

NEW ISSUE

NOT RATED

*In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under existing law, subject to the matters described under "TAX MATTERS" herein. See "LEGAL MATTERS" and "TAX MATTERS" herein for a discussion of Bond Counsel's opinion, including a description of certain alternative minimum tax consequences for corporations.*

**\$12,590,000**  
**CITY OF AUSTIN, TEXAS,**  
**(Travis, Williamson and Hays Counties)**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013**  
**(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)**

**Dated: Date of Delivery****Due: November 1, as shown on the inside cover**

The City of Austin, Texas, Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District) (the "Bonds"), are being issued by the City of Austin, Texas (the "City"). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal and any integral multiple of \$5,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover, calculated on the basis of a 360-day year of twelve 30-day months, payable on each May 1 and November 1, commencing November 1, 2013, 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 U.S. Bank National Association, as trustee (the "Trustee"), to DTC as the registered owner thereof. See "BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the City pursuant to the Public Improvement District Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), an ordinance adopted by the City Council of the City (the "City Council") on June 20, 2013, and an Indenture of Trust, dated as of June 1, 2013 (the "Indenture"), entered into by and between the City and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) the payment of the costs of construction, acquisition or purchase of certain water, wastewater, drainage, roadway, hardscape, landscape and hike and bike trail public improvements for the benefit of Improvement Area #1 ("IA #1") of the Estancia Hill Country Public Improvement District, a public improvement district of the City (the "District"), (ii) the funding of the Reserve Fund in the amount of the Reserve Fund Requirement for the Bonds, (iii) the payment of all or a portion of the costs incidental to the organization of the District, (iv) the funding of capitalized interest on the Bonds, and (v) the payment of the costs of issuance of the Bonds. See "THE IA #1 PUBLIC IMPROVEMENTS" and "APPENDIX A — Form of Indenture."

Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the City payable solely from and secured by Pledged Revenues, consisting primarily of monies collected from Assessments levied against assessable properties in IA #1 in accordance with a Service and Assessment Plan, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See "SECURITY FOR THE BONDS."

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

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

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE NOT PAYABLE EXCEPT AS PROVIDED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. 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.

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

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter, subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Fulbright & Jaworski LLP, Bond Counsel, a member of Norton Rose Fulbright, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See "APPENDIX C — Form of Opinion of Bond Counsel." Certain legal matters will be passed upon for the Underwriter by its counsel, Andrews Kurth LLP, and for the Landowner 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 July 16, 2013.

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

\$12,590,000  
CITY OF AUSTIN, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013  
(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)

\$2,695,000 4.500% Term Bonds, Due November 1, 2018, Priced to Yield 4.500%; CUSIP 052466 AP4<sup>(a) (b)</sup>

\$9,895,000 6.000% Term Bonds, Due November 1, 2028, Priced to Yield 6.000%; CUSIP 052466 AQ2<sup>(a) (b)</sup>

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<sup>(a)</sup> The Bonds are subject to redemption prior to stated maturity. See “THE BONDS — Redemption Provisions.”

<sup>(b)</sup> CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

**CITY OF AUSTIN**

**Elected Officials <sup>(1)</sup>**

	<u>Term Expires November</u>
Lee Leffingwell .....	Mayor 2014
Chris Riley .....	Councilmember Place 1 2014
Mike Martinez.....	Councilmember Place 2 2014
Kathryne B. Tovo .....	Councilmember Place 3 2014
Laura Morrison .....	Councilmember Place 4 2014
William Spelman .....	Councilmember Place 5 2014
Sheryl Cole, Mayor Pro Tem .....	Councilmember Place 6 2014

<sup>(1)</sup> As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the City Council to be elected from ten single-member districts. See “THE CITY – Administration.”

**Appointed Officials**

Marc A. Ott .....	City Manager
Mike McDonald .....	Deputy City Manager
Robert Goode .....	Assistant City Manager
Sue Edwards.....	Assistant City Manager
Bert Lumbreras .....	Assistant City Manager
Anthony Snipes .....	Assistant City Manager
Elaine Hart, CPA.....	Chief Financial Officer
Greg Canally .....	Deputy Chief Financial Officer
Ed Van Eenoo .....	Deputy Chief Financial Officer
Karen Kennard .....	City Attorney
Jannette S. Goodall .....	City Clerk

**BOND COUNSEL**

Fulbright & Jaworski LLP  
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Austin and Dallas, Texas

