" means that certain Indenture of Trust between the City and Wilmington Trust, National Association, as trustee, dated as of July 1, 2019 relating to the Bonds.

"Inspector" means the City's consulting engineer or other individual authorized by the City whose job is, in part or in whole, to inspect infrastructure for compliance with all rules and regulations applicable to the development and the infrastructure inspected.

"Plans" mean the plans, specifications, schedules and related Construction Contracts for the Authorized Improvements, respectively, approved pursuant to the applicable standards and directives of the City, the Development Agreement, and any other applicable governmental entity.

"**Project Fund"** means the fund, including the accounts created and established under such fund, where monies from the proceeds of the sale of the Bonds, excluding those deposited in other funds in accordance with the Indenture, shall be deposited, and the fund by such name created under the Indenture.

"Service and Assessment Plan" means the Sonoma Public Improvement District Sonoma Verde Project City of McLendon-Chisholm Service and Assessment Plan adopted by Ordinance No.2015-02 on January 13, 2015 by the City Council, prepared pursuant to the Act, and as updated on April 13, 2015, June 13, 2017, and June 11, 2019.

"Supplement" means a written document agreed upon by the parties to this Agreement amending, supplementing or otherwise modifying this Agreement and any exhibit hereto, including any amendments to the list of Authorized Improvements in **Exhibit A** in a manner consistent with the Service and Assessment Plan, the Act, the Bond Ordinance, the Indenture, and this Agreement.

ARTICLE II
RECITALS

Section 2.01. The District and the Authorized Improvements.

(a) The City has created the District under the Act for the financing of, among other things, the acquisition, construction and installation of the Authorized Improvements.

(b) The City has authorized the issuance of the Bonds in accordance with the provisions of the Act, the Bond Ordinance and the Indenture, the proceeds of which Bonds shall be used, in part, to finance a portion of the Authorized Improvements allocable to the Improvement Area #2 (as defined in the Indenture).

(c) The proceeds from the issuance and sale of the Bonds shall be deposited in accordance with the Indenture.

(d) To the extent that the Authorized Improvements have not already been completed and conveyed to the City, the Developer will undertake, oversee, or ensure the construction and installation of the Authorized Improvements for dedication to and acceptance by the City.

Section 2.02. Agreements. In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer agree that the foregoing recitals, as applicable to each, are true and correct and further make the agreements set forth herein.

ARTICLE III
FUNDING

Section 3.01. Bonds.

(a) The City, in connection with this Agreement, is proceeding with the issuance and delivery of the Bonds.

(b) The Bonds will finance the Budgeted Costs of the Authorized Improvements unless the Actual Costs are less than the Budgeted Costs, as shown in the Service and Assessment Plan. The payment of costs from the proceeds of Bonds for such Authorized Improvements shall be made from the Improvement Account under the Indenture.

(c) The City's obligation with respect to the payment of the Authorized Improvements shall be limited to the Budgeted Costs or Actual Costs if the Actual Costs are less than the Budgeted Costs, and shall be payable solely from amounts on deposit for the payment of such costs as provided herein and in the Indenture. The Developer agrees and acknowledges that it is responsible for all Cost Overruns for Authorized Improvements, as qualified, however, by the distribution of cost underrun monies, as detailed in Section 4.04 below.

(d) The City shall have no responsibility whatsoever to the Developer with respect to the investment of any funds held in the Project Fund by the Trustee under the provisions of the Indenture, including any loss of all or a portion of the principal invested or any penalty for liquidation of an investment. Any such loss may diminish the amounts available in the Project

Fund to pay the Costs of the Authorized Improvements, including the Developer to the extent it owns any real property in the District. The obligation of a property owner to pay Assessments is not in any way dependent on the availability of amounts in the Project Fund to pay for all or any portion of the Costs of the Authorized Improvements hereunder.

(e) The Developer acknowledges that any lack of availability of amounts in the funds or accounts established in the Indenture to pay the Costs of the Authorized Improvements shall in no way diminish any obligation of the Developer with respect to the construction of or contributions for the Costs of the Authorized Improvements required by this Agreement, the Development Agreement, or any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject.

Section 3.02. Disbursements and Transfers at Bond Closing.

The City and the Developer agree that from the proceeds of Bonds and upon the presentation of evidence satisfactory to the City and the City's financial consultants and attorneys, the City will cause the Trustee to pay, at closing of the Bonds monies from the accounts created within the Project Fund, to the persons entitled to the payment for costs of issuance of the Bonds and payment of costs incurred in the establishment, administration, and operation of the District and any other eligible items expended by the Developer as of the date of delivery of the Bonds, as described in the Service and Assessment Plan and the Indenture.

Section 3.03. Security for Authorized Improvements. Prior to completion and conveyance to the City of an Authorized Improvement, including a segment, section or portion thereof, the Developer shall provide to the City a maintenance bond in the amount of 100% of the value of each Authorized Improvement constructed by Developer, which maintenance bond shall be for a term of two years from the date of final acceptance of such Authorized Improvement. Any surety company through which a bond is written shall be a surety company duly authorized to do business in the State of Texas, provided that the City, through the City Attorney, shall retain the right to reject any surety company as a surety for any work hereunder regardless of such company's authorization to do business in Texas. Approvals by the City shall not be unreasonably withheld or delayed. The Developer shall construct or cause to be constructed the Authorized Improvements in accordance with the City's established ordinances, regulations, specifications, and the Development Agreement. The Developer shall, however, provide an "all bills paid" affidavit, in the standard form, as provided by the City, and shall also provide such supporting documentation as required by the City, that affirms that all invoices and bills were paid for the Authorized Improvements.

ARTICLE IV
DEDICATION OF LAND AND CONSTRUCTION OF AUTHORIZED IMPROVEMENTS

Section 4.01. Duty of Developer to Construct.

(a) All Authorized Improvements shall be constructed by or at the direction of the Developer in accordance with the Plans and in accordance with this Agreement and the Development Agreement. The Developer shall perform, or cause to be performed, all of its obligations and shall conduct all operations with respect to the construction of Authorized Improvements in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Developer shall employ at all times adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of the Authorized Improvements to be acquired and accepted by the City from the Developer as provided in this Agreement and the Development Agreement.

(b) The Developer shall not be relieved of its obligation to construct or cause to be constructed each Authorized Improvement and, upon completion, inspection, and acceptance, convey each such Authorized Improvement to the City in accordance with the terms hereof, even if there are insufficient funds in the Improvement Account to pay the Actual Costs thereof. In any event, this Agreement shall not affect any obligation of the Developer under any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject, with respect to the Authorized Improvements required in connection with the development of the land within the District.

