

**Exhibit A**  
**PLOM Document**

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED [PLOM DATE], 2025**

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

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.*

**\$11,939,000\*****CITY OF BASTROP, TEXAS****(a municipal corporation of the State of Texas located in Bastrop County)****SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025****(VALVERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)****Dated Date: Date of Delivery (as defined below)****Due: September 1, as shown on page i****Interest to Accrue from the Date of Delivery**

The City of Bastrop, Texas Special Assessment Revenue Bonds, Series 2025 (Valverde Public Improvement District Improvement Area #1) (the “Bonds”), are being issued by the City of Bastrop, Texas (the “City”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on page i hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 1 and September 1, commencing March 1, 2025, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by BOKF, NA, Dallas, Texas, as trustee (the “Trustee”), to Cede & Co. as the registered owner thereof. See “BOOK-ENTRY ONLY SYSTEM.”

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

Proceeds of the Bonds will be used for the purpose of (i) paying a portion of the Actual Costs of the Improvement Area #1 Improvements (as defined herein), (ii) paying capitalized interest on the Bonds during the period of construction and acquisition of Improvement Area #1 Improvements, (iii) funding a reserve account for payment of principal and interest on the Bonds, (iv) funding the initial deposit to the Administrative Fund for the payment of the initial Annual Collection Costs, and (v) paying the costs of issuance of the Bonds. See “THE IMPROVEMENT AREA #1 IMPROVEMENTS” and “APPENDIX A — Form of Indenture.”

The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by the Pledged Revenues, consisting primarily of Assessments levied against assessable properties in the Valverde Public Improvement District (originally created as Viridian Public Improvement District, and formerly known as NEU Community Bastrop) (the “District”) in accordance with a Service and Assessment Plan and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. The Assessments are expected to be levied in accordance with the Assessment Ordinance (as defined herein) of the City. See “SECURITY FOR THE BONDS.”

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

The Bonds involve a significant degree of risk and are not suitable for all investors. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds. See “BONDHOLDERS’ RISKS” and “SUITABILITY FOR INVESTMENT.”

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE TRUST ESTATE. SEE “SECURITY FOR THE BONDS.”

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the City and accepted by FMSbonds, Inc. (the “Underwriter”), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX C — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the City by its counsel, Denton Navarro Rodriguez Bernal Santee & Zech, PC, the Underwriter by its counsel, Troutman Pepper Locke LLP, Dallas, Texas (successor merged firm to Locke Lord LLP and Troutman Pepper Hamilton Sanders LLP; see “LEGAL MATTERS – Legal Proceedings”) and for the Developer by its counsel Metcalfe Wolff Stuart & Williams, LLP. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about [CLOSING DATE], 2025 (the “Date of Delivery”).

\* Preliminary; subject to change

**FMSBONDS, INC.**

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

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This will be filled out during pricing at  
market.

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

**\$11,939,000\***  
**CITY OF BASTROP, TEXAS**  
**(a municipal corporation of the State of Texas located in Bastrop County)**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025**  
**(VALVERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)**

**\$ \_\_\_\_\_ Term Bonds**

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_, Priced to Yield \_\_\_\_\_%; CUSIP \_\_\_\_\_ (a) (c)

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_, Priced to Yield \_\_\_\_\_%; CUSIP \_\_\_\_\_ (a) (c)

\$ \_\_\_\_\_ % Term Bonds, Due September 1, 20\_\_, Priced to Yield \_\_\_\_\_%; CUSIP \_\_\_\_\_ (a) (b) (c)

- 
- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
  - (b) The Bonds are subject to redemption, in whole or in part, prior to stated maturity, at the option of the City, on any date on or after September 1, 20\_\_ at the redemption price of 100% of the principal amount plus accrued and unpaid interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
  - (c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

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\* Preliminary; subject to change.

**CITY OF BASTROP, TEXAS  
CITY COUNCIL**

<u>City Council Members*</u>	<u>Term Expires</u>
John Kirkland, Mayor Pro Tem	May 2025
Cheryl Lee, Place 1	May 2025
Cynthia Meyer, Place 2	May 2027
Kevin Plunkett, Place 3	May 2026
Kerry Fossler, Place 4	May 2027

*\* The City's Mayor resigned as of January 14, 2025, and the Mayor Pro Tem will preside over the City's operations until such time as a new Mayor is elected. The City expects to hold an election for the Mayor position in May 2025.*

<b>CITY MANAGER</b> Sylvia Carrillo-Trevino	<b>CHIEF FINANCIAL OFFICER</b> Edi McIlwain	<b>CITY SECRETARY</b> Irma G. Parker
--	--	---

**ADMINISTRATOR**  
P3Works, LLC

**FINANCIAL ADVISOR TO THE CITY**  
Specialized Public Finance, Inc.

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

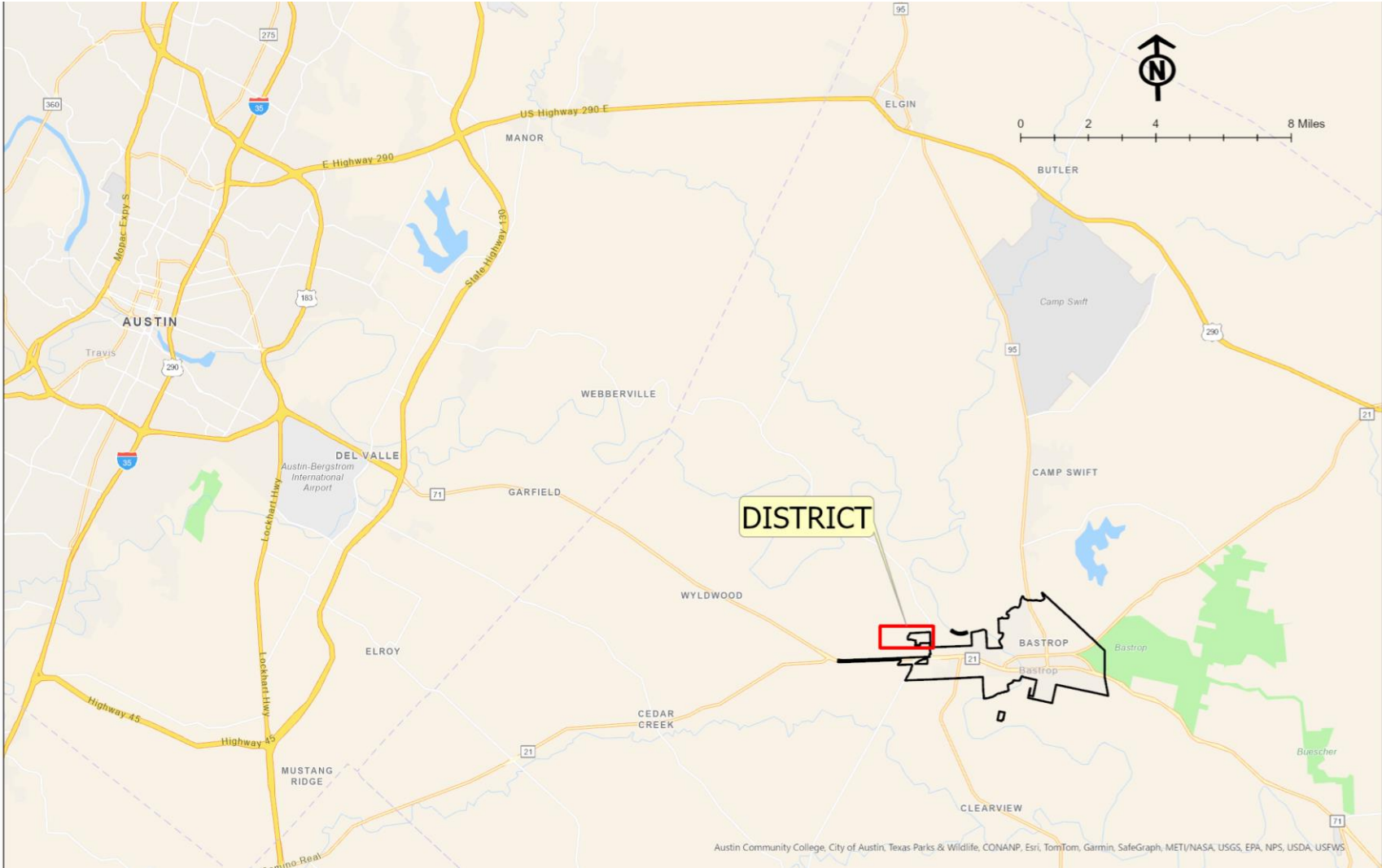
**UNDERWRITER'S COUNSEL**  
Troutman Pepper Locke LLP

For additional information regarding the City, please contact:

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Austin, Texas 78731  
(512) 275-7300  
dan@spfmuni.com

## REGIONAL LOCATION MAP OF THE DISTRICT



## AREA LOCATION MAP OF THE DISTRICT





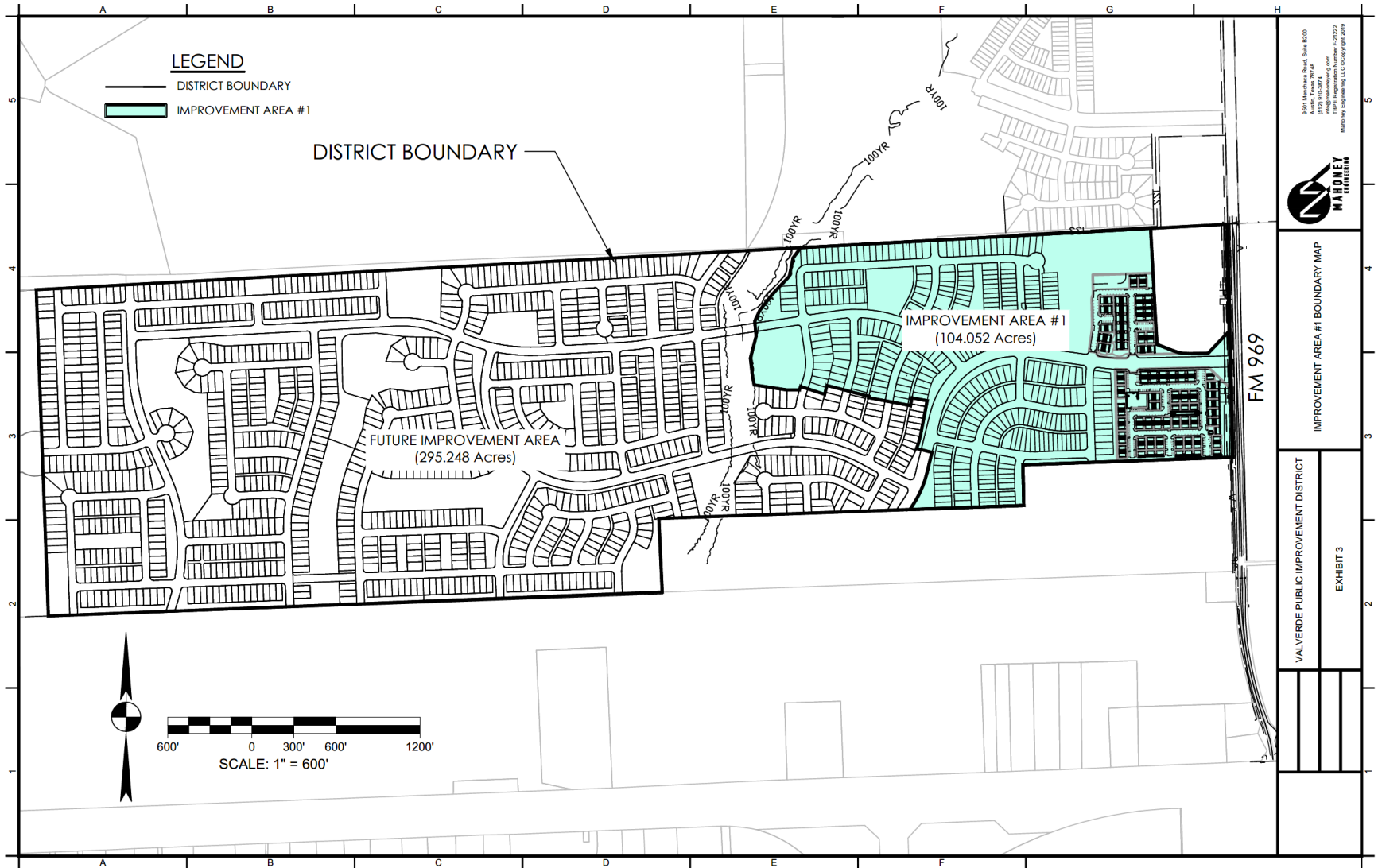
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 The State Board of Professional Engineers  
 File Registration No. P-2122  
 www.prc.state.tx.us

AERIAL LOCATION MAP  
 OF PROJECT

VALVERDE  
 BASTROP, TX

SHEET  
 1  
 OF 1

# MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT AREA #1





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

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

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

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

NONE OF THE CITY, THE FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

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

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR THE UNDERWRITER PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN

ANY OF THE EXPECTATIONS, EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

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

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

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**PRELIMINARY LIMITED OFFERING MEMORANDUM**

**\$11,939,000\***

**CITY OF BASTROP, TEXAS**

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

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2025**

**(VALVERDE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #1)**

**INTRODUCTION**

The purpose of this Limited Offering Memorandum, including the cover page, inside cover and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Bastrop, Texas (the “City”), of its \$11,939,000\* aggregate principal amount of Special Assessment Revenue Bonds, Series 2025 (Valverde Public Improvement District Improvement Area #1) (the “Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDHOLDERS’ RISKS.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be adopted by the City Council of the City (the “City Council”) on [BPA DATE], 2025 (the “Bond Ordinance”), and an Indenture of Trust, dated as of [INDENTURE DATE], 2025 (the “Indenture”), entered into by and between the City and BOKF, NA, Dallas, Texas, as trustee (the “Trustee”). The Bonds will be secured by a pledge and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of revenue from special assessments (the “Assessments”) to be levied against assessable property (the “Assessed Property”) located within Improvement Area #1 of the Valverde Public Improvement District (originally created as Viridian Public Improvement District, and formerly known as NEU Community Bastrop) (the “District”) pursuant to an ordinance (the “Assessment Ordinance”) expected to be adopted by the City Council on [BPA DATE], 2025. The City created the District as “Viridian Public Improvement District” pursuant to an ordinance adopted by the City Council on March 9, 2021 (the “Creation Resolution”) and subsequently changed the name of the District to “Valverde Public Improvement District.” Prior to its creation, the District was referred to as NEU Community Bastrop.