**SECURITIES COUNSEL FOR THE CITY**

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Austin and Dallas, Texas

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Austin, Texas

**SERVICE AND ASSESSMENT PLAN CONSULTANT**

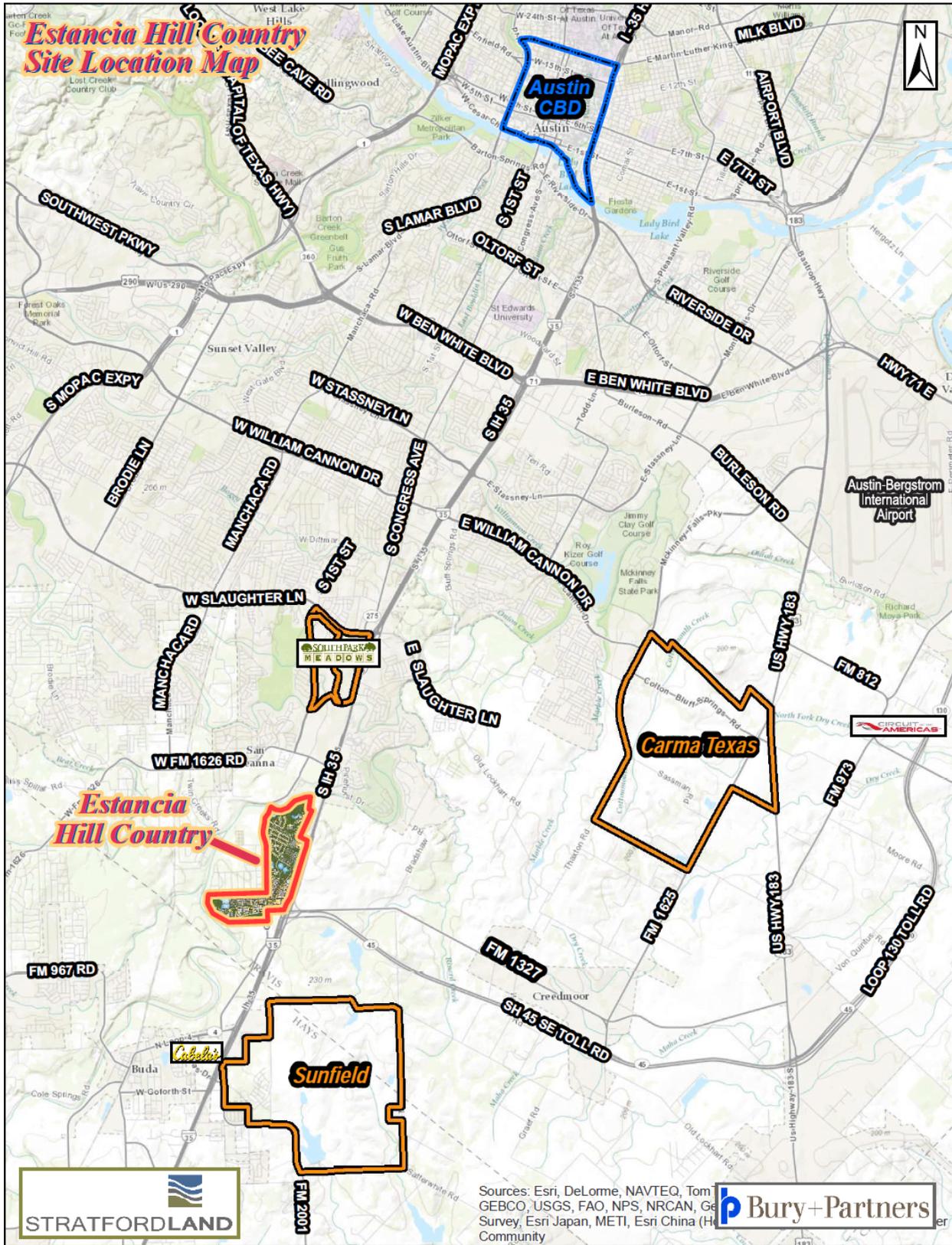
Development Planning Finance Group  
Austin, Texas

For additional information regarding the City, please contact:

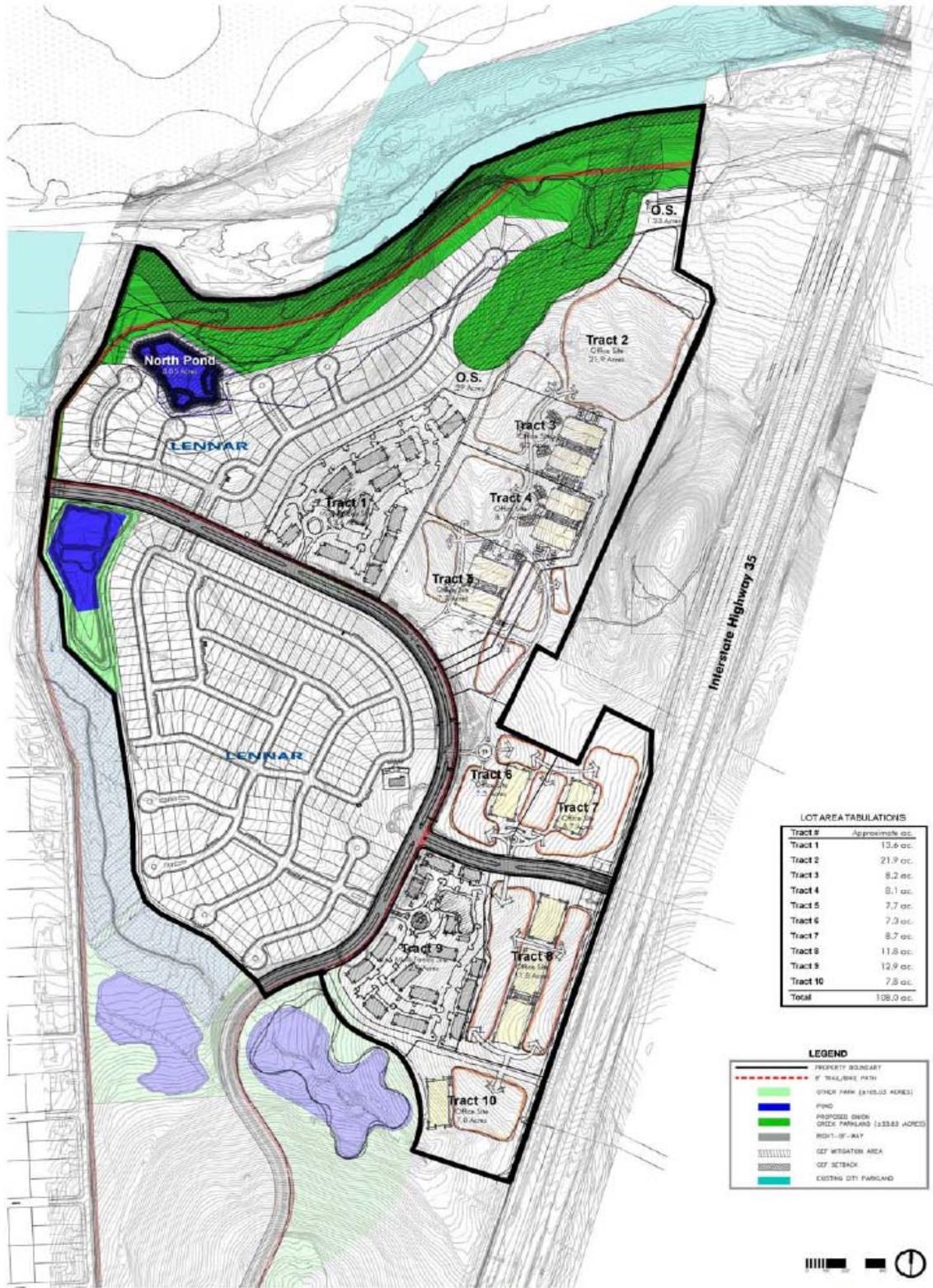
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# DISTRICT LOCATION MAP