Section 4.02. Competitive Bidding. Authorized Improvements are anticipated to be exempt from competitive bidding pursuant to Texas Local Government Code Section 252.022(a)(9) based upon current cost estimates. In the event that the Actual Costs for the Authorized Improvements do not meet the parameters for exemption from the competitive bid requirement, then either competitive bidding or alternative delivery methods may be utilized by the City as allowed by law, but in any event Developer shall be responsible for any resulting Cost Overruns.

Section 4.03. Independent Contractor. In performing this Agreement, the Developer is an independent contractor and not the agent or employee of the City with respect to the Authorized Improvements.

Section 4.04. Remaining Funds After Completion of an Authorized Improvement. Upon the Final Completion of an Authorized Improvement and payment of all outstanding invoices for such Authorized Improvement, if the Actual Cost of such Authorized Improvement is less than the Budgeted Cost (a “Cost Underrun”), any remaining Budgeted Cost will be available to pay Cost Overruns on any other Authorized Improvement. The City Representative shall promptly confirm that such remaining amounts are available to pay such Cost Overruns, and the Developer, the

Administrator and the City Representative will agree how to use such moneys to secure the payment and performance of the work for other Authorized Improvements. Any Cost Underrun for any Authorized Improvement is available to pay Cost Overruns on any other Authorized Improvement.

Section 4.05. Contracts and Change Orders. The Developer shall be responsible for entering into all contracts and any supplemental agreements (herein referred to as "Change Orders") required for the construction of an Authorized Improvement. Developer or its contractors may approve and implement any Change Orders even if such Change Order would increase the Cost of an Authorized Improvement, but the Developer shall be solely responsible for payment of any Cost Overruns resulting from such Change Orders except to the extent amounts are available pursuant to Section 4.04.

ARTICLE V
ACQUISITION, CONSTRUCTION, AND PAYMENT

Section 5.01. Closing Disbursement Request. In order to receive the disbursement described in Section 3.02, the Developer shall cause to be delivered to the Trustee a Closing Disbursement Request, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Developer, Administrator, and the City Representative for the disbursements described in Section 3.02. To be valid, the City must sign and agree to such Closing Disbursement Request.

Section 5.02. Certification for Payment for the Authorized Improvements.

(a) Except as provided in Section 3.02, no payment hereunder shall be made from the Project Fund to the Developer for work on an Authorized Improvement, until a Certification for Payment is received from the Developer. Upon receipt of a Certification for Payment substantially in the form attached to the Indenture (and all accompanying documentation executed by the City) from the Developer, the Inspector shall conduct a review in order to confirm that such request is complete, that the work with respect to such Authorized Improvement identified therein for which payment is requested was completed in accordance with all applicable governmental laws, rules and regulations and applicable Plans therefor and with the terms of this Agreement, the Development Agreement, and to verify and approve the Actual Cost of such work specified in such Certification for Payment (collectively, the "Developer Compliance Requirements"). The approval of the Certification for Payment by the Inspector shall constitute a representation by the Inspector to the City and the Trustee that the Developer Compliance Requirements have been satisfied with respect to the Authorized Improvement identified therein. The Inspector shall also conduct such review as is required in his discretion to confirm the matters certified in the Certification for Payment. The Developer agrees to cooperate with the Inspector in conducting each such review and to provide the Inspector with such additional information and documentation as is reasonably necessary for the Inspector to conclude each such review.

(b) Within ten (10) business days of receipt of any Certification for Payment, the Inspector shall (i) approve and execute the Certification for Payment and forward the same to the City for approval and delivery to the Trustee for payment to the Developer in accordance with Section 5.03(a) hereof or (ii) in the event the Inspector disapproves the Certification for Payment, give written notification to the Developer of the Inspector's disapproval, in whole or in part, of such Certification for Payment, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Certification for Payment. If a Certification for Payment seeking reimbursement is approved only in part, the Inspector shall specify the extent to which the Certification for Payment is approved and shall deliver such partially approved Certification for Payment to the Administrator for approval in accordance with Section 5.03(a) hereof and delivery to the Developer in accordance with Section 5.02(c) hereof, and any such work shall be processed for payment under Section 5.03 notwithstanding such partial denial.

(c) If the Inspector fails to act with respect to a Certification for Payment within the time period therein provided, the Developer shall submit the Certification for Payment directly to the City Representative for approval. Within five (5) business days of receipt of any Certification for Payment, the City Representative shall approve or deny the Certification for Payment, and provide notice to the Administrator and Developer. Upon approval of a Certification for Payment, the City shall forward the approval to the Trustee for payment, and delivery to the Developer in accordance with Section 5.03 hereof. The approval of the Certification for Payment by the City Representative shall constitute a representation by the City Representative to the Trustee of the Developer's compliance therein. Pursuant to the terms of Section 5.03 and the Indenture, the Trustee shall make a payment to the Developer, or pursuant to the Developer's directions, of an approved Certification for Payment.

(d) If the City Representative denies the Certification for Payment, the denial must be in writing, stating the reason(s) for denial. The denial may be appealed to the City Council within thirty (30) days of being denied.

(e) The City shall deliver the approved or partially approved Certification for Payment to the Trustee for payment and the Trustee shall make such payment from the Project Fund in accordance with Section 5.03 below.

Section 5.03. Payment for Authorized Improvement.

(a) Authorized Improvement.

i. Upon receipt of a reviewed and approved Certification for Payment, the Trustee shall make payment from the Improvement Account of such approved Certification for Payment pursuant to the terms of the Certification for Payment and the Indenture in an amount not to exceed the lesser of the Actual Cost or Budgeted Cost for the particular Authorized

Improvement (or its completed segment, section or portion thereof and subject to the application of cost underruns, as provided for in this Agreement).

ii. Notwithstanding any other provisions of this Agreement, the Trustee shall make payment directly to the Developer or the general contractor or supplier of materials or services, or jointly to Developer (or any permitted assignee of such Developer) and the general contractor or supplier of materials or services, as indicated in an approved Certification for Payment. If an unconditional lien release related to the items referenced in the Certification for Payment is attached to such Certification for Payment, the Trustee shall make such payment to the Developer or any permitted assignee of the Developer. In the event the Developer provides a general contractor's or supplier of materials unconditional lien release for a portion of the work covered by a Certification for Payment, the Trustee will make such payment directly to the Developer or any permitted assignee of the Developer to the extent of such lien release.

iii. Withholding Payments.

Nothing in this Agreement shall be deemed to prohibit the Developer or the City from contesting in good faith the validity or amount of any mechanics or materialman's lien and/or judgment nor limit the remedies available to the Developer or the City with respect thereto so long as such delay in performance shall not subject the Authorized Improvement to foreclosure, forfeiture, or sale. In the event that any such lien and/or judgment with respect to an Authorized Improvement is contested, the Developer shall be required to post or cause the delivery of a surety bond in an amount determined by the City.