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

Set forth herein are brief descriptions of the City, the District, Continental Homes of Texas, L.P. (the “Developer”), P3Works, LLC (the “Administrator”), the Creation Resolution, the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Development Agreement (as defined herein), the Viridian Public Improvement District Financing and Reimbursement Agreement dated as of September 14, 2021 between the Developer and the City (the “Financing and Reimbursement Agreement”), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the

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\* Preliminary; subject to change.



Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas, 75034, phone: (214) 302-2246. The form of the Indenture appears in APPENDIX A and the Form of Service and Assessment Plan appears as APPENDIX B. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

## **PLAN OF FINANCE**

### **The District**

The PID Act authorizes political subdivisions, such as the City, to create public improvement districts and to impose assessments within the public improvement district to pay for public improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area #1 Improvements (as defined herein), authorized by the PID Act and approved by the City Council that confer a special benefit on the District. The District is not a separate political entity from the City but rather reflects an area within the City that City Council has designated and within which the City is authorized to levy assessments for public improvements.

### **Development Plan, Status of Development, and Plan of Finance**

The District is composed of approximately 410.59 acres of which approximately 399.878 acres are being developed as a master planned residential development by the Developer (the “Development”). The Development is expected to include approximately 1,399 single-family residential lots, consisting of a mixture of 32’, 43’, 45’ and 50’ lots, as well as 250 townhome rental units at build out. Approximately 10.59 acres within the boundaries of the District will be non-assessed land and will not be part of the Development. Such acreage is expected to be developed as adjacent commercial development.

The Developer will develop its land in the District in phases, beginning with the development of approximately 104.052 acres of the District, herein referred to as “Improvement Area #1,” as shown on the “MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT AREA #1” on page v. See “THE DEVELOPMENT — Development Plan and Status of Development in Improvement Area #1 of the District.” The areas shown as “Future Improvement Area” on the “MAP SHOWING BOUNDARIES OF THE DISTRICT AND IMPROVEMENT AREA #1” on page v, is referred to herein as the “Future Improvement Areas.”

The Developer purchased approximately 399.878 acres of land, which includes the land within Improvement Area #1 of the District, on December 17, 2020, from David K. Grassel at a purchase price of \$11,600,000, which was funded with cash available to the Developer. The Developer is the owner of all 399.878 acres being developed in the District, including Improvement Area #1. Approximately 10.59 acres within the boundaries of the District are owned by SIS Bastrop, LLC, and will not be assessed or part of the Development.

Development in the District began with Improvement Area #1, which is expected to contain a total of 352 single-family residential lots and 250 townhomes, and is being developed in three phases. The initial phase of single-family development in Improvement Area #1 contains 174 lots and is referred to by the Developer as “Phase 2.” The second phase of single-family development in Improvement Area #1 is expected to contain 178 lots and is referred to by the Developer as “Phase 3.” The third phase of development in Improvement Area #1 contains all 250 townhomes, and is referred to by the Developer as “Phase 13.”

The Developer has constructed and will construct improvements consisting of certain street, water, wastewater, and drainage improvements that will benefit Improvement Area #1 of the District (the “Improvement Area #1 Improvements”). Construction of the portion of the Improvement Area #1 Improvements benefitting Phase 2 began in September 2022. Internal lot improvements for Phase 2 have been completed, and final completion of Phase 2, which is pending completion of a lift station, is expected to be in January 2025. Construction of the portion of the Improvement Area #1 Improvements benefitting Phase 3 began in May 2024 and is expected to be completed in May 2025. Construction of the internal Improvement Area #1 Improvements benefitting Phase 13 is expected to begin in Q1 2025 and be completed in Q1 2026.

The total expected cost of the Improvement Area #1 Improvements is \$21,262,504\*. As of December 1, 2024, the Developer has expended approximately \$14,300,000 on the Improvement Area #1 Improvements, which was financed with cash available to the Developer. See “THE DEVELOPER – History and Financing of the District.”

The Developer does not plan on entering into any purchase contracts with any homebuilders within the District. The Developer is a wholly-owned subsidiary of D.R. Horton. D.R. Horton will construct the anticipated 352 single-family homes in Improvement Area #1 of the District. Home construction in Improvement Area #1 began in October 2024, and the first home closing is expected to be in February 2025.

DHI Communities (“DHI”), a wholly owned subsidiary of D.R. Horton, will construct the anticipated 250 townhomes in Improvement Area #1 of the District. DHI is expected to begin vertical construction of the townhomes in Q2 2026 and complete such construction in Q2 2027. The townhomes are expected to be rental units with an average rental rate of approximately \$1,775/unit.

The City has entered into a reimbursement agreement with the Developer (the “Reimbursement Agreement”) to reimburse a portion of the costs of the Improvement Area #1 Improvements. Under the Reimbursement Agreement, the City will reimburse the Developer a portion of the costs of the Improvement Area #1 Improvements from proceeds of the Bonds. The City has agreed to reimburse the Developer an amount not to exceed \$10,970,000 for the actual costs of the Improvement Area #1 Improvements, and expects to amend and restate the Reimbursement Agreement concurrent with the approval of the Bonds to allow for reimbursement in the total amounts shown in the Service and Assessment Plan (as defined herein). The City expects to reimburse the Developer \$[PROJECT FUND DEPOSIT]\* for the costs of the Improvement Area #1 Improvements from the proceeds of the Bonds. The remaining costs of the Improvement Area #1 Improvements will be funded by the Developer without reimbursement by the City.

The City will pay a portion of the project costs for the Improvement Area #1 Improvements from proceeds of the Bonds. The Developer will submit payment requests on a monthly basis for costs actually incurred in developing and constructing the Improvement Area #1 Improvements and be paid in accordance with the Indenture, the Financing and Reimbursement Agreement, and the Reimbursement Agreement. See “THE IMPROVEMENT AREA #1 IMPROVEMENTS – General,” “THE DEVELOPMENT – Development Plan and Status of Development in Improvement Area #1” and “APPENDIX F – Financing and Reimbursement Agreement.” The remaining costs of the Improvement Area #1 Improvements will be paid by the Developer and such costs will not be reimbursed by the City.

## **The Bonds**

Proceeds of the Bonds will be used for the purpose of (i) paying a portion of the Actual Costs of the Improvement Area #1 Improvements(ii) paying capitalized interest on the Bonds during the period of construction and acquisition of Improvement Area #1 Improvements, (iii) funding a reserve account for payment of principal and interest on the Bonds, (iv) funding the initial deposit to the Administrative Fund for the payment of the initial Annual Collection Costs, and (v) paying the costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount shall be transferred, first, to the Improvement Account of the Project Fund and, second, to the Principal and Interest Account of the Bond Fund to pay interest on the Bonds. See “SOURCES AND USES OF FUNDS,” “THE IMPROVEMENT AREA #1 IMPROVEMENTS,” and “APPENDIX A – Form of Indenture.”

Payment of the Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of the Pledged Revenues, which consist primarily of Assessments levied against the Assessed Property in Improvement Area #1 within the District, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS,” “ASSESSMENT PROCEDURES” and “APPENDIX A – Form of Indenture.”

**The Bonds and any Future Improvement Area Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”), or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and**

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\* Preliminary; subject to change.

**special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the full faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds. Any Future Improvement Area Bonds to be issued by the City are not offered pursuant to this Limited Offering Memorandum.**

### **Future Improvement Area Bonds**

The City expects to issue one or more series of bonds (collectively, the “Future Improvement Area Bonds”) to finance the costs of local improvements benefitting the distinct portions of the District within the Future Improvement Areas developed as individual improvement areas after Improvement Area #1 (the “Future Improvement Area Improvements”). The estimated costs of the local improvements benefitting each Future Improvement Area of the District will be determined as such Future Improvement Area is developed, and the Service and Assessment Plan will be updated to identify the improvements to be constructed within such Future Improvement Area and financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be issued pursuant to separate indentures and secured by separate assessments levied pursuant to the PID Act on assessable property within the applicable Future Improvement Area. See “THE DEVELOPMENT – Future Improvement Area Bonds.”

**The Bonds and any Future Improvement Area Bonds issued by the City are separate and distinct issues of securities issued pursuant to separate indentures and secured by separate assessments. Neither any Refunding Bonds nor any Future Improvement Area Bonds to be issued by the City are offered pursuant to this Limited Offering Memorandum. Investors interested in purchasing any of these other City obligations should refer to the offering documents related thereto, when and if available.**

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds will mature on the dates and in the amounts set forth on page i of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery (the “Closing Date”) to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on each March 1 and September 1, commencing March 1, 2025 (each, an “Interest Payment Date”), until maturity or prior redemption. BOKF, NA, is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$1,000 in excess thereof (“Authorized Denominations”), provided, however, that if the total principal amount of the Outstanding Bonds is less than \$100,000 then the Authorized Denomination shall be the amount of the Outstanding Bonds. Notwithstanding the foregoing, Authorized Denominations shall also include Bonds issued in \$1,000 in principal amount and integral multiples of \$1,000 in the following instances: (A) any Bonds or any portion thereof that have been redeemed in part pursuant to an extraordinary optional redemption or (B) any Bonds or any portion thereof that have been defeased in part pursuant to an extraordinary optional redemption. Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

### **Redemption Provisions**

*Optional Redemption.* The Bonds may be redeemed prior to their scheduled maturities on any date on or after September 1, \_\_\_\_\_, at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (the “Redemption Price”).

*Extraordinary Optional Redemption.* The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, from

NOTE: This page has lines intentionally left blank.  
This will be filled out during pricing at market.

amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in the Indenture) or any other transfers to the Redemption Fund under the terms of the Indenture. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on \_\_\_\_\_ in the years \_\_\_\_ and \_\_\_\_ (collectively, “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 Term Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective sinking fund installments as set forth in the following schedule:

<u>Mandatory Sinking Fund</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	
September 1, 20__	\$
September 1, 20__	
September 1, 20__†	

\$ \_\_\_\_\_ Bonds Maturing September 1, 20\_\_

<u>Mandatory Sinking Fund</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	
September 1, 20__	\$
September 1, 20__	
September 1, 20__†	

\$ \_\_\_\_\_ Bonds Maturing September 1, 20\_\_

<u>Mandatory Sinking Fund</u>	<u>Principal Amount</u>
<u>Redemption Date</u>	
September 1, 20__	\$
September 1, 20__	
September 1, 20__†	

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† Stated Maturity

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

The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the Indenture shall be reduced, at the option of the City, by the principal amount of any Term 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 Term Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the Indenture shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Term Bonds which, at least 30 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the

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

*Notice of Redemption.* Upon notification by the City to the Trustee of the exercise of any redemption, the Trustee shall give notice of any redemption of Bonds Similarly Secured 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 Similarly Secured or portion thereof to be redeemed, at the address shown in the Register.

The notice shall state the redemption date, the Redemption Price, the place at which the Bonds Similarly Secured are to be surrendered for payment, and, if less than all the Outstanding Bonds Similarly Secured are to be redeemed, and subject to the Indenture, an identification of the Bonds Similarly Secured 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 Similarly Secured shall become due and payable.

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

The City has the right to 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 Similarly Secured 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.

*Partial Redemption.* If less than all of the Bonds Similarly Secured are to be redeemed pursuant to the Indenture, Bonds Similarly Secured shall be redeemed in increments of \$1,000 by lot, provided that no redemption shall cause the principal amount of any Bond Similarly Secured to be less than the minimum Authorized Denomination for such Bond except as provided in the following sentence. Notwithstanding the foregoing, if any Bonds Similarly Secured are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond Similarly Secured in an amount less than the Authorized Denomination in effect at the time, a Bond Similarly Secured in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued. Each Bond Similarly Secured shall be treated as representing the number of Bonds Similarly Secured that is obtained by dividing the principal amount of such Bond Similarly Secured by the minimum Authorized Denomination for such Bond Similarly Secured.

If less than all of a series of Bonds Similarly Secured are called for optional redemption pursuant to the Indenture, the City shall, pursuant to a City Certificate, determine the Bond Similarly Secured or Bonds Similarly Secured or the amount thereof within a Stated Maturity to be redeemed and direct the Trustee to call by lot the Bonds, or portions thereof, within such Stated Maturity and in such principal amounts, for redemption.

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

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

#### **BOOK-ENTRY ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee*



*name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are collectively referred to herein as "Participants." DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

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

THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

*Use of Certain Terms in Other Sections of this Limited Offering Memorandum.* In reading this Limited Offering Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Limited Offering Memorandum to registered owners should be read to include the person for which the participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to registered owners under the Indenture will be given only to DTC.

### **LIMITATIONS APPLICABLE TO INITIAL PURCHASERS**

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “accredited investors” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute any instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Improvement Area #1 Improvements, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.

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

subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

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

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

## **SECURITY FOR THE BONDS**

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

### **General**

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE “APPENDIX A — FORM OF INDENTURE.”

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments to be levied against the Assessed Property and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (the “Service and Assessment Plan”), which describes the special benefit received by the property within the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX B — Form of Service and Assessment Plan.”

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of applicable law to finance the Improvement Area #1 Improvements by levying Assessments upon the Assessed Property. For a description of the assessment methodology and the amounts of Assessments to be levied in the District, see “ASSESSMENT PROCEDURES” and “APPENDIX B — Form of Service and Assessment Plan.”

### **Pledged Revenues**

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Improvement Area #1 Improvements by levying Assessments upon properties in Improvement Area #1 of the District

benefitted thereby. For a description of the assessment methodology and the amounts of Assessments levied in Improvement Area #1 of the District, see “ASSESSMENT PROCEDURES” and “APPENDIX B — Form of Service and Assessment Plan.”

The Bonds are secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessment Revenues, and other funds comprising the Trust Estate, all and to the extent and upon the conditions described in the Indenture.

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

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

“Additional Interest Rate” means the additional 0.50% interest charged on the Improvement Area #1 Assessments as authorized by Section 372.018 of the PID Act.

“Annual Installment” means the annual installment payment of an Assessment as calculated by the Administrator and approved by the City Council that may include: (1) principal; (2) interest; (3) Annual Collection Costs; and (4) Additional Interest.

“Bonds Similarly Secured” means, collectively, any Outstanding Bonds and Refunding Bonds.

“Improvement Area #1 Assessment Revenues” means the revenues received by the City from the collection of the Improvement Area #1 Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds.

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

“Pledged Revenues” means, collectively, the (i) Assessment Revenues (excluding the portion of the Assessments and Annual Installments collected for the payment of Annual Collection Costs 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 or other Bonds Similarly Secured.

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

In addition, the Indenture refers to the Assessments as “Improvement Area #1 Assessments” and such term is used under this “SECURITY FOR THE BONDS” heading.