IA #1 WITH PRELIMINARY SITE PLAN OVERLAID



Estancia Hill Country

Phase I Concept Plan

STRATFORDLAND

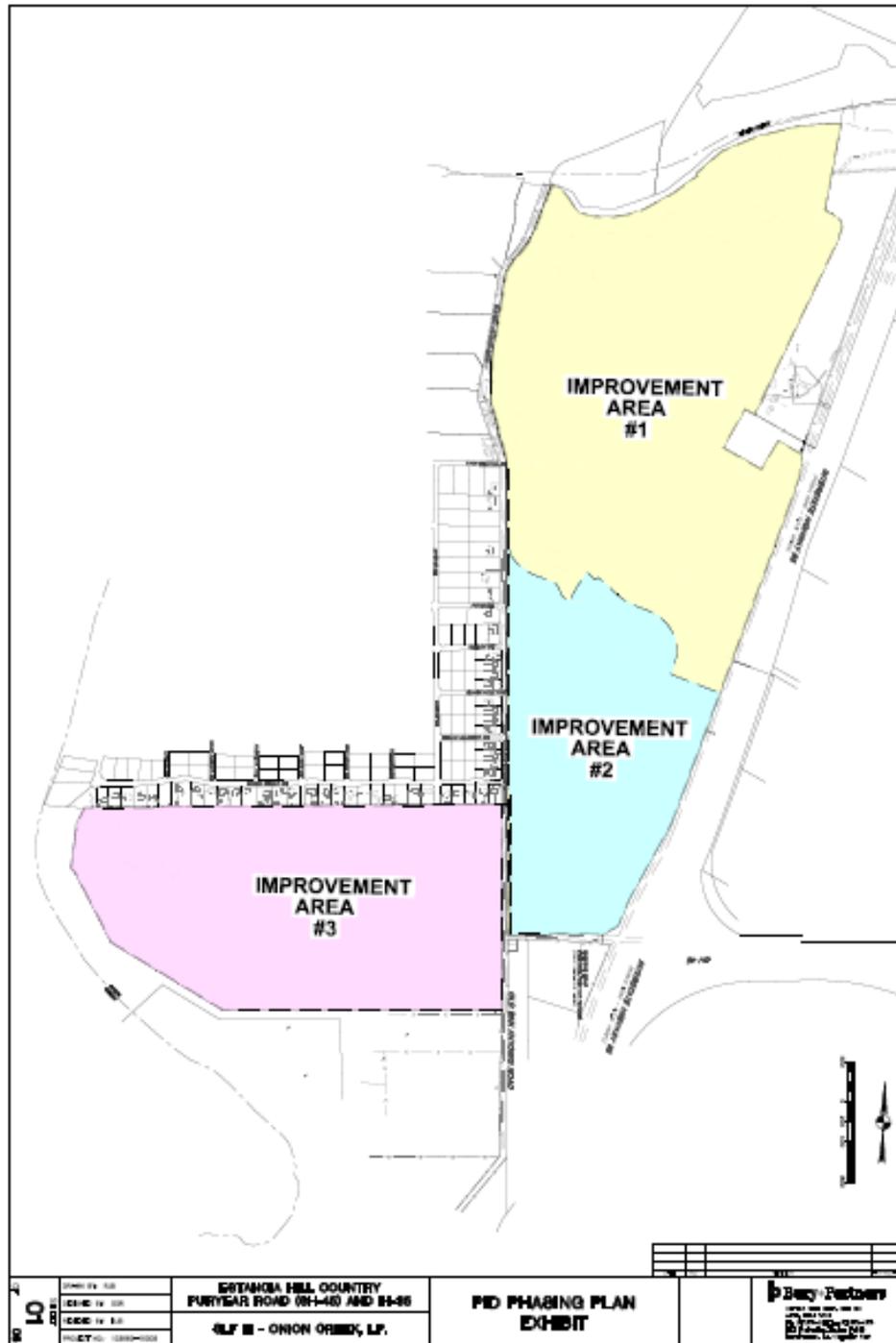
Bury Partners

April 23, 2013

For illustration purposes only. Preliminary; subject to change.

# IMPROVEMENT AREA #1

## Improvement Area #1 Boundary Map



Proceeds of the Bonds will be used to finance improvements in Improvement Area #1 only and only Assessments in Improvement Area #1 will secure repayment of the Bonds. See "SECURITY FOR THE BONDS."

Projected phasing of improvement areas is subject to change.

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 OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE LANDOWNER, 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 OFFICIAL STATEMENT, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE LANDOWNER SINCE THE DATE HEREOF.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

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

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

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## OFFICIAL STATEMENT

**\$12,590,000**  
**CITY OF AUSTIN, TEXAS,**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013**  
**(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)**

### INTRODUCTION

The purpose of this Official Statement, 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 Austin, Texas (the “City”), of its \$12,590,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District) (the “Bonds”).

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

The Bonds are being issued by the City pursuant to the Public Improvement District Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds enacted by the City Council on June 20, 2013 (the “Bond Ordinance”), and an Indenture of Trust, dated as of June 1, 2013 (the “Indenture”), entered into by and between the City and the Trustee. The Bonds will be secured by assessments levied against property located within Improvement Area #1 (“IA #1”) of the Estancia Hill Country Public Improvement District, a public improvement district of the City (the “District”) pursuant to an ordinance enacted by the City Council on June 20, 2013 (the “Assessment Ordinance”).