ARTICLE VI
OWNERSHIP AND TRANSFER OF AUTHORIZED IMPROVEMENT

Section 6.01. Authorized Improvement to be Owned by the City – Title Evidence. The Developer shall furnish to the City a preliminary title report for land with respect to Authorized Improvements to be acquired and accepted by the City from the Developer and not previously dedicated or otherwise conveyed to the City, for review and approval at least thirty (30) calendar days prior to the transfer of title of an Authorized Improvement to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the City, could materially affect the City's use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title or provide for any maintenance related to an Authorized Improvement until the Developer has cured such objections to title to the satisfaction of the City.

Section 6.02. Authorized Improvement Constructed on City Land or Developer Land. If an Authorized Improvement is on land owned by the City, the City hereby grants to the Developer a temporary easement to enter upon such land for purposes related to construction and maintenance (pending acquisition and acceptance of the facilities by the City) of an Authorized Improvement. If an Authorized Improvement is on land owned by the Developer, the Developer hereby grants to the City a permanent access and maintenance easement to enter upon such land for purposes related to inspection and maintenance of the Authorized Improvement. The grant of said permanent easement shall not relieve the Developer of any obligation to grant the City title to property and/or easements related to Authorized Improvements as required in the Development Agreement or as should in the City's reasonably judgment be granted to provide for convenient access to and routine and emergency maintenance of such Authorized Improvement. The provisions for inspection and acceptance of such Authorized Improvement otherwise provided herein and in the Development Agreement shall apply.

ARTICLE VII
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 7.01. Representations, Covenants and Warranties of the Developer. The Developer represents and warrants for the benefit of the City as follows:

(a) Organization. The Developer consists of one limited liability company duly formed, organized and validly existing under the laws of the State of Delaware, is in compliance with the laws of the State of Texas and the State of Delaware, and has the power and authority to own its properties and assets and to carry on its business in the State of Texas as now being conducted as hereby contemplated.

(b) Authority. The Developer has the power and authority to enter into this Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by the Developer.

(c) Binding Obligation. This Agreement is a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms, subject to bankruptcy and other equitable principles.

(d) Compliance with Law. The Developer shall not commit, suffer or permit any act to be done in, upon or to the lands of the Developer in the District or the Authorized Improvements in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District, the Authorized Improvements or one or more of the Authorized Improvements.

(e) Requests for Payment. The Developer represents and warrants that (i) it will not request payment from the Improvement Account for the acquisition or construction of any improvements that are not part of the Authorized Improvements, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Certification for Payments.

(f) Financial Records. For a period of two years after completion of the Authorized Improvements, the Developer covenants to maintain proper books of record and account for the construction of the Authorized Improvements and all Costs related thereto. Such accounting books shall be maintained in accordance with generally accepted accounting principles, and shall be available for inspection by the City or its agent at any reasonable time during regular business hours on reasonable notice.

(g) Plans. The Developer represents that it has obtained or will obtain approval of the Plans from all appropriate departments of the City and from any other public entity or public utility from which such approval must be obtained. The Developer further agrees that, subject to the terms hereof, the Authorized Improvements and other Authorized Improvements constructed by the Developer have been or will be constructed in full compliance with such Plans and any Change Orders thereto consistent with the Act and the Development Agreement and that the Developer shall supply the City with complete as-built plans upon Final Completion of each Authorized Improvement or other Authorized Improvement constructed by the Developer.

(h) Additional Information. The Developer agrees to cooperate with all reasonable written requests for nonproprietary information by the purchaser of the Bonds or the City Representative related to the status of construction of improvements within the District, the anticipated completion dates for future improvements and any other matter that the purchaser of the Bonds or City Representative deems material to the investment quality of the Bonds.

(i) Continuing Disclosure Agreement. The Developer agrees to provide the information required pursuant to the Continuing Disclosure Agreement executed by the Developer in connection with the Bonds.

(j) Tax Certificate. The City will deliver a Certificate relating to the Bonds (such Certificate, as it may be amended and supplemented from time to time, being referred to herein as the "Tax Certificate") containing covenants and agreements designed to satisfy the requirements of 26 U.S. Code Sections 103 and 141 through 150, inclusive and the federal income tax regulations issued thereunder relating to the use of the proceeds of the Bonds or of any monies, securities or other obligations on deposit to the credit of any of the funds and accounts created by the Indenture or this Agreement or otherwise that may be deemed to be proceeds of the Bonds within the meaning of 26 U.S. Code Section 148 (collectively, "Bond Proceeds").

The Developer covenants to provide, or cause to be provided, such facts and estimates as the City reasonably considers necessary to enable it to execute and deliver its Tax Certificate. The Developer further covenants that (i) such facts and estimates will be based on its reasonable expectations on the date of issuance of the Bonds and will be, to the best of the knowledge of the officers of the Developer providing such facts and estimates, true, correct and complete as of that date, and (ii) the Developer will make reasonable inquiries to ensure such truth, correctness and completeness. The Developer covenants that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use or investment of the Bond Proceeds (including, but not limited to, the use of the Authorized Improvements) that would cause any of the covenants or agreements of the City contained in the Tax Certificate to be violated or that would otherwise have an adverse effect on the tax-exempt status of the interest payable on the Bonds for federal income tax purposes.

(k) Financial Resources. The Developer represents and warrants that it has the financial resources, or the ability to obtain sufficient financial resources, to meet its obligations under this Agreement, and the Development Agreement.

Section 7.02. Indemnification and Hold Harmless. The Developer shall assume the defense of, and indemnify by reason of, or resulting from the breach of any provision of this Agreement and shall hold harmless the Inspector, the City, employees, officials, officers, representatives and agents of the City, and each of them (each an "Indemnified Party"), from and against all actions, damages, claims, loses or expense of every type and description to which they may be subjected or put, by reason of, or resulting from the breach of any provision of this Agreement by the Developer, the negligent design, engineering and/or construction by the Developer or any architect, engineer or contractor hired by the Developer of any of the Authorized Improvements, the Developer's nonpayment under contracts between the Developer and its consultants, engineers, advisors, contractors, subcontractors and suppliers in the provision of the Authorized Improvements, or any claims of Persons employed by the Developer or its agents to construct such projects. Notwithstanding the foregoing, no indemnification is given hereunder for any action, damage, claim, loss or expense directly attributable to the willful misconduct or gross negligence of any Indemnified Party.