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

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

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



THE PORTIONS OF THE ANNUAL INSTALLMENTS OF ASSESSMENTS COLLECTED TO PAY ANNUAL COLLECTION COSTS AND DELINQUENT COLLECTION COSTS WILL BE DEPOSITED IN THE ADMINISTRATIVE FUND AND SHALL NOT CONSTITUTE PLEDGED REVENUES.

### **Unconditional Levy of Assessments**

The City expects to impose Assessments on the property within Improvement Area #1 of the District sufficient to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each fiscal year the Bonds are Outstanding. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Interest on the Assessments will be calculated at the rate of interest on the Bonds plus the Additional Interest Rate calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated annually and shall be due on or about November 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

As authorized by Section 372.018(b) of the PID Act, the City will levy, assess and collect each year while the Bonds are Outstanding and unpaid, as part of the Annual Installment, an amount to pay the annual costs incurred by the City in the administration and operation of the District (the "Annual Collection Costs"). The portion of each Annual Installment of an Assessment used to pay such Annual Collection Costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The amount collected to pay Annual Collection Costs shall be due in the manner set forth in the Assessment Ordinance on or about November 1 of each year and shall be delinquent if not paid by February 1 of the following year. **Amounts collected for Annual Collection Costs do not secure repayment of the Bonds.**

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

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Assessment Lien") against the Assessed Property, superior to all other liens and claims, except liens and claims for the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged) and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See "ASSESSMENT PROCEDURES" herein. The Assessment Lien is superior to any homestead rights of a property owner that are properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance ("Pre-existing Homestead Rights") for as long as such rights are maintained on the property. See "BONDHOLDERS' RISKS — Assessment Limitations."

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

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

For so long as any Bonds Similarly Secured are Outstanding and amounts are due to the Developer under the Financing and Reimbursement Agreement to reimburse it for its funds it has contributed to pay Actual Costs of the Improvement Area #1 Projects, the City covenants, agrees and warrants that it will take and pursue all reasonable actions permissible under Applicable Laws to cause the Improvement Area #1 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 Improvement Area #1 Assessments.

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

The City will determine or cause to be determined, no later than 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 Improvement Area #1 Assessments or the corresponding property.

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

### **Perfected Security Interest**

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

### **Pledged Revenue Fund**

The City will create a Pledged Revenue Fund to be held by the Trustee under the Indenture. Immediately upon receipt thereof, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Pledged Revenues. Specifically, the Trustee shall deposit or cause to be deposited the foregoing amounts as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due, (ii) second, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, (iii) third to pay other Actual Costs of the Improvement Area #1 Projects, and (iv) fourth to pay other costs permitted by the PID Act. Notwithstanding the foregoing, the Additional Interest of the Annual Installments shall only be utilized for the purposes set forth under the second paragraph “—Reserve Account of the Reserve Fund” and, on each March 1, beginning March 1, 2026, and on any other day set forth in a City Certificate, the amount of Additional Interest of the Annual Installments confirmed by the City pursuant to a City Certificate, will be deposited into the Delinquency & Prepayment Reserve Account and/or the Redemption Fund, as applicable.

From time to time as needed to pay the obligations relating to the Bonds Similarly Secured, but no later than five (5) Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund and transfer to the Principal and Interest Account 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 Similarly Secured on the next Interest Payment Date.

The Trustee shall transfer the amounts determined in writing by the City as Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

Upon receipt of Foreclosure Proceeds, the Trustee shall transfer such amount of Foreclosure Proceeds determined in writing by the City, first to the Reserve Fund to restore any transfers from the Reserve Fund made to which the Foreclosure Proceeds relate, second, to replenish the Delinquency and Prepayment Reserve Requirement, and third, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in the Reserve Fund, the Trustee shall, at the written request of the City, transfer any Pledged Revenues remaining in the Pledged Revenue Fund to the City, which monies may be used for any lawful purpose for which Improvement Area #1 Assessments may be used under the PID Act. The Trustee may rely upon any such request of the City and shall have no obligation to determine the lawful purposes permitted under the PID Act.

**Bond Fund**

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

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

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

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

Date	Amount (\$)
March 1, 2025	\$ _____
September 1, 2025	\$ _____

NOTE: This will be filled out during pricing at market.

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Improvement Area #1 Improvements Account of the Project Fund, or if the Improvement Area #1 Improvements Account of the Project Fund has been closed as provided in the Indenture, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

**Project Fund**

Pursuant to the Indenture, a Project Fund has been created to be used for the purposes described in “PLAN OF FINANCE – The Bonds.”

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. Each such City Certificate shall include a list of the payees and the payments (not to exceed) 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 written request and the Trustee may rely on such payment instructions though given by the City with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein. Disbursements from the Improvement Account of the Project Fund to pay Actual Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment. The disbursement of funds from the

Improvement Account shall be pursuant to and in accordance with the disbursement procedures described in the Financing and Reimbursement Agreement or as provided in such written direction. Such provisions and procedures related to such disbursement contained in the Financing Agreement and no other provisions of the Financing and Reimbursement Agreement, are incorporated by reference and deemed set forth in the Indenture in full.

Except as provided in the next two paragraphs below, money on deposit in the Improvement Account shall be used solely to pay Actual Costs provided the Trustee shall have no responsibility for the application of any funds disbursed from the Improvement Account in reliance upon a Certification for Payment approved by the City.

If the City Representative determines in the City Representative's reasonable discretion that amounts then on deposit in the Improvement Account of the Project Fund are not expected to be expended for purposes of the Improvement Account of the Project Fund due to the abandonment, or constructive abandonment, of one or more of the Improvement Area #1 Improvements such that, in the reasonable opinion of the City Representative, it is unlikely that the amounts in the 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 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 Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds Similarly Secured on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

In making any determination pursuant to the Indenture, the City Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

Upon the filing of a City Certificate stating that all of the Improvement Area #1 Improvements have been completed and that all Actual Costs have been paid, or that any Actual Costs of the Improvement Area #1 Improvements are not required to be paid from the Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the 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 Improvement Account of the Project Fund shall be closed.

Upon the Trustee's receipt of a written determination by the City Representative that all costs of issuance of the applicable series of Bonds Similarly Secured have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to (i) the Improvement Account of the Project Fund and used to pay Actual Costs of the Improvement Area #1 Improvements or (ii) if no Improvement Area #1 Projects remain to be funded, to the Principal and Interest Account and used to pay interest on the Bonds, as directed in a City Certificate filed with the Trustee and the Costs of Issuance Account shall be closed.

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

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured as of the date of issuance, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured as of the date of issuance of the applicable series of Bonds Similarly Secured, and (iii) 10% of the proceeds of the Bonds Similarly Secured; provided, however, that such amount shall be reduced as a result of (1) an optional redemption or (2) an extraordinary optional redemption and any such reduction in the Reserve Account Requirement shall be by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$[REDACTED], which is an amount equal to Maximum Annual Debt Service on the Bonds as of the date of issuance. "Annual Debt Service" means for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds Similarly Secured in such Bond Year assuming that the Outstanding Bonds Similarly Secured are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds Similarly Secured due in such Bond Year (including any Sinking Fund Installments due in such

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

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first from the Delinquency & 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. 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.

In the event of an extraordinary optional redemption of Bonds Similarly Secured pursuant to the Indenture, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured 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 Similarly Secured 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 Similarly Secured 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 Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall and/or any additional amounts necessary to permit the Bonds Similarly Secured to be redeemed in minimum principal amounts of \$1,000, from the Delinquency & Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

Whenever, on any Interest Payment Date, or on any other date at the 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 Similarly Secured on the next Interest Payment Date in accordance with the Indenture, unless prior to the next Interest Payment Date, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due for Rebutable Arbitrage, (ii) to the Administrative Fund in an amount not more than the Annual Collection Costs for the Bonds Similarly Secured or (iii) to the Project Fund to pay Actual Costs of the Improvement Area #1 Improvements if such application and the expenditure of funds is expected to occur within three years of the date of the Indenture.

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

If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and Redemption Fund is sufficient to pay the principal amount and of all Outstanding Bonds Similarly Secured on the next date the Bonds Similarly Secured may be optionally redeemed by the City at a redemption price of par, together with the unpaid interest accrued on such Bonds Similarly Secured as of such date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds Similarly Secured on such date..

### **Delinquency and Prepayment Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Delinquency and Prepayment Reserve Account has been created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. Subject to the provisions set forth under “—Pledged Revenue Fund,” the Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency & Prepayment Reserve Account on March 1 of each year, commencing March 1, 2026, and on any other day set forth in a City Certificate, an amount equal to the Additional Interest until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account. Once the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account, any amounts in excess of the Delinquency & Prepayment Reserve Requirement shall be transferred by the



Trustee to the Redemption Fund to redeem Bonds Similarly Secured as provided in the Indenture provided, however, that at any time the amount on deposit in the Delinquency & Prepayment Reserve Account is less than Delinquency & Prepayment Reserve Requirement, the Trustee shall resume depositing such Additional Interest into the Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account. In determining the amounts to be transferred as described in this paragraph, the Trustee may conclusively rely on a City Certificate specifying the amounts to transfer.. See “APPENDIX A — Form of Indenture” and “APPENDIX B — Form of Service and Assessment Plan.”

Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Delinquency & Prepayment Reserve Account exceeds the Delinquency & Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and the Trustee shall transfer such excess pursuant to the second paragraph set forth under “—Reserve Account of the Reserve Fund.”

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first from the Delinquency & 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.

At the final maturity of the Bonds Similarly Secured, the amount on deposit in the Reserve Account and the Delinquency & Prepayment Reserve Account shall be transferred to the Redemption Fund and applied to the payment of the principal of the Bonds Similarly Secured..

#### **Administrative Fund**

Immediately upon receipt thereof, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Improvement Area #1 Assessments and Annual Installments allocated to the payment of Annual Collection Costs and Delinquent Collection Costs, as set forth in the Service and Assessment Plan.

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs or may be withdrawn by the Trustee without further authorization for the payment of the fees, expenses, advances and indemnities owed to the Trustee in accordance with the Indenture. The Administrative Fund shall not be part of the Trust Estate and shall not be security for the Bonds Similarly Secured.

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

#### **Defeasance**

Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of the Indenture (a “Defeased Debt”), and particularly under this paragraph, 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 Similarly Secured 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 the Indenture nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds Similarly Secured. 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 Similarly Secured on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

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

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

### **Events of Default**

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

- (i) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (ii) The failure of the City to enforce the collection of the Improvement Area #1 Assessments including the prosecution of foreclosure proceedings, in accordance with the Indenture;
- (iii) Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture other than a default under (i) above or (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 at least a majority of the aggregate outstanding principal of the Bonds Similarly Secured then Outstanding; and
- (iv) The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within thirty (30) days thereafter.

### **Remedies in Event of Default**

Subject to the provisions of the Indenture, upon the happening and continuance of any of the Events of Default described in the Indenture, then and in every such case the Trustee may proceed, and upon the written request of the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding under the Indenture and its receipt of indemnity satisfactory to it shall proceed, to protect and enforce the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the

specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that any action for money damages against the City shall be limited to recovery from the Trust Estate may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies for default.

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

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. The Trustee shall sell Trust Estate assets, according to the appraised value thereof, beginning with the asset of the highest value and continuing such sales in the order of next succeeding most valuable asset until satisfaction of debts pertaining to the outstanding Bonds Similarly Secured. 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.

In an Event of Default shall have occurred and be continuing, the City, upon demand of the Trustee, shall surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the City pertaining thereto, and including the rights and the position of the City, and to hold, operate, and manage the same, and from time to time make all needed repairs and improvements, as well as set up proper reserve for the payment of all proper costs and expenses, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents, and counsel, (ii) any reasonable charges of the Trustee under the Indenture, (iii) any taxes and assessments and other charges prior to the lien of the Indenture, and (iv) all expenses of such repairs and improvements. After payment in full of the foregoing, the Trustee shall surrender possession of the Trust Estate to the City, its successors or assigns.

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

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy under the Indenture, unless (i) a default has occurred and is continuing of which the Trustee has actual knowledge thereof or has been notified in writing as provided in the Indenture, 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 at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture.

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

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

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

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

- (i) FIRST: To the payment to the Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and
- (ii) SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds Similarly Secured, or Redemption Price of any Bonds Similarly Secured 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 Similarly Secured 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 Similarly Secured pursuant to the Indenture.

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

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

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

Money in any Fund or Account, other than the Reserve Account, shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Account shall be invested in such Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Certificate shall be a certification that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and

average weighted maturity requirements set forth in the preceding sentence and the Trustee shall not be responsible for determining such requirements. 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, in order to make the disbursements required or permitted by the Indenture, to prevent any default under the Indenture. To ensure that cash on hand is invested, if the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall invest and re-invest cash balances in money market mutual funds that are rated in either of the two highest categories by a rating agency, including funds for which the Trustee and/or its affiliates provide investment advisory or other management services, until directed otherwise by the City Certificate.

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

#### **Against Encumbrances**

The City shall not create and shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate or upon any other property pledged under the Indenture, except the pledge created for the security of the Bonds Similarly Secured, and other than a lien or pledge subordinate to the lien and pledge of such property related to the Bonds Similarly Secured.

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

#### **Other Obligations or Other Liens; Refunding Bonds**

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 any portion of the Trust Estate and are not payable from the Trust Estate.

Other than Refunding 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 the Indenture or the priority of the Indenture might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Trust Estate; provided, however, that nothing in the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of counsel to the Trustee, the same would endanger the security for the Bonds Similarly Secured.

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

The City reserves the right to issue Future Bonds for any purpose permitted by the PID Act, pursuant to a separate indenture, for any Future Improvement Areas subject to the conditions of the Financing and Reimbursement Agreement.

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, and in accordance with the conditions set forth below:

(i) Notwithstanding anything to the contrary in the Indenture, no Refunding Bonds may be issued by the City unless: (1) the principal (including any principal amounts to be redeemed on a mandatory sinking fund redemption date) of such Refunding Bonds is scheduled to mature on September 1 of the years in which principal is scheduled to mature and (2) the interest on such Refunding Bonds must be scheduled to be paid on March 1 and September 1 of the years in which interest is scheduled to be paid. The date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions of Refunding Bonds shall be set forth in a Supplemental Indenture; and

(ii) Upon their authorization by the City, the Refunding Bonds of a Series issued under the Indenture shall be issued and shall be delivered to the purchasers or owners thereof, but before, or concurrently with, the delivery of said Refunding Bonds to such purchasers or owners there shall have been filed with the Trustee (1) a copy, certified by the City Secretary, of the ordinance or ordinances of the City authorizing the issuance, sale, execution and delivery of the Refunding Bonds and the execution and delivery of a Supplemental Indenture establishing, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions of such Refunding Bonds, and (2) an original executed counterpart of the Supplemental Indenture for such Refunding Bonds.