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

Set forth herein are brief descriptions of the City, the District, the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan and the Landowner, together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, Jefferies LLC, 300 Crescent Court, Suite 500, Dallas, Texas 75201, telephone number (972) 701-3037. The full text of the Indenture appears in APPENDIX A and the full text of the 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

#### General

The proceeds of the Bonds will be used to provide funds for (i) the payment of the costs of construction, acquisition or purchase of certain water, wastewater, drainage, roadway, hardscape, landscape and hike and bike trail public improvements (collectively, the “Improvement Projects”) for the benefit of IA #1 of the District, (ii) the funding of the Reserve Fund in the amount of the Reserve Fund Requirement for the Bonds, (iii) the payment of all or a portion of the costs incidental to the organization of the District, (iv) the funding of capitalized interest on the Bonds, and (v) the payment of the costs of issuance of the Bonds. See “THE IA #1 PUBLIC IMPROVEMENTS,” “APPENDIX A – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

The cost of all of the Improvement Projects (excluding contingencies and construction management fees) is expected to be approximately \$13,050,206. A portion of the costs of the Improvement Projects, in the approximate amount of \$9,646,595.41, is expected to be paid with proceeds of the Bonds. An additional portion of such costs, in the approximate amount of \$3,403,610.59, is expected to be paid from a cash contribution by SLF III – Onion Creek, L.P. (the “Landowner”) at closing. Contingencies may also be paid from the balance of the Landowner’s cash contribution until exhausted and then paid, along with construction management fees, by the Landowner as incurred. See “SOURCES AND USES OF FUNDS” and “THE IA #1 PUBLIC IMPROVEMENTS.”

When compared to the estimated total retail value of the assessable property in IA #1 (\$37,770,000), the principal amount of the Bonds has an estimated value to assessment burden ratio of approximately 3.0 to 1. See “APPRAISAL OF PROPERTY WITHIN IA #1 – Value to Assessment Burden Ratios.”

Payment of the Bonds is secured by a pledge of and a lien upon the Pledged Revenues, consisting primarily of Assessments to be levied against the assessable parcels or lots within IA #1, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.”

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Official Statement. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on November 1, 2013, and on May 1 and November 1 thereafter (each an “Interest Payment Date”), until maturity or prior redemption. U.S. Bank National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$25,000 of principal and any integral multiple of \$5,000 in excess thereof (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

### **Redemption Provisions**

*Optional Redemption.* The City reserves the right and option to redeem Bonds maturing on November 1, 2028, in whole or in part on November 1, 2023, or on any date thereafter, such redemption date or dates to be fixed by the City, at a price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

*Extraordinary Optional Redemption.* The Bonds are subject to extraordinary optional redemption by the City prior to their scheduled maturity on the first day of any month after the required notice of redemption at a redemption price equal to 100% of the principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the redemption date from property owner Prepayments, including related transfers to the Redemption Fund. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of “Prepayments.” Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary optional redemption of Bonds unless it has at least \$25,000 available in the Redemption Fund with which to redeem Bonds. No redemption shall be made which results in a Bond remaining outstanding in a principal amount less than an Authorized Denomination. See “APPENDIX A — Form of Indenture.”

*Mandatory Sinking Fund Redemption.* The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at a price of 100% of the principal amount thereof, plus accrued interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective principal amounts as set forth in the following schedule:

**Bonds due November 1, 2018**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
November 1, 2015	\$630,000
November 1, 2016	660,000
November 1, 2017	685,000
November 1, 2018†	720,000

**Bonds due November 1, 2028**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
November 1, 2019	\$ 750,000
November 1, 2020	795,000
November 1, 2021	845,000
November 1, 2022	895,000
November 1, 2023	945,000
November 1, 2024	1,005,000
November 1, 2025	1,065,000
November 1, 2026	1,130,000
November 1, 2027	1,195,000
November 1, 2028†	1,270,000

†Stated Maturity

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

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

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among sinking fund installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

*Notice of Redemption.* Notice of any redemption shall be given by the Trustee at least thirty (30) days prior to the redemption date by giving written notice to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Any such notice shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. When such Bonds have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as Outstanding except for the purposes of receiving payment from the funds provided for redemption, and the right of the Owners to collect interest on such Bonds or portions thereof which would otherwise accrue after the redemption date shall be terminated.

If at the time of mailing of notice of any optional redemption in connection with a refunding of the Bonds the City has not deposited with the Paying Agent/Registrar or an eligible financial institution moneys sufficient to

redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding bonds with the Paying Agent/Registrar or an eligible financial institution not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

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

*Additional Provisions with Respect to Redemption.* Bonds may be redeemed in part only in Authorized Denominations. If less than all of the Bonds are to be redeemed, the Bonds to be redeemed shall be selected by any method selected by the Trustee that results in a random selection, and treating each minimum Authorized Denomination of the Bonds as a single Bond for such purposes.

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

## **SECURITY FOR THE BONDS**

### **General**

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS ARE NOT PAYABLE FROM FUNDS RAISED OR TO BE RAISED FROM TAXATION AND DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE NOT PAYABLE EXCEPT AS PROVIDED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES.

The 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 levied against the assessable parcels or lots within IA #1 of the District, all to the extent and upon the conditions described herein and in the Indenture. IA #1 contains approximately 254 acres, of which approximately 216 acres is expected to constitute Assessed Parcels. In accordance with the PID Act, the City has caused the preparation of a Service and Assessment Plan (as amended and supplemented from time to time, the "Service and Assessment Plan"), which describes the special benefit received by the property within IA #1, 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 (hereinafter described) 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 owners and landowners within IA #1. See "APPENDIX B — 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 Projects by levying Assessments upon properties in IA #1 benefitted thereby. For a description of the assessment methodology and the amounts of Assessments anticipated to be levied in IA #1, see "ASSESSMENT PROCEDURES" and "APPENDIX B — Service and Assessment Plan."

Pursuant to the Indenture, Pledged Revenues consist of (i) the Annual Installments, less the Annual Collection Costs, (ii) any Prepayments (see “ASSESSMENT PROCEDURES – Prepayment of Assessments”) received by the City, (iii) any Foreclosure Proceeds received by the City, and (iv) moneys held in the Pledged Funds. Annual Installments mean, with respect to each Assessed Parcel, each annual payment of the Assessment as shown on the Assessment Roll attached to the Service and Assessment Plan. Assessments also include any supplemental assessments levied in accordance with Sections 372.019 and 372.020 of the PID Act. The City will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “– Pledged Revenue Fund,” “APPENDIX A — Form of Indenture” and “APPENDIX B — Service and Assessment Plan.”