Section 7.03. Use of Monies by City; Changes to Indenture. The City agrees not to take any action or direct the Trustee to take any action to expend, disburse or encumber the monies held in the Project Fund and any monies to be transferred thereto for any purpose other than the purposes permitted by the Indenture. Prior to the acceptance of all the Authorized Improvements, the City agrees not to modify or supplement the Indenture without the approval of the Developer if as a result or as a consequence of such modification or supplement (a) the amount of monies that would otherwise have been available under the Indenture for disbursement for the Costs of the Authorized Improvements is reduced, delayed or deferred, (b) the obligations or liabilities of the Developer is or may be increased or otherwise adversely affected in any manner, or (c) the rights of the Developer is or may be modified, limited, restricted or otherwise adversely affected in any manner.

Section 7.04. No Reduction of Assessments. The Developer agrees not to take any action or actions to reduce the total amount of such Assessments to be levied as of the effective date of this Agreement.

ARTICLE VIII
TERMINATION

Section 8.01. Mutual Consent. This Agreement may be terminated by the mutual, written consent of the City and the Developer, in which event the City may either execute contracts for or perform any remaining work related to the Authorized Improvements not accepted by the City or other appropriate entity and use all or any portion of funds on deposit in the Project Fund or other amounts transferred to the Project Fund under the terms of the Indenture to pay for same, and the Developer shall have no claim or right to any further payments for the Costs of an Authorized Improvement hereunder, except as otherwise may be provided in such written consent.

Section 8.02. City's Election for Cause.

(a) The City, upon notice to Developer and the passage of the cure period identified in subsection (b) below, may terminate this Agreement, without the consent of the Developer if the Developer shall breach any material covenant or default in the performance of any material obligation hereunder.

(b) If any such event occurs, the City shall give written notice of its knowledge of a breach of any material covenant thereof to the Developer, and the Developer agrees to meet and confer with the Inspector and other appropriate City staff and consultants as to options available to assure timely completion, subject to the terms of this Agreement, of the Authorized Improvement. Such options may include, but not be limited to, the termination of this Agreement by the City. If the City elects to terminate this Agreement, the City shall first notify the Developer (and any mortgagee or trust deed beneficiary specified in writing by the Developer to the City to receive such notice) of the grounds for such termination and allow the Developer a minimum of 45 days to eliminate or mitigate to the satisfaction of the City the grounds for such termination. Such period may be extended, at the reasonable discretion of the City, if the Developer, to the reasonable satisfaction of the City, is proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), as determined reasonably by the City, the Developer has not eliminated or completely mitigated such grounds to the satisfaction of the City, the City may then terminate this Agreement. In the event of the termination of this Agreement, the Developer is entitled to payment for work accepted by the City related to the Authorized Improvement undertaken prior to the termination date of this Agreement solely from the Improvement Account created and established under the Indenture according to the terms and conditions set forth in this Agreement. Notwithstanding the foregoing, so long as the Developer has breached any material covenant or defaulted in the performance of any material obligation hereunder, notice of which has been given by the City to the Developer, and such event has not been cured or otherwise eliminated by the Developer, the City may in its discretion cause the Trustee to cease making payments for the Actual Costs of the Authorized Improvements, provided that the Developer shall receive payment of the Actual Costs of any Authorized Improvement that was accepted by the City at the time of the occurrence of such breach or default by the Developer upon submission of the documents and compliance with the other applicable requirements of this Agreement.

(c) If this Agreement is terminated by the City for cause, the City may either execute contracts for or perform any remaining work related to the Authorized Improvement not accepted by the City and use all or any portion of the funds on deposit in the Project Fund or other amounts transferred to the Project Fund and the Developer shall have no claim or right to any further payments for the Authorized Improvement hereunder, except as otherwise may be provided upon the mutual written consent of the City and the Developer.

Section 8.03. Construction of the Authorized Improvements Upon Termination of this Agreement. Notwithstanding anything to the contrary contained herein, upon the termination of this Agreement pursuant to this Article VIII, the Developer shall perform its obligations with respect to the Authorized Improvements in accordance with the terms of this Agreement and the Development Agreement.

Section 8.04. Force Majeure. Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes or other acts of God, war, civil commotion, riots, strikes, picketing or other labor disputes, damage to work in progress by casualty or by other cause beyond the reasonable control of the party (financial inability excepted), then the specified time for performance shall be extended by the amount of the delay actually so caused.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Limited Liability of City. The Developer agrees that any and all obligations of the City arising out of or related to this Agreement are special obligations of the City, and the City's obligations to make any payments hereunder are restricted entirely to the moneys, if any, in the Project Fund and from no other source. Neither the City, the Inspector nor any other City employee, official, officer, representative or agent shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

Section 9.02. Audit. The Inspector or a finance officer of the City shall have the right, during normal business hours and upon the giving of three business days' prior written notice to a Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer with respect to any of the Authorized Improvements and any bids taken or received for the construction thereof or materials therefor.

Section 9.03. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party shall be deemed to have been received when personally delivered or 72 hours following deposit of the same in any United States Post Office, registered or certified mail, full postage prepaid, addressed as follows:

To the City:	Attn: City Administrator City of McLendon-Chisholm 1371 West FM 550 McLendon-Chisholm, Texas 75032
With a copy to:	Pratt, Aycock & Associates, PLLC Attn: Michael B. Halla City of McLendon-Chisholm Attorney 18383 Preston Road, Suite 110 Dallas, Texas 75252
And to:	McCall, Parkhurst & Horton, LLP Attn: Chris Settle City of McLendon-Chisholm Bond Counsel 717 North Harwood, Suite 900 Dallas, Texas 75201
To the Developer:	Land Solutions SV, LLC Attn: Phillip Duncan 15441 Knoll Trail, Suite 150 Dallas, Texas 75248
With a copy to:	Miklos Cinclair, PLLC Attn: Robert Miklos 1800 Valley View Lane, Suite 360 Farmers Branch, Texas 75234

Any party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

The City shall advise the Developer of the name and address of any Inspector who is to receive any notice or other communication pursuant to this Agreement.

Section 9.04. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Any receivables due under this Agreement may be assigned by the Developer without the consent of, but upon written notice to the City pursuant to Section 9.03 of this Agreement. The obligations, requirements, or covenants of this Agreement shall be able to be assigned to an affiliate or related entity of the Developer, or any lien holder on the Property, without prior written consent of the City. The obligations, requirements, or covenants of this Agreement shall not be assigned by the Developer to a non-affiliate or non-related entity of the Developer, without prior written consent of the City Administrator, subject to the advice and written consent of the Mayor, which consent shall not be unreasonably withheld, except pursuant to a collateral assignment to any Person providing construction financing to the Developer for the Developer for the Authorized Improvements, provided such Person expressly agrees to assume all obligations of the Developer hereunder if there is a default under such financing and such Person elects to complete the Authorized Improvements. In connection with any consent of the City, the City may condition its consent upon the acceptability of the financial condition of the proposed assignee, upon the assignee's express assumption of all obligations of the Developer hereunder and/or upon any other reasonable factor which the City deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned and shall not be effective until approved by the City, where such approval is required. The City may assign by a separate writing certain rights hereunder to the Trustee as described in this Agreement and the Indenture and the Developer hereby consents to such assignment. Notwithstanding the foregoing language in this section, the Developer may not make any assignment in connection with or for the direct or indirect purpose of securing bonds or other indebtedness or financing by receivables or revenues to be received under this Agreement, the Development Agreement or the Indenture.