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## SOURCES AND USES OF FUNDS

The table that follows summarizes the sources and uses of proceeds of the Bonds:

Sources of Funds:	
Principal Amount	\$
TOTAL SOURCES	\$
Use of Funds:	
Deposit to Improvement Area #1 Improvements Account of the Project Fund	\$
Deposit to Reserve Account of the Reserve Fund	
Deposit to Capitalized Interest Account	
Underwriter's Discount <sup>(1)</sup>	
Deposit to Costs of Issuance Account of the Project Fund	<del>\$</del>
TOTAL USES	\$

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

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## DEBT SERVICE REQUIREMENTS

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

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

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**OVERLAPPING TAXES AND DEBT**

**Overlapping Taxes and Debt**

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

In addition, the City, Bastrop County, Texas (the “County”), and the Bastrop Independent School District (“Bastrop ISD”) may each levy ad valorem taxes upon land in the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem taxes currently levied on property located in the District.

<u>Taxing Entity</u>	<u>Tax Year 2024 Ad Valorem Tax Rate<sup>(1)</sup></u>
The City	\$0.499400
Bastrop County, Texas	0.402750
Bastrop ISD	<u>1.067900</u>
Total Existing Tax Rate	<u>\$1.970050</u>
Estimated Average Annual Installment as tax rate equivalent <sup>(2)</sup>	<u>\$0.499718</u>
<b>Estimated Total Tax Rate and Average Annual Installment as tax rate equivalent<sup>(2)</sup></b>	<b><u>\$2.469768</u></b>

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

<sup>(2)</sup> *Preliminary; subject to change.* Derived from information presented in the Service and Assessment Plan. See “APPENDIX B — Form of Service and Assessment Plan.” The Financing and Reimbursement Agreement provides that overall tax stack combined with the maximum tax equivalent rate of the annual installments relating or allocable to the District, inclusive of principal, interest, Additional Interest and budgeted Annual Collection Costs as determined by the Administrator shall not exceed \$3.00 per \$100 taxable assessed valuation. See “APPENDIX F – Financing and Reimbursement Agreement.”

Sources: Bastrop Central Appraisal District, the Administrator, and the City.

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As noted above, the District includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Improvement Area #1 of the District, as of December 1, 2024, and City debt to be secured by the Assessments.

<u>Taxing or Assessing Entity<sup>(2)</sup></u>	<u>Total Outstanding Debt</u>	<u>Estimated % Applicable<sup>(2)</sup></u>	<u>Direct and Estimated Overlapping Debt</u>
The City (Assessments – The Bonds) <sup>(1)</sup>	\$11,939,000	100.000%	\$11,939,000
The City (Ad Valorem Taxes)	137,260,000	2.121%	2,910,683
Bastrop County	73,859,000	0.259%	190,984
Bastrop ISD	<u>520,659,554</u>	0.434%	<u>2,258,161</u>
<b>TOTAL</b>	<b><u>\$731,778,554</u></b>		<b><u>\$17,298,828</u></b>

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

<sup>(2)</sup> Based on the Appraisal (as defined herein) and on the Tax Year 2024 Net Taxable Assessed Valuations for the taxing entities.

Source: Bastrop Central Appraisal District and the Municipal Advisory Council of Texas.

### Homeowners’ Association

In addition to the Assessments described above, all lot owners in the District will pay an annual maintenance and operation fee and/or a property owner’s association fee to the homeowner’s association for the property within Improvement Area #1 of the District (the “HOA”), which has been formed by the Developer. The expected HOA fees in the District are \$65/month.

## ASSESSMENT PROCEDURES

### General

Capitalized terms used under this “ASSESSMENT PROCEDURES” caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area #1 Improvements through Assessments, it must adopt a resolution generally describing the Improvement Area #1 Improvements and the land within Improvement Area #1 of the District to be subject to Assessments to pay the cost therefor. The City has caused the preparation of the Assessment Roll, which Assessment Roll identifies the land within Improvement Area #1 of the District that will be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of Annual Installments in which the Assessment is divided. The Assessment Roll has been filed with the City Secretary and made available for public inspection. Statutory notice will be given to the owners of the property to be assessed and a public hearing will be conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #1 Improvements and funding a portion of the same with Assessments. The City expects to levy the Assessments pursuant to the Assessment Ordinance immediately prior to adoption of the Bond Ordinance. Upon such adoption, the Assessments will become legal, valid and binding liens upon the property against which the Assessments are made.

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

### Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property as a result of the Improvement Area #1 Improvements, provides the basis and justification for the

determination that such special benefit exceeds the Assessments levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Area #1 Improvements to parcels in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #1 Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the City Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Improvement Area #1 Improvements will be allocated to the parcels against which the Assessments are levied (the “Assessed Property”) by spreading the entire Assessment across all Assessed Property within Improvement Area #1 of the District on the ratio of estimated buildout value of each Assessed Property to the estimated buildout value for all Assessed Property within Improvement Area #1 of the District.

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

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**LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND ASSESSMENT RATIO PER UNIT IN IMPROVEMENT AREA #1 OF THE DISTRICT\***

Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit <sup>(1)</sup>	Projected Average Home Value per unit <sup>(1)</sup>	Maximum Assessment per unit <sup>(2)</sup>	Average Annual Installment per unit	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value)	Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value) <sup>(3)</sup>	Ratio of Finished Lot Value per Lot Type to the Assessments	Ratio of Average Home Value to Assessment
Multi-Family	250	\$58,000	\$280,000	\$17,747.15	\$1,399.21	\$2.4124	\$0.4997	3.27	15.78
32'	153	\$66,332	\$307,495	\$19,489.86	\$1,536.61	\$2.3165	\$0.4997	3.40	15.78
43'	128	\$90,172	\$352,490	\$22,341.76	\$1,761.46	\$1.9534	\$0.4997	4.04	15.78
45'	53	\$93,676	\$368,990	\$23,387.58	\$1,843.91	\$1.9684	\$0.4997	4.01	15.78
50'	18	\$106,000	\$368,990	\$23,387.58	\$1,843.91	\$1.7395	\$0.4997	4.53	15.78
Total	602								

Source: The Administrator and information presented in the Service and Assessment Plan

<sup>(1)</sup> Per values provided in the Appraisal.

<sup>(2)</sup> The Service and Assessment Plan establishes a Maximum Assessment as defined and described under “ASSESSMENT PROCEDURES — Assessment Amounts – Maximum Assessment.”

<sup>(3)</sup> The Financing and Reimbursement Agreement provides that overall tax stack combined with the maximum tax equivalent rate of the annual installments relating or allocable to the District, inclusive of principal, interest, Additional Interest and budgeted Annual Collection Costs as determined by the Administrator shall not exceed \$3.00 per \$100 taxable assessed valuation. See “OVERLAPPING TAXES AND DEBT” and “APPENDIX F – Financing and Reimbursement Agreement.”

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\* Preliminary; subject to change.

For further explanation of the Assessment methodology, see “APPENDIX B — Form of Service and Assessment Plan.”

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on parcels and lots similarly situated within Improvement Area #1 of the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future owners and developers within Improvement Area #1 of the District. See “APPENDIX B — Form of Service and Assessment Plan.”

**Collection and Enforcement of Assessment Amounts**

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

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

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

The City will determine or cause to be determined, no later than 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 Collection Costs thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Property. Furthermore, nothing shall obligate the City, the City Attorney or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the City and its appropriate collections enforcement designees.

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

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

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

Date Payment	Cumulative	Cumulative	
<u>Received</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
July	12%	6%	18%

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

**Assessment Amounts**

Assessment Amounts. The maximum amounts of the Assessments will be reflected by the methodology described in the Service and Assessment Plan as shown below under “— Maximum Assessment”. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Property as calculated by the Administrator and approved by the City Council consisting of the annual payment allocable to (i) the principal and interest on the Bonds, (ii) Annual Collection Costs, and (iii) the Additional Interest as described in the Service and Assessment Plan. The Annual Installments may not exceed the amounts shown on the Assessment Roll. The Assessments will be levied against the Assessed Property as indicated on the Assessment Roll. See “APPENDIX B — Form of Service and Assessment Plan.”

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds, the Additional Interest and actual Annual Collection Costs, taking into consideration any other available funds for these costs, such as interest income on account balances.

Maximum Assessment. The Service and Assessment Plan establishes a “Maximum Assessment” for each Lot Type. In the District, the Maximum Assessment per Lot Type is as follows:

<u>Lot type</u>	<u>Maximum Assessment per Lot Type</u>
Multi-Family	\$17,747.15
32’	\$19,489.86
43’	\$22,341.76
45’	\$23,387.58
50’	\$23,387.58

Method of Apportionment of Assessments. The City Council has determined that the costs of the Improvement Area #1 Improvements shall be allocated to the Assessed Property pro rata based on the Estimated Buildout Value. The Improvement Area #1 Improvements are allocated entirely to the Assessed Property as described in the Service and Assessment Plan. The entire Assessment will be levied against the Assessed Property and will be allocated based on the Estimated Buildout Value of the Lot Types on any subdivided Parcel as described below.

Reallocation of Assessments. Assessments levied on an Assessed Property shall be reallocated upon subdivision or consolidation of an Assessed Property as follows.

Upon Division Prior to Recording of Subdivision Plat: Upon the division of any Assessed Property (without the recording of a subdivision plat), the Administrator shall reallocate the Assessment for the Assessed Property prior to the division among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for the newly divided Assessed Property
- B = the Assessment for the Assessed Property prior to division
- C = the Estimated Buildout Value of the newly divided Assessed Property
- D = the sum of the Estimated Buildout Value for all the newly divided Assessed Properties

The sum of the Assessments for all newly divided Assessed Properties shall equal the Assessment for the Assessed Property prior to subdivision. The calculation shall be made separately for each newly divided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under State law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the next Annual Service Plan Update and update to the Service and Assessment Plan and approved by the City Council.

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 based on the Estimated Buildout Value according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

- A = the Assessment for the newly subdivided Lot
- B = the Assessment for the Parcel prior to subdivision
- C = the sum of the Estimated Buildout Value of all newly subdivided Lots with same Lot Type
- D = the sum of the Estimated Buildout Value for all the newly subdivided lots excluding Non-Benefited Property
- E = the number of Lots with same Lot Type

Prior to the recording of a subdivision plat, the Owner shall provide the City with an Estimated Buildout Value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat.

The sum of the Assessments for all newly subdivided Lots shall not exceed the Assessment for the portion of the Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Assessed Property. The reallocation of an Assessment for an Assessed Property that is a homestead under State law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the next Annual Service Plan Update and approved by the City Council.

Upon Consolidation: If two or more Lots or Parcels are consolidated, the Administrator shall allocate the Assessments against the Lots or Parcels before the consolidation to the consolidated Lot or Parcel, which allocation shall be approved by the City Council in the next Annual Service Plan Update. The Assessment for any resulting Lot will not exceed the Maximum Assessment for the applicable Lot Type, and compliance may require a mandatory Prepayment of Assessments pursuant to the Service and Assessment Plan.

Reduction of Assessments. If as a result of cost savings or Improvement Area #1 Improvements not being constructed, the Actual Costs of completed Improvement Area #1 Improvements are less than the Assessments, the Trustee shall apply amounts on deposit in the applicable account of the project fund, relating to the Bonds, that are not expected to be used for purposes of the project fund to redeem outstanding Bonds, in accordance with the Indenture. The Assessments shall not, however, be reduced to an amount less than the outstanding Bonds.

The Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Assessment Roll and corresponding Annual Installments to reflect the reduced Assessments.

## **Prepayment of Assessments**

The Service and Assessment Plan provides for certain voluntary and mandatory prepayments of Assessments as described below. Such voluntary and mandatory prepayments are referred to herein as “Prepayments.”

*Voluntary Prepayment of Assessments.* The owner of any property assessed may voluntarily prepay all or part of any Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

*Mandatory Prepayment of Assessments.* The Service and Assessment Plan requires mandatory prepayment of Assessments upon the occurrence of certain events as follows.

*Transfer to exempt person or entity.* If Assessed Property is transferred to a person or entity that is exempt from payment of the Assessment, the owner transferring the Assessed Property shall pay to the Administrator the full amount of the Assessment, plus Prepayment Costs and Delinquent Collection Costs, prior to the transfer. If the owner of the Assessed Property causes the Assessed Property to become Non-Benefited Property, the owner causing the change in status shall pay the full amount of the Assessment, plus Prepayment Costs and Delinquent Collection Costs, prior to the change in status.

*True-Up of Assessments if Maximum Assessment Exceeded at Plat.* Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per Lot for any Lot Type to exceed the Maximum Assessment. If the Administrator determines that the resulting Assessment per Lot for any Lot Type will exceed the Maximum Assessment, then (i) the Assessment applicable to each Lot Type exceeding the Maximum Assessment shall be reduced to the Maximum Assessment, and (ii) the person or entity filing the plat shall pay to the City the amount the Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, prior to the City approving the final plat. The City’s approval of a final subdivision plat without payment of such amounts does not eliminate the obligation of the person or entity filing the plat to pay the amounts referenced in (ii) in the immediately preceding sentence.

*Prepayment as a Result of an Eminent Domain Proceeding or Taking.* Subject to applicable law, if any portion of any Parcel of Assessed Property is taken from an owner as a result of eminent domain proceedings or if a transfer of any portion of any Parcel of Assessed Property is made to an entity with the authority to condemn all or a portion of the Assessed Property in lieu of or as a part of an eminent domain proceeding (a “Taking”), the portion of the Assessed Property that was taken or transferred (the “Taken Property”) shall be reclassified as Non-Benefited Property.

For the Assessed Property that is subject to the Taking as described in the preceding paragraph, the Assessment that was levied against the Assessed Property (when it was included in the Taken Property) prior to the Taking shall remain in force against the remaining Assessed Property (the Assessed Property less the Taken Property,) (the “Remaining Property”), following the reclassification of the Taken Property as Non-Benefited Property, subject to an adjustment of the Assessment applicable to the Remaining Property after any required Prepayment as set forth below. The owner of the Remaining Property will remain liable to pay in Annual Installments, or payable as otherwise provided by this Service and Assessment Plan, as updated, or the PID Act, the Assessment that remains due on the Remaining Property, subject to an adjustment in the Assessment applicable to the Remaining Property after any required Prepayment as set forth below. Notwithstanding the foregoing, if the Assessment that remains due on the Remaining Property exceeds the Maximum Assessment, the owner of the Remaining Property will be required to make a Prepayment in an amount necessary to ensure that the Assessment against the Remaining Property does not exceed the Maximum Assessment, in which case the Assessment applicable to the Remaining Property will be reduced by the amount of the partial Prepayment. If the City receives all or a portion of the eminent domain proceeds (or payment made in an agreed sale in lieu of condemnation), such amount shall be credited against the amount of Prepayment, with any remainder credited against the assessment on the remaining property.