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the property assessed, superior to all other liens or claims, except liens and claims by State of Texas, city, county, school districts, or municipalities for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See “ASSESSMENT PROCEDURES” and “BONDHOLDERS’ RISKS – Assessment Limitations.”

The Assessments levied in the Assessment Ordinance and described in the Service and Assessment Plan are set at a level sufficient to fund costs of the Improvement Projects in the approximate amount of \$17,235,000. Such costs will be paid from a combination of proceeds of the Bonds, Assessments as they are collected and the proceeds of Additional Bonds, if any. The Pledged Revenues collected each year in excess of that necessary to pay debt service on the Bonds are available to fund such costs over time or to pay debt service on any Additional Bonds. The costs paid from Pledged Revenues as they are collected are subordinate to payment of debt service on the Bonds. Consequently, until such time as Additional Bonds are issued, the amount of Pledged Revenues securing the Bonds will provide more than 125% debt service coverage on the Bonds.

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

The Assessments shown on the Assessment Roll, together with the interest thereon, shall be applied to (i) the payment of the principal of and interest on the Bonds, (ii) reimbursement of the Landowner for the costs of Public Improvements not paid with proceeds of the Bonds, and (iii) payment of Administrative Expenses, all as and to the extent provided in the Service and Assessment Plan and the Indenture.

The Assessments assessed to pay debt service on the Bonds, 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 Assessment has been made payable in the Assessment Ordinance in each Fiscal Year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the portion of the debt service requirements attributable to Assessments in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

A record of the Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds is shown on the Assessment Roll. Sums received from the collection of the Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds, proceeds from a guarantor, if any, of Assessments to pay the debt service requirements on the Bonds, and penalties) and of the interest thereon shall be deposited into the Bond Pledged Revenue Account of the Pledged Revenue Fund, except that amounts received as Prepayments shall be deposited into the Redemption Fund.

Portions of the Assessments collected as Annual Collection Costs shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

## **Unconditional Levy of Assessments**

The Assessment Ordinance imposes the Assessments on the property within IA #1 to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic annual installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, the interest on the Assessments has been calculated at the rate of interest on the Bonds plus 0.50%, calculated on the basis of a 360 day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on or about December 1 and shall be due on January 31 of the following year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1. The initial Annual Installments will be assessed on or about December 1, 2014.

As authorized by Section 372.003(b)(14) of the PID Act, the City will levy, assess and collect each year while the Bonds are Outstanding and unpaid, commencing December 2014, an Assessment to pay the annual costs incurred by the City in the administration and operation of IA #1. The Assessment to pay such annual costs shall remain in effect from year to year until all Bonds are finally paid or until the City adjusts the levy after an annual review in any year pursuant to Section 372.015(d) of the PID Act. The Assessments to pay annual expenses shall be due in the manner set forth in the ordinance levying the Assessments on or about December 1 of each year and shall be delinquent if not paid by February 1 of the following year.

There will be no split payment of an Assessment or discount for the early payment of an Assessment.

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

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

## **Perfected Security Interest**

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

## **Pledged Revenue Fund**

The City has created under the Indenture a Pledged Revenue Fund to be held by the Trustee. Immediately upon receipt thereof, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. Such Pledged Revenues shall be (a) first, deposited to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due, (b) second, deposited to the Reserve Account of the Reserve Fund in an amount necessary to cause the amount on deposit therein to equal the Reserve Fund Requirement, (c) third, deposited to the Landowner Pledged Revenue Account of the Pledged Revenue Fund to reimburse the Landowner for costs of Improvement Projects that have been paid from the cash

deposit made by the Landowner at closing, (d) fourth, used to pay costs of the Improvement Projects, and (e) fifth, used to pay any costs permitted by the PID Act. Pledged Revenues transferred to the Landowner Pledged Revenue Account shall not constitute security for the Bonds.

From time to time as needed to pay the obligations relating to the Bonds, but no later than five business days before each Interest Payment Date, the Trustee shall withdraw from the 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 on the next Interest Payment Date.

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

The Trustee shall transfer Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

The Trustee shall transfer Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund to the Bond Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second, to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund. Any Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Assessments may be used under the PID Act.

### **Reserve Fund**

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and any Additional Bonds (together, the “Bonds Similarly Secured”) and held by the Trustee. The Reserve Fund Requirement will be funded at closing with proceeds of the Bonds. Pursuant to the Indenture, the “Reserve Fund Requirement” shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds Similarly Secured as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured as of their date of issuance, and (iii) 10% of the proceeds of the Bonds Similarly Secured; provided, however, that such amount shall be reduced by the amount of any transfers made in connection with an extraordinary optional redemption as described in the next following paragraph. In addition, as a result of an optional redemption of the Bonds Similarly Secured, the Reserve Fund Requirement shall be reduced by a percentage equal to the pro rata amount of Bonds Similarly Secured redeemed by such optional redemption divided by the total amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the date of delivery of the Bonds, the Reserve Fund Requirement equals \$1,259,000.

If, on any Maturity Date or 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, after first transferring any available funds on deposit in the Delinquency Reserve Account (described below), transfer from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency. The Trustee shall determine the value of cash and investments on deposit in the Reserve Account as of September 30 of each year. So long as no Event of Default under the Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Reserve Account exceeds the Reserve Fund Requirement, the Trustee shall transfer such excess to the Bond Fund. In the event of an extraordinary optional redemption of the Bonds from the proceeds of a Prepayment, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the difference between the Reserve Fund Requirement immediately prior to such extraordinary optional redemption and the Reserve Fund Requirement immediately after such extraordinary optional redemption.