Section 9.06. Other Agreements. The obligations of the Developer hereunder shall be those of a party hereto and not as an owner of property in the District. Nothing herein shall be construed as affecting the City's or the Developer's rights or duties to perform their respective obligations under other agreements, use regulations or subdivision requirements relating to the development of the lands in the District, including the applicable Construction Contracts and the Development Agreement. To the extent there is a direct conflict between this Agreement and the Development Agreement, the Development Agreement shall control.

Section 9.07. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by any other party, or the failure by a party to exercise its rights upon the default of any other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by such other party with the terms of this Agreement thereafter.

Section 9.08. Merger. No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Agreement shall be binding.

Section 9.09. Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer any rights, remedies or claims under or by reason of this Agreement or any covenants, conditions or stipulations hereof, and all covenants, conditions, promises and agreements in this Agreement contained by or on behalf of the City or the Developer shall be for the sole and exclusive benefit of the City and the Developer.

Section 9.10. Amendment. Except as otherwise provided in Section 9.05, this Agreement may be amended, from time to time in a manner consistent with the Act and the Ordinance, by written supplement hereto mutually executed in counterparts, each of which shall be deemed an original.

Section 9.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 9.12. Effective Date. This Agreement has been dated as of the date first above written solely for the purpose of convenience of reference and shall become effective upon its execution and delivery, on the Closing Date (as defined in the Indenture) of the issuance of Bonds as defined in the related Indenture, by the parties hereto. All representations and warranties set forth therein shall be deemed to have been made on the Closing Date of the issuance of Bonds as defined in the related Indenture.

[the remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement as of this the ______ day of ______________, 2019.

ATTEST:	**CITY OF MCLENDON-CHISHOLM**
_________________________	By: _____________________
Name: Lisa Palomba	Name: Keith Short
Title: City Administrator	Title: Mayor

APPROVED AS TO FORM

____

Name: Michael Halla
Title: City Attorney

DEVELOPER

LAND SOLUTIONS SV, LLC, a Delaware limited partnership

By:_________________________________
Printed Name:_________________________
Title:_________________________________

Exhibit A

List of Authorized Improvements and Budgeted Costs

Authorized Improvements	Budgeted Costs
Roadway improvement costs	$1,931,322
Water distribution system improvement costs	$828,596
Sanitary sewer collection system improvements costs	$756,889
Storm drainage collection system improvements	$1,461,043
Engineering, design, surveying, geotechnical and materials testing	$723,662
Estimated general contractor	$344,761
Estimated project general conditions	$229,483
Estimated PID legal fees	$233,889
Estimated PID establishment costs	$23,919
Estimated capitalized interest	$366,583
Estimated debt service reserve fund	$425,250
Estimated bond issuance costs	$622,500
Proportional Share of Major Improvements	$410,347

Exhibit B

CLOSING DISBURSEMENT REQUEST

The undersigned is an agent for Land Solutions SV, LLC, (the “Developer”) or the City of McLendon-Chisholm (the “City”) and requests payment from the [Cost of Issuance Account] [Improvement Account] of the Project Fund (as defined in the Construction, Funding, and Acquisition Agreement) from Wilmington Trust, National Association (the “Trustee”) in the amount of ___________________DOLLARS ($___________) for the design, construction and acquisition of the listed authorized improvements for the Sonoma Public Improvement District (“District”) and other costs incurred in the establishment, administration, and operation of the District.

In connection to the above referenced payment, the Developer represents and warrants to the City that the undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.

1.

Project		**PID Allocated Cost**
		$
TOTAL		

2. The payment requested for the above referenced authorized improvement costs have not been the subject of any prior payment request submitted to the City or, if previously requested, no disbursement was made with respect thereto.

3. The amount listed for the below costs is a true and accurate representation of the costs at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan.

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

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

5. All conditions set forth in the Indenture (as defined in the Construction, Funding, and Acquisition Agreement), the Construction, Funding, and Acquisition Agreement, and the Development Agreement for the payment hereby requested have been satisfied.

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

Payments requested hereunder shall be made as directed below:

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

b. Etc.

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

LAND SOLUTIONS SV, LLC

By: ______________________________

Name: ___________________________

Title: ____________________________

Date: ____________________________

ACCEPTED AND APPROVED BY THE CITY OF MCLENDON-CHISHOLM

By: ______________________________

Name: ___________________________

Title: ____________________________

Date: ____________________________

City of McLendon-Chisholm

Staff Report

Discussion and action considering an amendment to the Agreement for Fire Protection Services and Integration between the McLendon-Chisholm Volunteer Fire Department and the City of McLendon-Chisholm transferring ownership of Station 2 to the City.

DATE:

June 11, 2019

BACKGROUND OF ISSUE:

In October 2018, the City Council approved an Agreement for Fire Protection Services and Integration between the City of McLendon-Chisholm Volunteer Fire Department (MCVFD) and the City. As part of the agreement, all MCVFD assets, excluding Station 2, were to be transferred to City ownership no later than September 29, 2019.

FINANCIAL IMPACT:

Other than document filing fees, there is no anticipated financial impact to the City. All MCVFD assets other than Station 2, which was excluded from the original agreement, and the remaining cash assets have been successfully transferred to the City.

OPERATIONAL IMPACT:

As part of the original agreement, MCVFD was to remain an independent Texas non-profit corporation, continue operating under current bylaws, and work with MCFR to repurpose MCVFD into an auxiliary support organization serving Fire District 22.

MCVFD is unable to transfer remaining cash assets as long as it owns liabilities such as Station 2. The two entities have determined it is in the best interest of the City to transfer ownership of Station 2 to the City in order to officially dissolve MCVFD and repurpose into a support organization for MCFR. Once all MCVFD liabilities have been relinquished, the MCVFD federal taxes will be filed, any final invoices will be paid and the remaining cash assets will then transfer to the City as scheduled according to the original agreement.

RECOMMENDATION:

Staff recommends approval of the amendment.