In all instances the Assessment remaining on the Remaining Property shall not exceed the Maximum Assessment.

By way of illustration, if an owner owns 100 acres of Assessed Property subject to a \$100 Assessment and 10 acres is taken through a Taking, the 10 acres of Taken Property shall be reclassified as Non-Benefited Property and the remaining 90 acres of Remaining Property shall be subject to the \$100 Assessment, (provided that this \$100 Assessment does not exceed the Maximum Assessment on the Remaining Property). If the Administrator determines that the \$100 Assessment reallocated to the Remaining Property would exceed the Maximum Assessment on the Remaining Property by \$10, then the owner shall be required to pay \$10 as a Prepayment of the Assessment against the Remaining Property and the Assessment on the Remaining Property shall be adjusted to be \$90.

Notwithstanding the previous paragraphs in this subsection, if the owner of the Taken Property notifies the City and the Administrator that the Taking prevents the Remaining Property from being developed for any use which could support the Estimated Buildout Value requirement, the owner shall, upon receipt of the compensation for the Taken Property, be required to prepay the amount of the Assessment required to buy down the outstanding Assessment to the Maximum Assessment on the Remaining Property to support the Estimated Buildout Value requirement. Said owner will remain liable to pay the Annual Installments on both the Taken Property and the Remaining Property until such time that such Assessment has been prepaid in full.

Notwithstanding the previous paragraphs in this subsection, the Assessments shall not, however, be reduced to an amount less than the outstanding Bonds.

### **Priority of Lien**

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

### **Foreclosure Proceedings**

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

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

In the Indenture the City will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided

that the City is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX A – Form of Indenture.”

The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “APPENDIX A – Form of Indenture” and “APPENDIX B – Form of Service and Assessment Plan.”

## **THE CITY**

### **Background**

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State. The City was incorporated in 1837. Some of the services that the City provides are public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The City covers approximately 7.2 square miles. The City’s 2020 Census population was 9,688. The City’s 2024 estimated population is \_\_\_\_\_. The City is located in the Austin-San Marcos MSA, approximately 33 miles southeast of the City of Austin and 24 miles southeast of Austin-Bergstrom International Airport.

### **City Government**

The City has a City Council comprised of the Mayor and five Councilmembers. The term of office is three years. The mayor and the council are elected at-large. Each year, two council places, which includes the mayoral and each councilmember position in its respective year, and shall be up for election. No member of the council may serve more than six consecutive years; however, any member of the council may leave office for a period not less than eleven months and then may run for office under the same conditions thereafter. The mayor is the chief presiding officer for the City.

### **City Water and Wastewater System**

The City’s water and wastewater department manages a water distribution service of over 10 square miles. The City provides water services through a network of approximately 68 miles of transmission and distribution lines. The City utilizes ground water for its public water supply and has developed its own production facilities. There are currently 7 wells which include 6 ground water wells located near the Colorado River which withdraw water from an alluvium of the river and 1 well in the Simsboro Aquifer. The City has sufficient water capacity to serve the District, which the City expects to require approximately 1,600 LUE’s.

The City’s wastewater system includes a network of over 53 miles of wastewater connection lines and numerous lift stations that connect to three wastewater treatment plants. The City recently completed its third wastewater treatment plant, which came online in May 2024. Each current wastewater treatment plant can service up to 2 million gallons per day. An expansion of the third wastewater treatment plant is planned, which expansion will increase capacity of such plant by 6-8 million gallons per day.

### **Major Employers**

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

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Bastrop ISD	Education	1,824
HEB Food Stores	Grocery	607
Hyatt Regency Lost Pines Resort	Resort	600
Bastrop County	Government	517
Agilent/Stratagene	Technology	306
Walmart	Retail	261
Bastrop FCI	Corrections	247
Buc-ee's	Retail	169
Bluebonnet Electric Co-Op	Utility	168
City of Bastrop	Government	152

*Source: City of Bastrop*

### Historical Employment in Bastrop County

	<u>Average Annual<sup>(1)</sup></u>				
	<u>2024<sup>(2)</sup></u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Civilian Labor Force	51,789	49,984	48,219	45,500	42,647
Total Employed	49,926	48,279	46,585	43,453	40,074
Total Unemployed	1,863	1,705	1,634	2,047	2,573
Unemployment Rate	3.6%	3.4%	3.4%	4.5%	6.0%

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

<sup>(2)</sup> Data through October 2024.

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## Surrounding Economic Activity

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

City of Austin Approximately 30 miles from the City		City of Lockhart Approximately 31 miles from the City		City of Buda Approximately 36 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
State Government	38,681	Lockhart ISD	731	Capital Excavation	315
University of Texas - Austin	31,106	Walmart	225	HEB	249
HEB	22,955	Serta/Formae Products	180	Wal-Mart	240
City of Austin	16,029	MTC (Lockhart Correctional)	175	ProBuild	222
Ascension Seton	14,842	H.E.B Food Store	170	Fat Quarter Shop	215
Federal Government	14,600	Pegasus School, Inc.	149	Cabela's	196
Dell Computer Corporation	13,000	City of Lockhart	145	Texas Lehigh	180
Tesla, Inc.	12,277	Iron Ox	100	US Food Service	159
St. David's Healthcare Partnership	11,484	Student Transportation Specialist	85	Hays Community YMCA	157
Amazon	11,000	Rehabilitation Center	80	Capital Spectrum	150

City of Kyle Approximately 38 miles from the City	
Employer	Employees
Hays CISD	3,258
Seton Medical Center Hays	750
Amazon	700
City of Kyle	349
Lowes	100
Home Depot	100
Austin Community College Hays	80
Plastikon	65
SIMWON	38
ENF	25

City of Elgin Approximately 19 miles from the City	
Employer	Employees
Elgin ISD	664
Wal-Mart	225
HEB	200
Acme Brick Company	162
Hanson Brick Company	80
City of Elgin	67
Southside Market & BBQ	65
Elgin-Butler Brick	60
Elgin Veterinary Hospital	40
Meyer Sausage/Smokehouse	25

Source: Municipal Advisory Council of Texas

## THE DISTRICT

### General

The PID Act authorizes municipalities, such as the City, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the Creation Resolution for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Improvement Area #1 Improvements, authorized by the PID Act and approved by the City Council that confer a special benefit on the District property being developed. The District is not a separate political subdivision of the State and is governed by the City Council. A map of the property within the District, including Improvement Area #1 of the District, is included on page v hereof.

### Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within Improvement

Area #1. The PID Act provides that the City may levy and collect Assessments on property in the District, or portions thereof, payable in full or periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Improvement Area #1 Improvements. See “THE IMPROVEMENT AREA #1 IMPROVEMENTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of the Improvement Area #1 Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See “ASSESSMENT PROCEDURES” herein and “APPENDIX B — Form of Service and Assessment Plan.”

## THE IMPROVEMENT AREA #1 IMPROVEMENTS

### General

Proceeds of the Bonds will be used to pay for a portion of the costs of the Improvement Area #1 Improvements, Bond Issuance Costs (as defined in the Service and Assessment Plan) and First Year Annual Collection Costs (as defined in the Service and Assessment Plan). The Developer is responsible for the completion of the construction, acquisition or purchase of the Improvement Area #1 Improvements. The Developer will submit reimbursement requests for costs actually incurred in developing and constructing the Improvement Area #1 Improvements shall be reimbursed in accordance with the Indenture, the Financing and Reimbursement Agreement and the Reimbursement Agreement. See “PLAN OF FINANCE – Development Plan, Status of Development and Plan of Finance” and “APPENDIX B – Form of Service and Assessment Plan” herein.

Set forth below are descriptions of the Improvement Area #1 Improvements.

**Improvement Area #1 Improvements:** The Improvement Area #1 Improvements, a portion of which are being financed with proceeds of the Bonds, include street, water, wastewater, storm drainage, and soft costs benefitting only Improvement Area #1 of the District.

**Street:** Street improvements include subgrade stabilization (including excavation and drainage), concrete and reinforcing steel for roadways, handicapped ramps, and street lights. 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. These projects will provide access to community roadways and state highways. The street improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Water:** Improvements include trench excavation and embedment, trench safety, PVC piping, service connections and testing. These lines will include the necessary appurtenances to be fully operational transmission lines extending water service to the limits of the improvements. The water improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Wastewater:** Wastewater improvements include trench excavation and embedment, trench safety, PVC piping, manholes, service connections and testing. These lines will include the necessary appurtenances to be fully operational transmission lines existing wastewater services to the limits of the improvements. The wastewater improvements will be designed and constructed in accordance with City standards and specifications and will be owned and operated by the City.

**Drainage:** Drainage improvements include trench excavation and embedment, trench safety, reinforced concrete piping, manholes, inlets, channels/swales and ponds. These will include the necessary appurtenances to be fully operation to convey stormwater to the limits of the improvement area. The drainage improvements

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

**Soft Costs:** Softs costs includes costs related to designing, constructing, and installing the Improvement Area #1 Improvements including land planning and design, City permits and fees, engineering, soil testing, survey, construction management, legal, special assessment consulting, district formation expenses and contingency.

The following table reflects the total expected costs of the Improvement Area #1 Improvements, Bond Issuance Costs and First Year Annual Collection Costs.

<u>Type of Improvement</u>	<u>Costs*</u>
Streets	\$6,637,576
Water	2,817,287
Wastewater	2,079,838
Drainage	5,475,303
Soft Costs	<u>4,252,501</u>
Subtotal Improvement Area #1 Improvements	<u>\$21,262,504</u>
Bond Issuance Costs and First Year Annual Collection Costs	<u>\$2,330,419</u>
Total	<b><u>\$23,592,923</u></b>

The expected total cost of the Improvement Area #1 Improvements, Bond Issuance Costs and First Year Annual Collection Costs is approximately \$23,592,923\*. A portion of the costs of the Improvement Area #1 Improvements, in the amount of \$[PROJECT FUND DEPOSIT]\*, is expected to be paid or reimbursed from the proceeds of the Bonds. The balance of the costs is expected to be paid by the Developer with cash available to the Developer, and will not be reimbursed by the City.

**Ownership and Maintenance of the Improvement Area #1 Improvements**

The Improvement Area #1 Improvements will be dedicated to the City in accordance with City standards and specifications. The City will provide for the ongoing operation, maintenance and repair of the Improvement Area #1 Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

**THE DEVELOPMENT**

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor, Bond Counsel nor the Underwriter have any way of guaranteeing the accuracy of such information. See “SOURCES OF INFORMATION – Source of Certain Information.”

**Overview**

The Development is an approximately 399.878 acre master planned residential project to be known as “Valverde.” The Development is located at the intersection of State Highway 71 and Farm to Market Road 969, with access to the Development directly from Farm to Market Road 969. Improvement Area #1 of the Development is located in the corporate limits of the City and the remaining property of the Development is located in the extraterritorial jurisdiction of the City. The Developer expects the remaining portion of the Development to be annexed into the City as the Development is developed. The Development is approximately 30 miles southeast of the City of Austin, Texas, approximately 19 miles south of the City of Elgin, Texas, and approximately 31 miles northwest of the City of Lockhart, Texas. The Development is approximately 22 miles southeast of Austin-Bergstrom International Airport, 22 miles east from Circuit of the Americas, and 22 miles southeast from the Austin Tesla factory. The City,

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\* Preliminary; subject to change.

located in the southeastern region of the Austin-Round Rock-San Marcos, Texas Metropolitan Statistical Area (the “Austin MSA”), is poised for growth as the overall Austin MSA continues its growth trajectory.

The Development is expected to include a variety of open spaces, parkland, pedestrian trails and bike trails, and an amenity center for residents to enjoy. This combination will provide its residents a community environment in which to live. The Development is located within Bastrop ISD.

### **Development Plan and Status of Development in Improvement Area #1 of the District**

The Development is expected to include approximately 1,399 single-family residential lots consisting of a mixture of 32’, 43’, 45’ and 50’ lots, as well as 250 townhome rental units at build out. Development in the District began with Improvement Area #1, which is expected to contain a total of 352 single-family residential lots and 250 townhomes, and is being developed in three phases, Phase 2, which contains 174 lots, Phase 3, which is expected to contain 178 lots, and Phase 13, which is expected to contain all 250 townhomes.

The Developer has constructed and will continue to construct the Improvement Area #1 Improvements. Construction of the portion of the Improvement Area #1 Improvements benefitting Phase 2 began in September 2022. Internal lot improvements for Phase 2 have been completed, and final completion of Phase 2, which is pending completion of a lift station, is expected to occur in January 2025. Construction of the portion of the Improvement Area #1 Improvements benefitting Phase 3 began in May 2024 and is expected to be completed in May 2025. Construction of the internal Improvement Area #1 Improvements benefitting Phase 13 is expected to begin in Q1 2025 and be completed in Q1 2026.

The total expected cost of the Improvement Area #1 Improvements is \$21,262,504\*. As of December 1, 2024, the Developer has expended approximately \$14,300,000 on the Improvement Area #1 Improvements, which was financed with cash available to the Developer. See “THE DEVELOPER – History and Financing of the District.”

### **Photographs of Development in Improvement Area #1 of the District**

A photograph of development within Improvement Area #1 of the District are included herein in Appendix G.

### **Builders within Improvement Area #1 of the District**

The Developer does not plan on entering into any purchase contracts with any homebuilders within the District. The Developer is a wholly-owned subsidiary of D.R. Horton. D.R. Horton will construct the anticipated 352 single-family homes in Improvement Area #1 of the District. Home construction in Improvement Area #1 began in October 2024, and the first home sale is expected to be in February 2025.

DHI will construct the anticipated 250 townhomes in Improvement Area #1 of the District. DHI is expected to begin vertical construction of the townhomes in Q2 2026 and complete such construction in Q2 2027. The townhomes are expected to be rental units with an average rental rate of approximately \$1,775/unit.

### **Concept Plan**

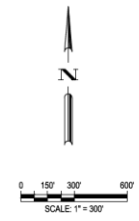
Below is the current concept plan of the Development as approved by the City. The concept plan is conceptual and subject to change consistent with the City’s zoning and subdivision regulations.