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

Pursuant to the Indenture, a Prepayment Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee will transfer funds from the Pledged Revenue Fund to the Prepayment Reserve Account on a semi-annual basis until the amount on deposit therein is equal to the Prepayment Reserve Requirement. The Prepayment Reserve Requirement is \$62,950. The City has allocated 0.20% of the interest rate component of the Annual Installments during such time for such purpose. See “APPENDIX A – Form of Indenture” and “APPENDIX B – Service and Assessment Plan.”

Money deposited in the Prepayment Reserve Account will be used and withdrawn by the Trustee for the purpose of making transfers to the Bond Fund, pursuant to, and at the times specified in, the Indenture to pay a portion of the accrued interest on Bonds being redeemed pursuant to an extraordinary optional redemption. The amount to be transferred shall be an amount, for each Prepayment, equal to the amount of interest that would have accrued on the Assessment but for the Prepayment for the period from and including the date of the Prepayment to but excluding the date of redemption of Bonds pursuant to an extraordinary optional redemption with the proceeds of such Prepayment.

If, on any Maturity Date or Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service due on such date, and if there are not sufficient monies in the Reserve Account of the Reserve Fund to cure such deficiency, the Trustee shall transfer from the Prepayment Reserve Account to the Bond Fund the amounts necessary to cure such deficiency.

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

Pursuant to the Indenture, a Delinquency Reserve Account will be created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee will transfer funds from the Pledged Revenue Fund to the Delinquency Reserve Account on a semi-annual basis for approximately the first four to five years that Assessments are collected until the amount on deposit therein is equal to the Delinquency Reserve Requirement. The Delinquency Reserve Requirement is \$113,310. The City has allocated 0.30% of the interest rate component of the Annual Installments during such time for such purpose. See “APPENDIX A – Form of Indenture” and “APPENDIX B – Service and Assessment Plan.”

If, on any Maturity Date or Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer from the Delinquency Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency. The Trustee shall determine the value of cash and investments on deposit in the Delinquency Reserve Account as of September 30 of each year. So long as no Event of Default under the Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Delinquency Reserve Account exceeds the Delinquency Reserve Fund Requirement for the Bonds, the Trustee shall transfer such excess at the direction of the City.

### **Administrative Fund**

The City has created under the Indenture an Administrative Fund held by the Trustee. Upon receipt, the City shall transfer to the Trustee, for deposit to the Administrative Fund, all amounts representing Annual Collection Costs. Monies in the Administrative Fund are not Pledged Revenues and may be used as directed by City Order for the purposes set forth in the Service and Assessment Plan. See “APPENDIX B — Service and Assessment Plan.”

### **Defeasance**

All Outstanding Bonds shall prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together

with any moneys deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the City verifying the sufficiency of the moneys or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest on of the Bonds to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then rating the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys so deposited with the Trustee nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”); and provided further investments are, at the time made, included in and authorized by the City’s official investment policy as approved by the City Council from time to time. Under current law, the following constitute Defeasance Securities, all of which may be in book-entry form:

- (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America;
- (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and
- (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

### **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 Assessments including the prosecution of foreclosure proceedings; and
- (iii) default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture and the continuation thereof for a period of 60 days after written notice specifying such default by the Owners of at least 25% of the Bonds at the time Outstanding requesting that the failure be remedied.

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

Upon the happening and continuance of any Event of Default, the Owners of at least 25% of the Bonds then Outstanding may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Indenture by action seeking mandamus or by other suit, action, or special proceeding in equity or at law in

any court of competent jurisdiction for any relief to the extent permitted by Applicable Laws including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or will be permitted.

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

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

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

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

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing or of which it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount 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 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, 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 a majority of the aggregate principal amount of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds Similarly Secured shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right hereunder except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond 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 thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed therein and in the Bonds Similarly Secured.

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

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

All moneys, securities, funds and Pledged Revenues and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or redemption price then due on Bonds 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 ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this section.

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

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

Money in any fund established pursuant to the Indenture will be invested by the Trustee as directed by the City pursuant to a City Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the PFIA or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any fund will be available at the proper time or times.

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 permitted investments.

## **Additional Bonds**

The City has reserved the right in the Indenture to issue Additional Bonds for any purpose permitted by the PID Act, subject to the following conditions:

1. A City Representative shall certify that the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to it contained in the Indenture;
2. SLF III – Onion Creek, L.P. (including its successors and assigns), as Landowner, through an authorized representative, shall certify that it is not in default in the performance and observance of any of the terms, provisions and conditions applicable to it contained in the Financing Agreement;
3. SLF III – Onion Creek, L.P. (including its successors and assigns), as Landowner, shall provide the City with a certificate or report from an independent certified appraiser or appraisal firm that, assuming completion of the improvements to be financed with the proceeds of such Additional Bonds or with the funds withdrawn from the Landowner Improvement Account of the Project Fund, as applicable, (A) the appraised value of the Assessed Parcels is equal to at least four (4) times the principal amount of any Outstanding Bonds Similarly Secured, taking into account the Additional Bonds to be issued, (B) the appraised value allocated to each Assessed Parcel that is zoned for other than single-family housing purposes is equal to at least three (3) times the portion of the principal amount of any Outstanding Bonds Similarly Secured, taking into account the Additional Bonds to be issued, that is allocated to each Assessed Parcel that is so zoned, and (C) the appraised value allocated to each Assessed Parcel that is zoned for single-family housing purposes is equal to at least two and one-half (2.5) times the portion of the principal amount of any Outstanding Bonds Similarly Secured, taking into account the Additional Bonds to be issued, that is allocated to each Assessed Parcel that is so zoned;
4. The principal of and interest on the Additional Bonds must be scheduled to be paid or mature on May 1 and November 1, or both, of the years in which each principal or interest are scheduled to be paid or mature; and
5. There shall be deposited to the Reserve Fund an amount equal to the Reserve Fund Requirement taking into account the Outstanding Bonds Similarly Secured and the Additional Bonds then proposed to be issued.

## **BOOK-ENTRY ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. 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 Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. Direct Participants and Indirect Participants are collectively referred to herein as "*Participants*." 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 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 effect 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 series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such series and 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 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, the Trustee or the Paying Agent, 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, 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 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 the City takes no responsibility for the accuracy thereof.