Lisa Palomba, City Administrator

STATE OF TEXAS

COUNTY OF ROCKWALL

AGREEMENT FOR FIRE PROTECTION SERVICES AND INTEGRATION

THIS AGREEMENT is made between the City of McLendon-Chisholm, Texas ("**City**"), a Type-A general law municipality in the State of Texas, County of Rockwall, and the McLendon-Chisholm Volunteer Fire Department ("**MCVFD**"), a Texas non-profit corporation, to be effective on the date that the last party signs the Agreement (the "**Effective Date**") and for the purposes described herein.

W I T N E S S E T H :

WHEREAS, the City is authorized to undertake actions for the protection of the public health, safety and welfare of the citizens of the City including providing for fire protection services; and

WHEREAS, the MCVFD is a combination paid/volunteer fire department organized and operated for the purpose of providing fire protection services for the protection of persons and property from, and in the suppression and fighting of, fires in Rockwall County, Texas; and

WHEREAS, the provision of Fire Functions, defined below, is a governmental function that serves the public health and welfare, promotes efficiency and effectiveness of local governments, and is of mutual concern to the contracting parties; and

WHEREAS, MCVFD and City agree that integration of the MCVFD and the recently formed McLendon-Chisholm Fire Rescue Department ("**MCFR**") is in the best interests of the citizens of the City and Fire District 22, defined below; and

WHEREAS, MCVFD is authorized by the State of Texas to perform Fire Functions and the City is authorized to provide Fire Functions and the parties desire to enter into this Agreement regarding the performance of Fire Functions; and

WHEREAS, City and MCVFD have determined it necessary and appropriate to enter into this Agreement for the integration of MCVFD into MCFR and the provision of Fire Protection Services, as defined below.

NOW, THEREFORE, MCVFD and City, for and in consideration of the recitals set forth above and terms and conditions below, agree as follows:

Section 1. **Recitals.** The recitals set forth above are true and correct and incorporated herein.

Section 2. **Definitions.** The following words shall have the following meanings when used in this Agreement:

2.1 **"Fire-fighting Activities"**, **"Fire Protection Services"**, or **"Fire Functions"** shall mean any and all of the customary and usual activities of a fire department, including fire suppression, fire prevention, training, safety education, maintenance, communications, rescue and emergency medical services, photography, and administration.

2.2 **"Fire District 22"** shall mean the geographic area depicted on Exhibit 1 hereto, as amended by the authorized governmental entity.

Section 3. Term

This Agreements is effective on the date of signature and expires upon completion of the integration provided herein or at midnight on September 30, 2019, whichever occurs first.

Section 4. Fire Protection Services; Personnel

4.1. The parties agree that MCFR will provide Fire Protection Services within Fire District 22, including the City.

4.2. MCFR will respond to Rockwall County Sheriff 911 dispatch direction.

4.3 MCFR will honor and perform all existing Interlocal and Inter-Jurisdictional Agreements of the parties for mutual aid and response that were signed prior to the Effective Date.

4.4. MCVFD agrees to cooperate with MCFR in performing the foregoing obligations by, among other things:

a. encouraging MCVFD personnel to apply for firefighter positions with the City and MCFR; and

b. granting MCFR full and complete authority to operate and utilize all MCVFD buildings, land, apparatus and equipment including, but not limited to the following:

i. 2014 Ferrara Commercial Pumper;

ii. 2017 Ford 550 Brush Truck;

iii. 1995 Pierce Saber Pumper;

iv. 2009 Chevrolet 3500 Brush Truck;

v. Hoses;

vi. Nozzles;

vii. Air Packs;

viii. Air Bottles;

ix. Cascade System;

x. Rescue Tools;

xi. Hand Tools;

xii. Stations 1 and 2 and the real estate with them located at 1250 S SH 205, McLendon-Chisholm, TX and 10685 S FM 548, Royse City, TX;

xiii. Ladders; and

xiv. Administrative Equipment.

4.5 The City shall hire 6 full-time equivalent positions as employees of the City to be funded as provided by the Staffing for Adequate Fire and Emergency Repose (SAFER) Grant Award. All payment obligations and hiring requirements herein are subject to SAFER requirements, all Federal State and local hiring laws. Full-time Firefighters hired shall receive pay and benefits based on position and hours worked including but not limited to salary or hourly wages, insurance, workers compensation benefits, retirement benefits and any other benefit provided to other City employees that work similar hours.

4.6 City shall be responsible for all individual equipment utilized by each firefighter, regardless of employment status. The ownership of individual equipment personally used by MCVFD firefighters hired by MCFR shall be transferred to the City upon such firefighter's employment, at which time the City assumes all responsibility for serviceability, repair and/or replacement of all such equipment.

Section 5. Budget and Payments

5.1 On the effective date of this Agreement, MCFR shall be the primary provider of Fire Protection Services to Fire District 22 and the MCVFD will support MCFR operations as directed by the MCFR Fire Chief. Both entities shall cooperate to ensure fire and emergency services are provided to Fire District 22. MCVFD is solely responsible for any expense incurred by MCVFD that is not directly related to MCFR's day to day operations. The invoices shall be submitted and processed pursuant to City policies.

5.2 The City shall be responsible for maintaining, including paying all related costs, and insuring the MCVFD assets identified herein utilized by MCFR.

5.3 All parties shall cooperate to facilitate the integration. Each party is responsible for their legal fees.

Section 6. Integration

6.1 City and MCVFD agree and commit to engage in good faith efforts to fully integrate MCVFD, including all of its assets, into the City and MCFR beginning October 1, 2018, as provided herein. Beginning October 1, 2018, the parties, and as necessary their attorneys, shall confer and agree on the most efficient means for accomplishing all transfers along with processing, executing and filing all documents necessary, as provided herein. To achieve this purpose and the objectives and goals provided herein, the parties agree as follows:

6.1.1 Within 45 days of the effective date of this Agreement, the MCVFD and MCVFR Fire Chiefs shall present to the City Council a written report that, at a minimum, includes the following information as of September 30, 2018 and any changes through the date of the report:

a. an inventory of all assets of MCVFD;

b. the value of all assets of MCVFD;

c. the location where the assets of MCVFD kept;

d. the identity (including address, telephone number and email address) of any person or entity having any interest in any MCVFD asset;

e. a listing, with detailed explanation, of all existing liabilities of MCVFD and liabilities to accrue prior to September 30, 2019 of MCVFD; and

f. a plan for transfer of assets of MCVFD to the City, means for the proposed transfers and actions that must occur to complete such transfers.

6.2. Before September 30, 2019, MCVFD will transfer all MCVFD assets to City. This is inclusive of each and every asset of MCVFD, excepting and excluding only the real property and improvements known as MCVFD Station 2, and not limited to the assets identified above for use by MCFR. The parties agree to cooperate and aggressively pursue completion of the transfer of MCVFD assets to the City at the earliest time that due diligence permits, but in no event later than September 29, 2019.