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\* Preliminary; subject to change.

VALVERDE SECTION 1 LOT COUNT										
	32'X110' ALLEY LOADED	32'X110' FRONT LOADED	43'X110' ALLEY LOADED	43'X110' FRONT LOADED	45'X120' ALLEY LOADED	45'X120' FRONT LOADED	50'X120' ALLEY LOADED	50'X120' FRONT LOADED	TOWNHOME/ MULTI-FAMILY	TOTAL
PHASE 1										
PHASE 2	103		42			29				174
PHASE 3	50		86			24		18		178
VALVERDE SECTION 2 LOT COUNT										
PHASE 4			27		8	35		24		94
PHASE 5			88		16			24		128
PHASE 6			41	7		20		47		115
PHASE 7					18	62		49		129
PHASE 8			15			33		76		124
PHASE 9			37			69		42		148
PHASE 10			56		14	20	8	24		122
PHASE 11							34	67		101
PHASE 12			40					46		86
PHASE 13									250	
TOTAL	153		432	7	56	292	42	417	250	1649

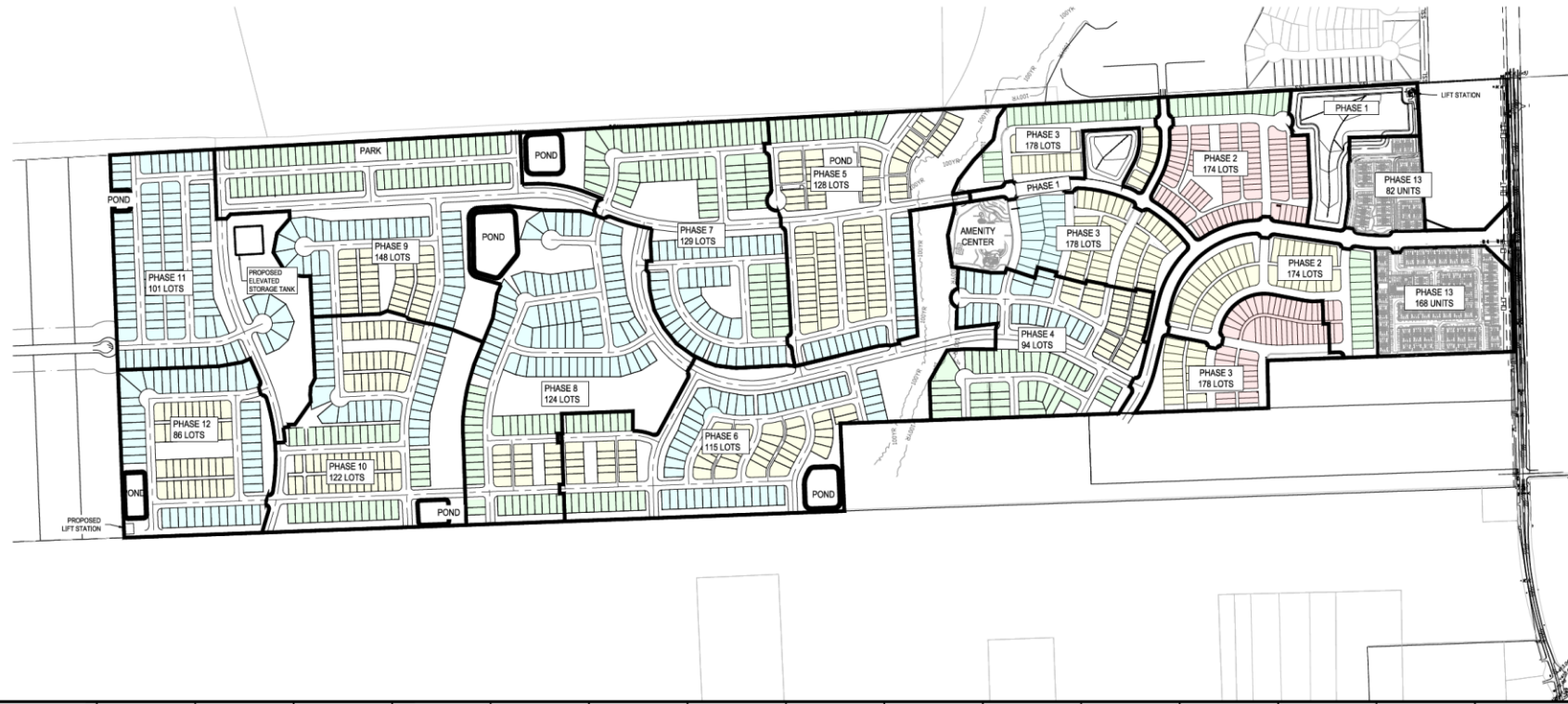


9000 Manchaca Road, Suite 500B  
Austin, TX 78748  
(512) 333-3333  
www.maceyengineers.com  
Professional Engineer Number: F-21222  
MACEY ENGINEERS, LLC (College of EIT)

PHASING PLAN EXHIBIT

VALVERDE SECTION 2 PRELIMINARY PLAN  
AUSTIN, TX

SHEET  
1  
OF 1



P:\118810001\CASESECTION\_1\_PRELIMINARY PLAN VALVERDE\DWG\PHASING EXHIBIT\_N(DWG) 10/20/24

SUBMITTAL DATE: 10/01/2024



**Expected Build-Out of the Development**

The Developer’s current expectations regarding estimated home prices in Improvement Area #1 of the District are as follows:

**ESTIMATED HOME PRICES**

<u>Lot Size (Width in Ft.)</u>	<u>Quantity</u>	<u>Average Base Home Price**</u>
32’	153	\$307,495
43’	128	\$352,490
45’	53	\$368,990
50’	18	\$368,990

\*\* Developer estimates. Average across all lot types. 45’ and 50’ lot types are considered substantially similar by the Developer and are expected to be sold at similar price points.

The following tables provide the build-out schedule of the District and absorption schedule of lots in the District.

**EXPECTED BUILD-OUT OF THE DISTRICT**

<u>Phase</u>	<u>Single-Family Lots/Townhome Lots</u>	<u>Actual/Expected Infrastructure Start Date</u>	<u>Actual/Expected Infrastructure Completion Date</u>
1*	N/A	September 2022	December 2024
2	174	September 2022	January 2025**
3	178	May 2024	May 2025
4	94	June 2025	June 2026
5	128	June 2026	June 2027
6	115	June 2027	June 2028
7	129	June 2027	June 2028
8	124	June 2028	June 2029
9	148	June 2028	June 2029
10	122	June 2029	June 2030
11	101	June 2029	June 2030
12	86	June 2030	June 2031
13	<u>250</u>	February 2025	March 2026
<b>Total</b>	<b>1,649</b>		

\* Phase 1 contains only roads and no single-family lots or townhomes.

\*\* Phase 2 internal lot improvements have been completed. Final completion date reflects completion date of the lift station necessary to serve such lots.

**EXPECTED ABSORPTION OF HOMES IN IMPROVEMENT AREA #1 OF THE DISTRICT**

<u>Expected Final Sale Date</u>	<u>Total Homes</u>
Q1 2025	36
Q2 2025	36
Q3 2025	36
Q4 2025	36
Q1 2026	36
Q2 2026	36
Q3 2026	36
Q4 2026	36
Q1 2027	36
Q2 2027	<u>28</u>

<u>Expected Final</u>	
<u>Sale Date</u>	<u>Total Homes</u>
Total	352

**Future Improvement Area Bonds**

Future Improvement Area Bonds to finance the cost of Future Improvement Area Improvements are anticipated to be issued in the future. The estimated costs of the Future Improvement Area Improvements will be determined at the same time the Future Improvement Areas are developed, and the Service and Assessment Plan will be updated to identify the Future Improvement Area Improvements to be constructed within the applicable Future Improvement Area and financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate assessments levied pursuant to the PID Act on assessable property within the applicable Future Improvement Area. The Developer anticipates that Future Improvement Area Bonds will be issued over a six year period, as described in the Service and Assessment Plan.

The Bonds and any Future Improvement Area Bonds issued by the City are separate and distinct issues of securities. The City reserves the right to issue Future Improvement Area Bonds for any purpose permitted by the PID Act, including those described above.

**The Development Agreement**

The Developer and the City entered into the Viridian Development Agreement (as amended, the “Development Agreement”) pursuant to which the Developer agreed to construct certain public improvements in the Development. Under the Development Agreement, the Developer has agreed to construct certain onsite wastewater facilities which include the lift station that is part of the Improvement Area #1 Improvements and a force main connecting to the City’s existing offsite gravity wastewater facilities (the “Onsite Wastewater Facilities”). In addition, the Developer has agreed to design and contribute funding to construct certain offsite wastewater facilities (the “Offsite Wastewater Facilities” and together with the Onsite Wastewater Facilities, the “Wastewater Facilities”) which will be constructed by the City. The expected cost to construct the Offsite Wastewater Facilities is approximately \$3,200,000, which the Developer has agreed to contribute \$211,570 towards the cost to construct the Offsite Wastewater Facilities. In the event that (i) the City has not completed the Offsite Wastewater Facilities prior to November 1, 2024, and (ii) the Developer requires wastewater service for any portion of the property after completion of the Onsite Wastewater Facilities, but prior to the City’s completion of the Offsite Wastewater Facilities, then the City shall provide pump and haul wastewater service to the property at the City’s expense until such time as the Wastewater Facilities are complete and operational; provided, however, that the City’s expenses to provide such pump and haul wastewater service shall not exceed \$200,000.00 in total, and that the Developer shall be solely responsible for any further expenses for pump and haul in excess of such amount. As of January 17, 2025, the Offsite Wastewater Facilities were not complete.

Under the Development Agreement, the Developer reserves the right to construct a wastewater reclamation treatment facility (the “Reclamation Treatment Facility”) in the District. The Development Agreement provides that all treated effluent from the Reclamation Treatment Facility, if constructed, will be the property of the Developer and the Developer shall be responsible for providing storage and pressurization facilities at its own expense.

The Development Agreement also requires the construction of a system of publicly accessible trails within the District that will include a 5-foot bike lane and a 6-foot wide sidewalk throughout the District, and a minimum of 87 acres of parkland/open space to be reserved within the District. Under the Development Agreement, the Developer will maintain the parks, open spaces, trails and bike lanes until the Bonds are paid in full.

Pursuant to the Development Agreement, the land within the District must have a minimum value-to-lien ratio of 3:1. In addition, pursuant to the Development Agreement (i) the total amount of bonds to be issued in conjunction with developing the District shall not exceed \$95,000,000, (ii) the total equivalent tax rate including annual installments in the District shall not exceed \$3.00/\$100, and (iii) capitalized interest may not exceed 2 years unless the law dictates otherwise, for which the maximum years of capitalized interest will be adjusted to the lawful requirement.

The Developer has agreed to an alternate process of review of development procedures as set forth in the Development Agreement. In addition, the Development Agreement provides that the property within the District shall be annexed into the corporate limits of the City in phases, but that no property shall be annexed until a final plat for the property to be annexed has been recorded and it is financially feasible for the City to annex such property.

### **Zoning**

The land within Improvement Area #1 (other than the areas applicable to the townhomes) has been zoned as P3 Neighborhood by the City. The townhome land has been zoned as P5 Core by the City. The land within the Future Improvement Areas has not been annexed into the City and thus has not been zoned. Development of such land is governed by the provisions of the Development Agreement. Contemporaneously with the annexation of each Future Improvement Area into the City's corporate limits, the City will zone such Future Improvement Area in a manner consistent with the concept plan, the Development Agreement, and city regulations.

### **Private Improvements**

The Developer has constructed or will construct certain private improvements to serve the entire District consisting of landscape/hardscape improvements consisting of an entry monument, subdivision walls and landscape/irrigation, and other miscellaneous soft costs. The cost of such improvements is expected to be approximately \$1.38 million. The costs of the private Improvements were paid or will be paid with cash available to the Developer.

### **Amenities**

The Developer has constructed and will construct certain amenities within the District, including an amenity center, playgrounds, public parks, open space, and hike and bike trails (the "Amenities"). The amenity center will consist of a building, pool, parking lot, volleyball court, pickleball court, a playscape and trails. The Developer expects to begin constructing the amenity center in January 2025 and expects to complete the amenity center in November 2025. Parks and hike and bike trails will be completed on a phased basis throughout the Development, with construction of the first phase of such parks and trails beginning in January 2025 with construction of the Amenity Center.

The amenity center is expected to cost approximately \$2,800,000. The expected total cost of the Amenities, including the amenity center, is \$4,900,000. The costs of the Amenities are being financed with cash available to the Developer. The Amenities will be owned and maintained by the HOA.

### **Education**

The District is located within Bastrop ISD. Bastrop ISD operates eight elementary schools, four middle/intermediate schools, two high schools and three alternative schools. Colony Oaks Elementary School, which is approximately 1.6 miles from the District, Bastrop Middle School, which is approximately 2.1 miles from the District and Bastrop High School, which is approximately 4.7 miles from the District, are expected to serve the District.

According to the Texas Education Agency annual school report cards, Bastrop Middle School, Bastrop High School and Bastrop ISD were rated "C" for the 2021-2022 school year, the latest year for which ratings are available. The categories for public school districts and public schools are A, B, C, D or Not Rated. Bastrop Middle School is rated 3/10 and Bastrop High School is rated 5/10 by GreatSchools.org. Colony Oaks Elementary School has not been assigned a rating by the Texas Education Agency or GreatSchools.org.

### **Environmental**

Phase One ESA. A Phase One Environmental Site Assessment (a "Phase One ESA") of land within the District, including Improvement Area #1, was completed by Wood Environment and Infrastructure, Inc. ("Wood"). The Developer provided an executive summary of such Phase One ESA for review. The executive summary provides that there was no evidence that the property in the District was under environmental regulatory review or enforcement

action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.

However, Wood did identify the following developmental conditions: (i) a house, two mobile homes, and two pole barns were located on the property which Wood indicated may warrant asbestos and lead-based paint surveys prior to demolition; (ii) three water wells are located on the property which Wood recommended should be properly plugged and abandoned prior to development; and (iii) a septic system was located on the property which Wood recommended be removed and disposed of prior to development. The Developer has complied with Wood's recommendations.

Wood also identified two riverine wetlands are located on the property. The land identified by Wood as wetlands will be designated as open space.

*Endangered Species.* According to the website for the United States Fish and Wildlife Service, the Houston Toad is endangered species in Bastrop County. The Developer is not aware of any endangered species located on District property.