**NONE OF THE CITY, THE TRUSTEE OR THE PAYING AGENT 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 OFFICIAL STATEMENT. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.**

## SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds and the Landowner's cash contribution at closing:

Sources of Funds:	
Principal Amount	\$12,590,000.00
Landowner Contribution	3,403,610.59
Total Sources	\$15,993,610.59
Use of Funds:	
Deposit to Improvement Account of Project Fund	\$13,050,206.00
Deposit to Capitalized Interest Account of Bond Fund	981,104.59
Deposit to Reserve Account of the Reserve Fund	1,259,000.00
Costs of Issuance <sup>(1)</sup>	703,300.00
Total Uses	\$15,993,610.59

<sup>(1)</sup> Includes Underwriter's discount and structuring fee.

## DEBT SERVICE REQUIREMENTS

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

<b><u>Year Ending</u></b> <b><u>(November 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Capitalized</u></b> <b><u>Interest/</u></b> <b><u>Reserve Fund</u></b>	<b><u>Net Debt Service</u></b>
2013	—	\$ 208,534.38	\$ 208,534.38	—
2014	—	714,975.00	714,975.00	—
2015	\$ 630,000.00	714,975.00	57,595.21	\$1,287,379.79
2016	660,000.00	686,625.00		1,346,625.00
2017	685,000.00	656,925.00		1,341,925.00
2018	720,000.00	626,100.00		1,346,100.00
2019	750,000.00	593,700.00		1,343,700.00
2020	795,000.00	548,700.00		1,343,700.00
2021	845,000.00	501,000.00		1,346,000.00
2022	895,000.00	450,300.00		1,345,300.00
2023	945,000.00	396,600.00		1,341,600.00
2024	1,005,000.00	339,900.00		1,344,900.00
2025	1,065,000.00	279,600.00		1,344,600.00
2026	1,130,000.00	215,700.00		1,345,700.00
2027	1,195,000.00	147,900.00		1,342,900.00
2028	1,270,000.00	76,200.00	1,259,000.00	87,200.00
<b>Total</b>	<b>\$12,590,000.00</b>	<b>\$7,157,734.38</b>		<b>\$17,507,629.79</b>

## OVERLAPPING TAXES AND DEBT

Pursuant to the Estancia Hill Country Annexation and Development Agreement (the “Development Agreement”) by and between the City and the Landowner, the City has agreed not to annex IA #1 for full purposes or levy any taxes within IA #1 prior to the final maturity date of the Bonds. The land within IA #1 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.

In addition to the Assessments, the Landowner has anticipated that each property owner in IA #1 will pay a maintenance and operation fee and/or a property owners’ association fee. In addition, the County, the Austin Independent School District, the Austin Community College District, the Travis County Healthcare District and the Travis County Emergency Services District No. 5 may each levy ad valorem taxes upon land in IA #1 for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes or special assessments levied by such other taxing authorities. The following table reflects the overlapping ad valorem taxes currently levied on property located in IA #1.

<u>Taxing Entity</u>	<u>Ad Valorem Tax Rate*</u>
Travis County	\$0.50010
Austin Independent School District	1.24200
Austin Community College District	0.09510
Travis County Healthcare District	0.07894
Travis County Emergency Services District No. 5	<u>0.10000</u>
	<u>\$2.01614</u>

\*Per \$100 taxable appraised value.

Source: Travis Central Appraisal District

As noted above, IA #1 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 (and, in the case of IA #1, Assessments) with respect to property within IA #1, as of September 30, 2013:

<u>Taxing or Assessing Entity</u>	<u>Total Outstanding Debt</u>	<u>Estimated % Applicable</u>	<u>Direct and Estimated Overlapping Debt</u>
Improvement Area #1	\$ 17,235,000	100.00%	\$17,235,000
Travis County	625,005,000	0.0373	232,970
Austin ISD	749,570,000	0.0633	474,357
Austin Community College District	89,904,000	0.0322	28,930
Travis County Healthcare District	15,070,000	0.0372	5,609
Travis County ESD No. 5	—		—
	<u>\$1,496,784,000</u>		<u>\$17,976,866</u>

Source: Municipal Advisory Council of Texas (taxes) and the City (Assessments)

If land is devoted principally to agricultural use, the landowner can apply for an agricultural valuation on the property and pay ad valorem taxes based on the land’s agricultural value. The property in IA #1 is currently subject to an agricultural valuation with respect to its ad valorem taxes. Agricultural use includes production of crops or livestock. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. The property in IA #1 is subject to an open space/wildlife management plan, which allows it to maintain its agricultural valuation.

If land qualified for an agricultural valuation and the land use changes to a non-agricultural use, “rollback taxes” are assessed for each of the previous 5 years in which the land received the lower agricultural valuation. The rollback tax is the difference between taxes paid on land’s agricultural value and the taxes that the land owner would have paid if the land had been taxed on a higher market value plus interest charged for each year from the date on which taxes would have been due.

If the land use changes to a non-agricultural use on only a portion of a larger tract, the land owner can fence off the remaining land and maintain the agricultural valuation on the remaining land. In this scenario, the land owner would only be responsible for rollback taxes on that portion of the land where use changed and not the entire tract.

It is expected that rollback taxes will be paid by the Landowner or purchasers from the Landowner during development of IA #1 and prior to purchase of parcels or lots by homeowners.