In pursuance of the foregoing, the parties identify the following goals and objectives for completing the transfer of assets by MCVFD to MCFR:

6.2.1 Transfer of (a) all individual firefighter equipment, including uniforms and firefighter protective apparel, individually issued tools, equipment and apparatus, excluding apparatus acquired by MCVFD, in whole or in part, with grant resources by November 30, 2018; and (b) all real property and improvements, excluding Station 2, by November 30, 2018 in order to allow remodeling of Station One;

6.2.2 Transfer of any and all remaining assets, including apparatus, tools and equipment by June 15, 2019.

6.2.3 The liabilities, if any, of MCVFD existing as of September 30, 2018 shall remain the liabilities of MCVFD and shall not be assumed by the City.

6.2.4 The MCFR Fire Chief shall have the authority to adjust the time lines required for transfer of any individual piece of equipment or asset if unusual and unforeseen conditions arise that were previously unknown to or are beyond the control of either party to this agreement.

6.2.5 Any sums paid to MCVFD by Rockwall County to provide fire protection services for any part of the fiscal year 2018-2019 in the unincorporated areas of Rockwall County shall be transferred to the City within five (5) business days after complete execution of this Agreement or receipt of such funds by MCVFD, whichever occurs later. The City shall use any such money to fulfill MCFR's obligations undertaken in section 4.3 above.

6.3. MCVFD will review and modify as necessary the MCVFD Articles of Incorporation to ensure proper and legal transfer of assets to City.

6.4 During the term of this Agreement, MCVFD, including but not limited to the MCVFD Fire Chief, shall engage with the MCFR Fire Chief for the purpose of transferring knowledge of all manner of MCVFD's operations to the MCFR Fire Chief.

Section 7. Insurance and Indemnification

7.1. To the extent allowed by law, City will indemnify, hold harmless, release and defend MCVFD from and against all third-party claims of liability and resulting damages, including claims for property damage or bodily injury, that directly or indirectly arise from performance of this Agreement by MCVFD, its agents, employees and subcontractors.

7.2. City will keep and maintain such insurance policies as may be necessary to cover all obligations assumed under this Insurance and Indemnification provision of this Agreement, insuring liability for injury or death of third parties, extended to include personal injury liability coverage, and for damage to property of third parties, with the following limits for each occurrence:

Injury or Death:	$1,000,000
Property Damage:	$1,000,000

City shall have MCVFD added as an additional insured to the foregoing insurance policies and shall, on request, provide certificates of insurance to the MCVFD.

7.3. To the extent allowed, City waives subrogation rights for loss or damages to the extent they are covered by insurance. Insurers shall have no right of recovery or subrogation against the MCVFD for the claims covered by this section, it being the intention that the insurance policies shall protect all parties to this Agreement and be the primary coverage for all losses covered by the policies. The insurance companies shall have no recourse against the MCVFD for payment of premiums or assessments for deductibles.

Section 8. Immunity

8.1 The fact that City and MCVFD accept certain responsibilities relating to the rendering of Fire Protection Services under this Agreement as part of their responsibility for providing protection for the public health makes it imperative that the performance of these vital services be recognized as a governmental function and that the doctrine of governmental immunity shall be, and it is hereby, invoked to the extent possible under the law. Neither City nor MCVFD waives any immunity or defense that would otherwise be available to it against claims arising from the exercise of governmental powers and functions.

8.2 It is expressly understood and agreed that by executing this Agreement, neither party waives, nor shall be deemed hereby to waive, any immunity or defense that would otherwise be available to it, against claims arising in the exercise of governmental powers and functions. By its execution of this Agreement, the City does not waive or surrender any of its governmental powers, immunities, or rights except as follows:

(a) The City waives its governmental immunity from suit as to any action brought by a party to this Agreement to pursue the remedies available under this Agreement, but only to the extent necessary to pursue such remedies. Nothing in this Section 8 shall waive any claims, defenses, or immunities that the City has with respect to suits against the City by persons or entities other than a party to this Agreement nor shall this Section 8 or Agreement be construed to waive any immunities, whether governmental, sovereign, legislative, official, qualified or otherwise, except as clearly set forth in this section.

(b) Nothing in this Agreement is intended to delegate or impair the performance by the City of its governmental functions.

Section 9 Other Agreements.

9.1. During the term of this Agreement:

9.1.1. MCVFD shall remain an independent Texas non-profit corporation and Internal Revenue Code 501(c)(4) tax exempt organization;

9.1.2. MCVFD shall operate under its Corporate Charter, 2017 Bylaws and governing Federal, State and Local laws; and

9.1.3. MCVFD shall not at any time, without the prior written consent of the City, collaterally assign, pledge, grant a lien or security interest in, or otherwise encumber, any of its rights, title or interest in any asset claimed by MCVFD.

9.2. MCVFD and MCFR shall take mutually agreed upon action necessary to repurpose MCVFD as an auxiliary organization in support of firefighters and any civilian support organization serving Fire District 22 effective upon termination of this Agreement.

Section 10 Default and Remedies

10.1 This Agreement may not be terminated without the written agreement of both parties.

10.2 If a party to this Agreement is in default, the aggrieved party may, at its option and without prejudice to any other right or remedy under this Agreement, seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance and injunctive relief. Notwithstanding the foregoing, however, no default under this Agreement shall entitle the aggrieved party to seek or recover monetary damages of any kind.

Section 11 Entire Agreement

This Agreement represents the entire and integrated agreement between City and MCVFD and supersedes all prior negotiations, representations, and/or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both parties.

Section 12 Venue

The laws of the State of Texas shall govern this Agreement and each of its terms and provisions, including but not limited to the rights and duties of the parties hereto, and exclusive venue shall be in Rockwall County, Texas.

Section 13 Severability

In the event that any portion of this Agreement shall be found to be contrary to law, it is the intent of the parties hereto that the remaining portions shall remain valid and in full force and effect to the extent possible. It is the intent and agreement of the parties to this Agreement that all legal provisions of law required to be inserted herein, shall be and are inserted herein. If through mistake or oversight, however, any such provision is not herein inserted or is not inserted in proper form, then upon application of either party, the Agreement shall be amended so as to strictly comply with the law and without prejudice to the rights of either party hereunder. The provisions of this Agreement are severable.