### **Flood Designation**

According to Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map Panel No. 48021C0355F effective May 9, 2023, approximately 6.06 acres of the District lie within Zone AE, which is part of the 100-year floodplain. However, no property within Improvement Area #1 of the District lies in an area of special flood hazard designation. The Developer does not expect to develop the land in the flood plain, and all such land will remain open space.

### **Existing Mineral Rights, Easements and Other Third Party Property Rights**

Third parties hold title to certain rights applicable to real property within and around the District (the "Mineral Owners"), including reservations of mineral rights and royalty interests and easements (collectively, the "Third Party Property Rights") pursuant to various instruments in the chain of title for various tracts of land within and immediately adjacent to the District. Some of these reservations of mineral rights include a waiver by the Mineral Owners of their right to enter onto the surface of the property to explore, develop, drill, produce or extract minerals within the District. If the waiver is applicable, such Mineral Owners may only develop such mineral interests by means of wells drilled on land outside of the property of the District.

The Developer is not aware of any ongoing mineral rights development or exploration on or adjacent to the property within the District. The Developer is not aware of any interest in real property (including mineral rights) owned by the Mineral Owners adjacent to the District. Certain rules and regulations of the Railroad Commission of Texas may also restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues.

Although the Developer does not expect the above-described Third Party Property Rights, or the exercise of such rights or any other third party real property rights in or around the District, to have a material adverse effect on the Development, the property within Improvement Area #1 of the District, or the ability of landowners within the District to pay Assessments, the Developer makes no guarantee as to such expectation. See "BONDHOLDERS' RISKS — Exercise of Third Party Property Rights."

### **Utilities**

*Water and Wastewater.* The City will provide water and wastewater service to the District. The City has sufficient capacity to provide water and wastewater service to the District. See "THE CITY – City Water and Wastewater System."

In addition to the water and wastewater portion of the Improvement Area #1 Improvements, pursuant to the Development Agreement, the Developer is constructing a lift station to serve the Development, which is expected to be completed in January 2025. The approximate cost of the lift station is \$1,500,000, which is expected to be funded

with cash available to the Developer without reimbursement from the City. The City has agreed in the Development Agreement to construct the Offsite Wastewater Facilities necessary to connect the property in the District to the City's existing system. See "THE DEVELOPMENT – Development Agreement."

*Other Utilities.* Additional utilities in the District are expected to be provided by: (1) Phone – Centric Fiber; (2) Electric – Bluebonnet Electric Cooperative; (3) Cable/Data – Centric Fiber; and (4) Gas – Centric Gas.

## THE DEVELOPER

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor, Bond Counsel nor the Underwriter, and none of the City, the City's Financial Advisor, or the Underwriter have any way of guaranteeing the accuracy of such information. See "SOURCES OF INFORMATION – Source of Certain Information."

### General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots to homebuilders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of bonds, such as the Bonds, issued by a municipality for a public improvement district. A developer is generally under no obligation to develop the property that it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land that the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

### Description of Developer

The Developer is a wholly-owned subsidiary of D.R. Horton. D.R. Horton is a public company (NYSE: DHI) subject to the information requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Regional Office of the SEC located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W. Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

In addition, D.R. Horton makes available on its web site [www.drhorton.com](http://www.drhorton.com) its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports from Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have electronically filed with the SEC as well as other financial institutions. Unless otherwise specified, information contained on D.R. Horton's website, available by hyperlink from D.R. Horton's website or on the SEC's website, is not incorporated into this Limited Offering Memorandum

**THE BONDS AND THE ASSESSMENTS DO NOT CONSTITUTE INDEBTEDNESS OF, AND ARE NOT GUARANTEED BY, THE DEVELOPER OR D.R. HORTON.**

## **Executive Biographies of Developer Principals**

*Ryan Gray, Land Development Manager.* Ryan Gray joined D.R. Horton in 2017. Based in Austin, Texas, Ryan joined D.R. Horton after working for Forestar Group, Inc. for 9 years, where he gained a wealth of experience in real estate and development. Ryan has experience in land acquisition and management as well as project management.

*Joel Wixson, Region Land Acquisition Manager.* Joel Wixson joined D.R. Horton as Region Land Acquisition Manager in 2021. His engineering background, entitlement knowledge and acquisition experience have played a major role in providing D.R. Horton lots across Arizona, New Mexico, and Texas. In September 2024, Wixson took over as Land Manager for the Austin Division.

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

The Developer purchased approximately 399.878 acres, which includes the land within Improvement Area #1 of the District, on December 17, 2020 from David K. Grassel at a purchase price of \$11,600,000, which was funded with cash available to the Developer. The Developer is the owner of all 399.878 acres being developed in the District, including Improvement Area #1.

Approximately 10.59 acres within the boundaries of the District are owned by SIS Bastrop, LLC, and such land will not be assessed or be part of the Development.

The Developer expects to fund development in the District with cash available to the Developer.

## **THE ADMINISTRATOR**

The following information has been provided by the Administrator. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor, Bond Counsel nor the Underwriter have any way of guaranteeing the accuracy of such information. The Administrator has reviewed this Limited Offering Memorandum and warrant and represent that the information herein under the caption "THE ADMINISTRATOR" does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

The City has selected P3Works, LLC as the initial Administrator for the District. The Administrator is a consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. The City has entered into an agreement with the Administrator to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The Administrator is a consulting firm focused on providing district services relating to the formation and administration of public improvement districts, and is based in North Richland Hills, Texas and Austin, Texas.

The Administrator's duties will include:

- Preparation of the annual update to the Service and Assessment Plan
- Preparation of assessment rolls for City billing and collection
- Establishing and maintaining a database of all City parcel IDs within the District
- Trust account analysis and reconciliation
- Property owner inquiries
- Determination of Prepayment amounts
- Preparation and review of disclosure notices with Dissemination Agent
- Review of developer draw requests for reimbursement of authorized improvement costs.

## APPRAISAL

### The Appraisal

General. Barletta & Associates, Inc. (the “Appraiser”), prepared an appraisal report dated as of November 25, 2024 (the “Appraisal”). The Appraisal was prepared at the request of the Underwriter.

The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX E and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal.”

Value Estimates. The Appraiser estimated (i) the “As Is” bulk market value of the fee simple interest in the 174 lots in Phase 2 (referred to in the Appraisal as “Phase 1 & 2, Sec. 1”) effective as of October 1, 2024, (ii) the “Upon Completion” bulk market value of the 178 expected lots in Phase 3 effective as of May 1, 2025, and (iii) the “Upon Completion” bulk market value of the fee simple interest in the 250 townhome lots in Phase 13 (referred to in the Appraisal as “Valverde North & Valverde South”) effective as of December 1, 2025, each under certain extraordinary assumptions as outlined in the Appraisal including the assumption that the Improvement Area #1 Improvements have been completed. The Appraisal reflects the values as if the lots were sold to a single purchaser in a single transaction. See “APPENDIX E — Appraisal.”

The Appraiser estimated the following values in Improvement Area #1, each using the methodologies described in the Appraisal (i) Phase 2 “As Is” bulk market value of \$11,890,000 effective as of October 1, 2024, (ii) Phase 3 “Upon Completion” bulk market value of \$14,120,000 effective as of May 1, 2025, and (iii) Phase 13 “Upon Completion” bulk market value of \$12,800,000 effective as of December 1, 2025. The combined value estimate for the assessable property within Improvement Area #1 of the District using the methodologies described in the Appraisal and subject to the hypothetical conditions set forth in the Appraisal, as of the effective dates set forth in the Appraisal, is \$38,810,000. For further information about the value of the land within Improvement Area #1 of the District and the lien relating to the Assessments, see “ASSESSMENT PROCEDURES – Assessment Methodology.”

**None of the City, the Developer or the Underwriter make any representation as to the accuracy, completeness, assumptions or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developer and the Underwriter make no representation as to the reasonableness of such assumptions. Prospective investors should read the complete Appraisal in order to make an informed decision regarding any contemplated purchase of the Bonds. The complete Appraisal is attached hereto as APPENDIX E.**

### BONDHOLDERS’ RISKS

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

#### General

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE**

**RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AND OTHER FUNDS COMPRISING THE TRUST ESTATE.**

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

The rate of development of the property in Improvement Area #1 of the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within Improvement Area #1 of the District should proceed more slowly than expected and the Developer is unable to pay the Assessments, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within Improvement Area #1 of the District. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City or the City's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

The City has not applied for or received a rating on the Bonds. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so.

### **Deemed Representations and Acknowledgment by Investors**

Each Investor will be deemed to have acknowledged and represented to the City the matters set forth under the heading "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" which include, among others, a representation and acknowledgment that the purchase of the Bonds involves investment risks, certain of which are set forth under this heading "BONDHOLDERS' RISKS" and elsewhere herein, and such Investor, either alone or with its purchaser representative(s) (as defined in Rule 501(h) of Regulation D under the Securities Act of 1933), has sophisticated knowledge and experience in financial and business matters and the capacity to evaluate such risks in making an informed investment decision to purchase the Bonds, and the Investor can afford a complete loss of its investment in the Bonds.

### **Assessment Limitations**

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



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

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

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

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

Under State law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights will have been claimed. Furthermore, the Developer is not eligible to claim homestead rights and the Developer has represented that it will own all property within Improvement Area #1 of the District as of the date of the Assessment Ordinance. Consequently, there are and can be no homestead rights on the Assessed Property superior to the Assessment Lien and, therefore, the Assessment Lien may be foreclosed upon by the City.

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

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

#### **Exceedance of Maximum Assessment Could Trigger Assessment Prepayment and Optional Redemption**

The Service and Assessment Plan establishes a “Maximum Assessment” for each lot type in Improvement Area #1 of the District, which Maximum Assessment is currently calculated as shown below. See “APPENDIX B — Form of Service and Assessment Plan.”

<u>Lot type</u>	<u>Maximum Assessment per Lot Type</u>
Multi-Family	\$17,747.15
32'	\$19,489.86
43'	\$22,341.76
45'	\$23,387.58
50'	\$23,387.58

Prior to the City approving a final subdivision plat, the Administrator will certify that such plat will not result in the Assessment per lot for any lot type exceeding the Maximum Assessment. If the Administrator determines that the resulting Assessment per lot for any lot type will exceed the Maximum Assessment, the Service and Assessment Plan provides that the person or entity filing the plat shall make a mandatory prepayment of the Assessments. See “ASSESSMENT PROCEDURES – Assessment Amounts – Maximum Assessment.”

No plat has been filed the townhome tract in Phase 13 of in Improvement Area #1 of the District. In the event that the number of townhomes to be built in Phase 13 of Improvement Area #1 falls prior to the filing of a plat for Improvement Area #1, a mandatory prepayment of the Assessments could be triggered at the time of filing of the plat. Any mandatory prepayment of the Assessments related to the exceedance of the Maximum Assessment may trigger an optional redemption of the Bonds by the City. See “DESCRIPTION OF THE BONDS – Redemption Provisions.”

**Competition**

The housing industry in the Austin area is very competitive, and none of the Developer, the City, the City’s Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will be completed in accordance with the Developer’s expectations. The competitive position of the Developer in the sale of developed lots or of any other homebuilder in the construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District. There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise be able to compete with the Development. A sample of competitive projects near the Development is below.

<u>Project Name</u>	<u># of Units</u>	<u>Proximity to District (Miles)</u>	<u>Developer/Builders</u>	<u>Expected Home Sale Prices</u>
Double Eagle Ranch	52	7.72 Miles	Meritage Homes	\$368,490
The Colony	99	.64 Miles	Perry Homes	\$416,150
The Colony	103	0.48 Miles	Scott Felder Homes	\$461,290
The Colony	92	2.75 Miles	Sitterle Homes	\$584,909
Adelton	47	1.3 Miles	Empire	\$408,445

**Recent Changes in State Law Regarding Public Improvement Districts; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code May Affect Absorption Schedule and Provide for Prepayments Causing Partial Redemptions of Bonds**

The 87th Legislature passed HB 1543, which became effective September 1, 2021, and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract or purchase and sale. If the Developer or the homebuilders within Improvement Area #1 of the District do not provide the required notice and prospective purchasers of property within Improvement Area #1 of the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected.

In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all costs relative to the purchase, plus interest and reasonable attorney's fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney's fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Assessments on such property may be prepaid. In the event of such prepayment, a partial redemption of the Bonds could occur. See "DESCRIPTION OF THE BONDS – Redemption Provisions." On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further however, if the Developer or homebuilders within Improvement Area #1 of the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The form of notice to be provided to homebuyers is attached to the Service and Assessment Plan. See "APPENDIX B – Form of Service and Assessment Plan."

### **Failure or Inability to Complete Proposed Development**

Proposed development within Improvement Area #1 of the District may be affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, changes in the income tax treatment of real property ownership, unexpected increases in development costs and other similar factors as well as availability of utilities and the development or existence of environmental concerns with such land. See "– Hazardous Substances" below. There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development. A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. THE TIMELY PAYMENT OF THE BONDS DEPENDS UPON THE WILLINGNESS AND ABILITY OF THE DEVELOPER AND ANY SUBSEQUENT OWNERS TO PAY THE ASSESSMENTS WHEN DUE. ANY OR ALL OF THE FOREGOING COULD REDUCE THE WILLINGNESS AND THE ABILITY OF SUCH OWNERS TO PAY THE ASSESSMENTS AND COULD GREATLY REDUCE THE VALUE OF PROPERTY WITHIN IMPROVEMENT AREA #1 OF THE DISTRICT IN THE EVENT SUCH PROPERTY HAS TO BE FORECLOSED. In that event, there could be a default in the payment of the Bonds.

### **Completion of Homes**

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

### **Absorption Rate**

There can be no assurance that the Developer will be able to achieve its anticipated absorption rates. Failure to achieve the absorption rate estimates will adversely affect the estimated value of the Development, could impair the economic viability of the Development and could reduce the ability or desire of property owners in the District to pay the Assessments.

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

The real estate market is currently experiencing a slowing of new home sales and new home closings due in part to rising inflation and mortgage interest rates. Downturns in the real estate market and other factors beyond the control of the Developer, including general economic conditions, may impact the timing of parcel, lot, and home sales within the District. No assurances can be given that projected home prices, home sales and buildout values presented in this Limited Offering Memorandum will be realized.

## **Risks Related to Increase in Costs of Building Materials**

There have been substantial increases in the cost of materials, causing many homebuilders and general contractors to experience budget overruns. If the construction costs associated with completing homes in the District are substantially higher than the estimated costs or if the homebuilders within Improvement Area #1 of the District are unable to access building materials in a timely manner, it may affect the ability of such homebuilders in the District to complete the construction of homes or pay the Assessments when due. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of the District.