Section 14 Non-Waiver

All rights, remedies, and privileges permitted or available to either party under this Agreement or at law or equity shall be cumulative and not alternative, and election of any such right, remedy, or privilege shall not constitute a waiver or exclusive election of rights, remedies or privileges with respect to any other permitted or available right, remedy or privilege. Additionally, one instance of forbearance by the either party in the enforcement of any such right, remedy or privilege against the other party, shall not constitute a waiver of such right, remedy or privilege by the forbearing party. A default by either party under this Agreement shall not result in a forfeiture of any rights, remedies, or privileges under this Agreement by such defaulting party.

Section 15 Authority of Parties. The City represents and warrants that this Agreement has been duly adopted by official action of the City Council in accordance with all applicable public notice requirements (including, but not limited to, notices required by the Texas Open Meetings

Act) and that the individual executing this Agreement on behalf of the City has been duly authorized to do so. MCVFD represents and warrants that this Agreement has been approved by appropriate action of MCVFD and that the individual(s) executing this Agreement on behalf of MCVFD has or have been duly authorized to do so.

Section 16 No Third-Party Beneficiaries. This Agreement inures only to the benefit of, and may only be enforced by, the parties to this Agreement.

Section 17 Cooperation. Each party to this Agreement shall, upon request of another party, execute and deliver such further documents and perform such further acts as may reasonably be requested to effectuate the terms of this Agreement and achieve the intent of the parties to this Agreement.

Section 18 Assignment

This Agreement shall extend to and be binding upon the parties and their respective successors and assigns; provided, however, that this Agreement may not be assigned without the written consent of both parties.

Section 19 Notice. All notices required or contemplated by this Agreement (or otherwise given in connection with this Agreement) shall be in writing, shall be signed by or on behalf of the person or entity giving the notice, and shall be effective as follows: (a) on or after the third (3^{rd}) business day after being deposited with the United States mail service, certified mail, return receipt requested; (b) on the day delivered by private courier, private delivery or private messenger service (including overnight mail services such as FedEx or UPS) as evidenced by a receipt signed by any person at the delivery address (whether or not such person is the person to whom the notice is addressed); or (c) otherwise on the day actually received by the person to whom the notice is addressed, including, but not limited to, delivery in person and delivery by regular mail. Notices given pursuant to this section shall be addressed as follows:

To the City:

Attn: City Administrator
City of McLendon-Chisholm
1371 West FM 550
McLendon-Chisholm, Texas 75032

and

Chief Jim Simmons
City of McLendon-Chisholm
1371 West FM 550
McLendon-Chisholm, Texas 75032

To the MCVFD: Attn: Chief Patrick Murphy
McLendon-Chisholm Volunteer Fire Department
1250 State Highway 205
McLendon-Chisholm, Texas 75087

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed under authority of appropriate action taken by their respective governing bodies.

CITY OF McLENDON-CHISHOLM, TEXAS

Date: 10/4/18

By: Keith Short, Mayor

ATTEST:

Lisa Palomba, City Secretary

McLENDON-CHISHOLM VOLUNTEER FIRE DEPARTMENT:

Date: 10/9/2018

By: Patrick Murphy, Fire Chief

AMENDMENT TO AGREEMENT FOR FIRE PROTECTION SERVICES AND INTEGRATION

STATE OF TEXAS

COUNTY OF ROCKWALL

WHEREAS, the City of McLendon-Chisholm (hereinafter "City") and the McLendon-Chisholm Volunteer Fire Department (hereinafter "MCVFD") entered into an Agreement for Fire Protection Services and Integration in October of 2018; and

WHEREAS, the parties need to amend the previously adopted agreement;

WHEREAS, the City has determined that it desires full ownership of MCVFD Station 2 located at 10685 S FM 548, Royse City, TX to fulfill its obligations as the primary provider of Fire Protection Services to Fire District 22;

THEREFORE, premises considered, City and MCVFD hereby amend the Agreement for Fire Protection Services and Integration by adopting the following changes:

Section 6.2 will now read as follows:

Before September 30, 2019, MCVFD will transfer all MCVFD assets to the City. This is inclusive of each and every asset of MCVFD and not limited to assets listed in Section 4.4 for use by MCFR. The parties agree to cooperate and aggressively pursue the transfer of MCFVD assets to the City at the earliest time that due diligence permits, but in no event later than September 29, 2019...

The remainder of the Agreement is not amended by this amendment.

IN WITNESS HEREOF, the Parties have had this Amendment approved by their respective governing bodies and execute this amendment.

CITY OF MCLENDON-CHISHOLM

Date: _____________ __________________________________

By: Keith Short, Mayor

ATTEST:

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Lisa Palomba, City Administrator/City Secretary

MCLENDON-CHISHOLM VOLUNTEER FIRE DEPARTMENT

DATE: _______________________ __________________________________
Patrick Murphy, MCVFD Chief

FISCAL YEAR 2019/2020 BUDGET ADOPTION CALENDAR

June 11, 2019 Reg. Council Mtg.	Staff to Review Budget Adoption Calendar & Process with Council	City Council/City Admin
June 25, 2019 Reg. Council Mtg.	May Financial Report available	No action required
July 9, 2019 Reg. Council Mtg.	Consider approval of Investment Policy, Fund Balance Policy and review Master Fee Schedule	No budget action required other than consideration of mentioned items.
July 15, 2019 Special Council Mtg.	City Council Retreat & Budget Workshop	City Council/ Accountant/City Admin
July 23, 2019 Reg. Council Mtg.	Budget Workshop 3rd Quarter Financial Report Available	City Council/ Accountant/City Admin Consider limiting agenda to budget items. No action required.
July 25, 2019	RCAD provides certified values	Rockwall CAD
August 6, 2019 Optional Special Council Mtg.	Budget Workshop only if needed	Council/City Admin No action Required
August 13, 2019 Reg. Council Mtg.	Council sets proposed tax rate (not to exceed rate)	City Council/Accountant/City Admin
August 16, 2019 No Mtg.	Public Notices Appear in Newspaper for Budget and Tax Rate Public Hearings	City Secretary submits notices to paper (by August 9, 2019)
August 23, 2019 No Mtg.	Preliminary Budget filed with City Secretary and posted on City website (at least 30 days before tax levy approval)	Accountant/City Secretary
August 27, 2019 Reg. Council Mtg.	1st Public Hearing on Tax Rate. (Announce date, time and place of meeting at which a vote will be taken)	Council/City Admin
September 10, 2019 Reg. Council Mtg.	Public Hearing on Budget 2nd Public Hearing on Tax Rate	Council/City Admin

	(Announce date, time and place of meeting at which a vote will be taken)	
September 24, 2019 Reg. Council Mtg.	Budget Adopted Ratification Ord. (If budget raises total property tax revenue) Tax Rate Adopted	Council/Accountant/City Admin
September 30, 2019 No Mtg.	Statutory deadline for adopting the budget.	
October 1, 2019	New Fiscal Year Begins	