## **Bankruptcy**

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

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

The ability of an owner of property within Improvement Area #1 of the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within Improvement Area #1 of the District and will likely do so in the future. Such entities could also impose assessment liens on the property within Improvement Area #1 of the District. The imposition of additional liens, or liens for private financing, may reduce the ability or willingness of the landowners to pay the Assessments. See "OVERLAPPING TAXES AND DEBT."

## **Depletion of Reserve Account of the Reserve Fund; No Prefunding of Delinquency & Prepayment Reserve Account**

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Fund. The Delinquency & Prepayment Reserve Account of the Reserve Fund is not funded from proceeds of the Bonds. Instead, funding of the Delinquency & Prepayment Reserve Account is accumulated over time, by the mechanism described in "SECURITY FOR THE BONDS – Delinquency & Prepayment Reserve Account of the Reserve Fund." The Indenture provides that if after a withdrawal from the Reserve Account the amounts therein are less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account sufficient to cure such deficiency. The Indenture also provides that if the amount on deposit in the Delinquency & Prepayment Reserve Account shall at any time be less than the Delinquency & Prepayment Reserve Requirement, the Trustee shall notify the City, in writing, of the amount of such shortfall and the City shall resume collecting the Additional Interest and shall file a City Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account; provided, however, that the City shall not be required to replenish the Delinquency & Prepayment Reserve Account in the event funds are transferred from the Delinquency & Prepayment Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment, as described under "SECURITY FOR THE BONDS – Reserve Account of the Reserve Fund."

## **Hazardous Substances**

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may

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

The value of the land within Improvement Area #1 of the District does not take into account the possible liability of the Developer for the remediation of a hazardous substance condition on the property in the District. The City has not independently verified, and is not aware, that the Developer has such a current liability with respect to the property in Improvement Area #1 of the District; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

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

See “THE DEVELOPMENT — Environmental” for discussion of the Phase One ESA performed on property within Improvement Area #1 of the District.

### **Exercise of Third Party Property Rights**

As described herein under “THE DEVELOPMENT – Existing Mineral Rights, Easements and Other Third Party Property Rights,” there are certain Third Party Property Rights reservations located within Improvement Area #1 of the District and not owned by the Developer or any of its affiliates. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within Improvement Area #1 of the District recorded in the real property records of Bastrop County.

The Developer does not expect the existence or exercise of any Third Party Property Rights, mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within Improvement Area #1 of the District, or the ability of landowners within Improvement Area #1 of the District to pay Assessments. However, none of the City, the Financial Advisor, or the Underwriter, provide any assurances as to such Developer expectations.

### **Regulation**

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

### **Bondholders’ Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, the Trustee may, and upon the written request of at least of the Owners of at least a Quarter in Interest on the Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or

for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City's obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within Improvement Area #1 of the District or sell property within Improvement Area #1 of the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "BONDHOLDERS' RISKS — Bankruptcy Limitation to Bondholders' Rights" herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within Improvement Area #1 of the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Assessments, or delinquent ad valorem taxes, against such property owner.

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

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

The City is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign

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

### **No Acceleration**

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

### **Bankruptcy Limitation to Bondholders' Rights**

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

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

### **Loss of Tax Exemption**

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

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

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

As further described in “TAX MATTERS” below, failure of the City to comply with the requirements of the Internal Revenue Code of 1986 (the “Code”) and the related legal authorities, or changes in the federal tax law or its application, could cause interest on the Bonds to be included in the gross income of owners of the Bonds for federal income tax purposes, possibly from the date of original issuance of the Bonds. Further, the opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. The IRS has an ongoing program of auditing obligations that are issued and sold as bearing tax-exempt interest to determine whether, in the view of the IRS, interest on such obligations is included in the gross income of the owners thereof for federal income tax purposes. The IRS has announced that its audit efforts will focus in part on “developer-driven bond transactions,” including certain tax increment financings and certain assessment bond transactions. In recent audits, the IRS has asserted that interest on such “developer-driven” obligations can be taxable, in certain circumstances, even when those transactions otherwise meet all applicable tax law requirements. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the City would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, regardless of the outcome, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds. Finally, if the IRS ultimately determines that the interest on the Bonds is not excluded from the gross income of Bondholders for federal income tax purposes, the City may not have the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

## **Management and Ownership**

The management and ownership of the Developer and related or affiliated property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in development projects comparable to that of the Development.

## **General Risks of Real Estate Investment and Development**

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer.

Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein. Failure to meet any lot purchase contract’s conditions may allow the applicable lot purchaser to terminate its obligation to purchase lots from the Developer and obtain its earnest money deposit back. See “THE DEVELOPMENT – Expected Build Out of the Development” herein.



The Developer has the right to modify or change their plan for development of the District from time to time, including, without limitation, land use changes, changes in the overall land and phasing plans, and changes to the type, mix, size, and number of units to be developed. No defined “true-up” agreement has been entered into between the City and Developer, nor is there a requirement that future developers enter into such an agreement. There can be no assurance, in the event the Developer or subsequent developers modify or change plans for development that the necessary revisions to the Service and Assessment Plan will be made. Nor can there be an assurance that the eventual assessment burden on the property will be marketable.

The ability of the Developer to develop lots and/or its affiliate homebuilders and sell single-family residential homes within the District may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market and other factors beyond the control of the owner of the single-family residential lots. In the event that a large number of single-family projects are constructed outside of the District, and compete with the Development, the demand for residential housing within the District could be reduced, thereby adversely affecting the continued development of the Development, or its attraction to businesses and residents

The Development cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of the Development and to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer.

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Bonds depends on the willingness and ability of the Developer, its homebuilding affiliates and any subsequent owners to pay the Assessments when due. Any or all of the foregoing could reduce the willingness and ability of such owners to pay the Assessments and could greatly reduce the value of the property within Improvement Area #1 of the District in the event such property has to be foreclosed. If Annual Installments of Assessments are not timely paid and there are insufficient funds in the accounts of the Reserve Fund, a nonpayment could result in a payment default under the Indenture.

### **Availability of Utilities**

The progress of development within the District is also dependent upon the City providing an adequate supply of water and wastewater. If the City fails to supply water and wastewater services to the property in the District, the Development of the land in the District could be adversely affected. See “THE DEVELOPMENT — Utilities.”

Portions of the State, including the City and its surrounding area, are experiencing significant growth, which has produced and is expected to continue to produce a growing demand for water and wastewater service. The ability of the City to provide an adequate supply of water and sufficient capacity for treatment of wastewater, as applicable, is dependent on many factors, including, but not limited to, supply and demand of materials to complete necessary water and wastewater improvements, compliance with the Texas Commission on Environmental Quality regulations, the effects of extreme weather events on such entities’ water and wastewater systems, and the construction of developments competing with the District. See “THE DEVELOPMENT — Utilities,” “BONDHOLDERS’ RISKS — General Risks of Real Estate Investment and Development,” “— Risks Related to Current Increase in Costs of Building Materials,” “— Competition,” “— Regulation” and “— Risk from Weather Events.”

None of the City, the Financial Advisor, the Underwriter, or the Developer can predict the impact that such growing demand may have on the City, the District, the projected buildout schedule, availability of water and wastewater service to Improvement Area #1 of the District or an investment in the Bonds.

### **Dependence Upon Developer**

The Developer, as the owner of the Assessed Property in the District, currently has the obligation for payment of the Assessments. The ability of the Developer to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. There can be no assurances

given as to the financial ability or willingness of the Developer to advance any funds to the City to supplement revenues from the Assessments if necessary, or as to whether the Developer will advance such funds.

Moreover, the City will pay the Developer, or the Developer's designee, from proceeds of the Bonds for project costs actually incurred in developing and constructing the Improvement Area #1 Improvements within Improvement Area #1 of the District. See "THE IMPROVEMENT AREA #1 IMPROVEMENTS – General" and "THE DEVELOPMENT – Development Plan and Status of Development in Improvement Area #1 of the District." There can be no assurances given as to the financial ability of the Developer to complete such improvements.

The Developer will not guarantee or otherwise be obligated to pay debt service on the Bonds.

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

During Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 88th Legislative Session of the State (the "88th Regular Session") concluded on May 29, 2023. When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Upon conclusion of the 88th Regular Session, the Governor has called four special sessions all of which have ended without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. It is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

### **Use of Appraisal**

Caution should be exercised in the evaluation and use of valuations included in the Appraisal. The Appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation and specified therein. The estimated market value specified in the Appraisal is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the Appraiser's forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analysis, the Appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser's, Underwriter's and City's control, as well as certain factual matters. Furthermore, the Appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation and date of the Appraisal.

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

### **Risk from Weather Events**

All of the State, including the City and the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains, extreme heat and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in

disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City or the District, including land within the District.

### **100-Year Flood Plain**

According to FEMA Flood Insurance Rate Map Panel No. 48021C0355F effective May 9, 2023, approximately 6.06 acres of the District lies within Zone AE, which is part of the 100-year floodplain. However, no property within Improvement Area #1 of the District lies in an area of special flood hazard designation. The Developer does not expect to develop the land in the flood plain and all such land will remain open space.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the 100-year flood plain.

### **Judicial Foreclosures**

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

### **No Credit Rating**

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

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

### **Cybersecurity Risks**

The City, like other municipalities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating

cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

## **TAX MATTERS**

### **Opinion**

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

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption

price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Interest on the Bonds may be includable in certain corporation’s “adjusted financial statement income” determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

## **LEGAL MATTERS**

### **Legal Proceedings**

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

McCall, Parkhurst & Horton L.L.P., Austin, Texas, serves as Bond Counsel to the City. Troutman Pepper Locke LLP (the successor merged firm to Locke Lord LLP and Troutman Pepper Hamilton Sanders LLP), Dallas, Texas, serves as Underwriter’s Counsel. The legal fees paid to Bond Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

## **Legal Opinions**

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

Except as noted below, Bond Counsel did not take part in the preparation of this Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in this Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds" (except for the final paragraph thereof), "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for the final paragraph under the subcaption "General"), "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings" (except for the final paragraph thereof), "LEGAL MATTERS — Legal Opinions" (except for the final paragraph thereof), "CONTINUING DISCLOSURE – The City," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "APPENDIX A," and "APPENDIX C" excluding any material that may be treated as included under such captions or subcaptions by cross references or reference to other documents or sources, and such firm is of the opinion that the statements relating to the Bonds and legal matters contained under such captions and subcaptions accurately describes the laws and legal matters addressed therein and, with respect to the Bonds, insofar as such statements expressly summarize certain provisions of or refer to the Bonds, the Bond Ordinance and the Indenture, or set out content of such firm's Bond Opinion, are accurate in all material respects.

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

### **Litigation — The City**

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

### **Litigation — The Developer**

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the

Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its officers or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Financing and Reimbursement Agreement, or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds.

### **SUITABILITY FOR INVESTMENT**

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

### **ENFORCEABILITY OF REMEDIES**

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

### **NO RATING**

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

### **CONTINUING DISCLOSURE**

#### **The City**

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

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



damages resulting in whole or in part from any breach of the Issuer Disclosure Agreement or from any statement made pursuant to the Issuer Disclosure Agreement.

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

During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

### **The Developer**

The Developer will enter into a Continuing Disclosure Agreement (the “Developer Disclosure Agreement”) with the Administrator and the Dissemination Agent for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Developer Disclosure Agreement, certain information regarding the applicable portion of the District and the applicable portions of the Improvement Area #1 Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX D-2 — Form of Developer Disclosure Agreement.”

Under certain circumstances, the failure of Developer or the Administrator to comply with their respective obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and are not entered into pursuant to the Rule.

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

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

The Developer has previously entered into a continuing disclosure undertaking under which its reporting obligations began on November 19, 2024. The Developer’s first quarterly reporting obligation under such undertaking (except for any material events) is due May 15, 2025.

## **UNDERWRITING**

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the City at a purchase price of \$\_\_\_\_\_ (the par amount of the Bonds, less an underwriting discount of \$\_\_\_\_\_, which includes Underwriter’s Counsel’s fee of \$\_\_\_\_\_) and no accrued interest. The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

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

The sale of the Bonds has not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of

any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

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

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

## **INVESTMENTS**

The City invests its funds in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City’s investment policies are subject to change.

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit and share certificates issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City

deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) above or clause (12) below, which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, the

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset and fund type invested at the beginning and end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

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

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

The City has appointed BOKF, NA association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any

assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at [www.bokf.com](http://www.bokf.com). Neither the information on the Trustee's website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Bonds.

## **SOURCES OF INFORMATION**

### **General**

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Developer and its representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City and the Developer, described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### **Source of Certain Information**

The information contained in this Limited Offering Memorandum relating to the description of the Improvement Area #1 Improvements, the Development, the Developer, generally and, in particular, the information included in the sections captioned "PLAN OF FINANCE — Development Plan, Status of Development and Plan of Finance," "OVERLAPPING TAXES AND DEBT — Homeowners' Association," "THE IMPROVEMENT AREA #1 IMPROVEMENTS," "THE DEVELOPMENT," "THE DEVELOPER," "BONDHOLDERS' RISKS," (only as it pertains to the Developer, the Improvement Area #1 Improvements and the Development), "LEGAL MATTERS — Litigation — The Developer," "LEGAL MATTERS — Litigation — The Developer," "CONTINUING DISCLOSURE — The Developer" and "— The Developer's Compliance with Prior Undertakings," and APPENDIX G has been provided by the Developer, and the Developer warrants and represents, solely with respect to information pertaining to the Developer, the Development and the Improvement Area #1 Improvements that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the City and the Underwriter.

### **Experts**

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by P3Works, LLC and has been included in reliance upon the authority of such firm as experts in the field of formation and administration of public improvement districts.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by the Appraiser and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property.

## **Updating of Limited Offering Memorandum**

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

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "anticipate," "budget" or other similar words.

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

## **AUTHORIZATION AND APPROVAL**

The City Council has approved the form and content of this Preliminary Limited Offering Memorandum and has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

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**APPENDIX A**  
**FORM OF INDENTURE**



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**APPENDIX B**

**FORM OF SERVICE AND ASSESSMENT PLAN**

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**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

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**APPENDIX D-1**

**FORM OF ISSUER DISCLOSURE AGREEMENT**

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**APPENDIX D-2**

**FORM OF DEVELOPER DISCLOSURE AGREEMENT**



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**APPENDIX E**  
**APPRAISAL**

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**APPENDIX F**

**FORM OF FINANCING AND REIMBURSEMENT AGREEMENT**

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**APPENDIX G**

**PHOTOGRAPHS OF DEVELOPMENT IN THE DISTRICT**

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