## **ASSESSMENT PROCEDURES**

### **General**

As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Projects through Assessments, it must adopt a resolution generally describing the Improvement Projects and the land within IA #1 to be subject to Assessments to pay the cost therefor. The City has caused an assessment roll to be prepared (the “Assessment Roll”). The Assessment Roll shows the land within IA #1 to be assessed, the amount of the benefit to and the Assessment against each lot or parcel of land and the number of annual installments in which the Assessment is divided. The Assessment Roll was filed with the City Clerk and is available for public inspection in the offices of the City Clerk, Austin City Hall. Statutory notice was given to the owners of the property to be assessed and a public hearing was conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Projects and funding a portion of the same with Assessments. The City has levied the Assessments pursuant to the Assessment Ordinance and thereafter 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 Improvement Projects may be assessed by the City against the assessable property in IA #1 so long as the special benefit conferred upon the assessed property by the Improvement Projects equals or exceeds the Assessments. The costs of the Improvement Projects may be assessed using any methodology that results in the imposition of equal shares of cost on assessed property similarly benefited. The allocation of benefits and assessments to the benefitted land within IA #1 is presented in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX B — 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 Projects, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Projects 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, the costs of the Improvement Projects are being funded in part with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessments. As set forth in the Service and Assessment Plan, the benefits received by the Improvement Projects are currently spread among the existing parcels (the “Assessed Property”) based on the ratio of the estimated build out value of each parcel to the total estimated build out value for all parcels within IA #1. As the existing parcels are subsequently divided, the Assessments will be further apportioned based on the ratio of the estimated build out values of the newly created parcels. For residential units, when final residential building sites are mapped, Assessments will be apportioned proportionately among each unit type based on the ratio of the estimated average build out value for the unit type at the time of mapping. The City has determined that the Assessments shall be allocated to the Assessed Property based on the relative estimated build out value of each and that such method of allocation will result in the imposition of equal shares of the Assessments on parcels similarly situated. The Assessments and the interest thereon are expected to be paid in annual installments as described in the Service and Assessment Plan (the “Annual Installments”). The determination by the City of the

assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Landowner, all other current owners of property within IA #1 and all future owners within IA #1. See “APPENDIX B — Service and Assessment Plan.”

**Collection Procedures**

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

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

Annual Installments will be paid by the property owners to the City Treasurer. The City Treasurer will deposit Annual Installments as provided in the Indenture. Annual Installments will be assessed on or about December 1 of each year, become due on January 31 of the following year and become delinquent on February 1. In the event Assessments are not timely paid, there are penalties and interest as set forth below:

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

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

**Assessment Amounts**

*Assessment Amounts.* The maximum amounts of the Assessments have been established by the methodology described in the Service and Assessment Plan and the Financing Agreement. The Assessments will be levied against the parcels comprising the Assessed Property as indicated on the Assessment Roll. See “APPENDIX B — Service and Assessment Plan” and “APPENDIX F — Financing Agreement.”

*Method of Apportionment of Assessments.* For purposes of the Service and Assessment Plan, the City Council has determined that the Assessments shall be allocated to the Assessed Property based on the ratio of the estimated build out value of each parcel to the total estimated build out value for all parcels within IA #1 after undertaking the Improvement Projects and that such method of allocation will result in the imposition of equal

shares of Assessments on parcels similarly situated. See “ASSESSMENT PROCEDURES — Assessment Methodology.”

Approximately 216 acres within IA #1 is subject to Assessments. The estimated average Assessments per acre of each assessable parcel in IA #1 is \$79,806. The Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Assessments. See “SECURITY FOR THE BONDS” and “APPENDIX B— Service and Assessment Plan.”

### **Prepayment of Assessments**

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

### **Priority of Lien**

The Assessments or any reassessment, the expense of collection, and reasonable attorney’s fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State of Texas, county, school districts 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 Assessment. In such action the real property subject to the delinquent unpaid Assessment may be sold at judicial foreclosure sale for the amount of such delinquent installments, plus penalties and interest. (There are and can be no homestead claims on property within IA #1 that attached prior to the levy of the Assessments. See “BONDHOLDERS’ RISKS – Assessment Limitations.”)

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 Assessment against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. **The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent Assessment on the corresponding Assessed Property.**

The City will covenant in the Indenture to (i) at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of Pledged Revenues and all the rights of the Owners and the Trustee under the Indenture, and (ii) take all steps reasonably necessary and appropriate, and direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable

Laws. See “APPENDIX A – Form of Indenture.” See also “APPENDIX D – Form of Disclosure Agreement” for a description of the expected timing of certain events with respect to collection of delinquent Assessments.

The City has allocated 0.30% of the interest rate component of Annual Installments to offset any possible delinquent payments. See “SECURITY FOR THE BONDS – Delinquency Reserve Account,” “APPENDIX A – Form of Indenture” and “APPENDIX B – Service and Assessment Plan.”

## **THE CITY**

### **Administration**

Incorporated in 1839, the City operates under a Council-Manager form of government under its home rule charter. The City Council is currently comprised of a Mayor and six council members elected at-large for three year staggered terms.

On November 6, 2012, the City Charter of the City was amended to provide (1) for the election of a City Council comprised of ten single-member districts and one at-large position to be held by the Mayor, (2) for council terms, including that of the Mayor, to be four years in length, and (3) for a permanent move of City elections from May to November in even-numbered years. It is anticipated that terms of the Mayor and Councilmembers will be staggered such that the terms of the entire City Council (including the Mayor) will not be coterminous. Additional actions will need to be taken for the City to implement the revisions to the City Charter, including preparing a map of the ten single-member districts and submitting the map to the United States Department of Justice for approval in accordance with the federal Voting Rights Act. It is anticipated that the first elections to elect an eleven-member City Council (including the Mayor) will be conducted in November 2014.

### **City Manager – Marc A. Ott**

Mr. Marc A. Ott was selected as City Manager for the City by the Austin City Council in January 2008. Mr. Ott is the 17<sup>th</sup> person in City history to be appointed City Manager in a full-time capacity. Mr. Ott previously served as Assistant City Manager for infrastructure services for the City of Fort Worth. In that role, he was responsible for Fort Worth’s infrastructure operations carried out by the departments of Water, Transportation and Public Works, Engineering and Aviation. Mr. Ott was also responsible for implementing one of the Fort Worth City Council’s top strategic priorities: promoting orderly growth. Prior to his position in Fort Worth, Mr. Ott was City Administrator for the City of Rochester Hills, Michigan, where he had administrative and managerial oversight of all municipal operations. In addition, Mr. Ott was City Manager of Kalamazoo, Michigan, from 1993 to 1997. He also served as that city’s Deputy City Manager for two years and as an Assistant City Manager for almost a year. Mr. Ott earned his bachelor’s degree in management with a concentration in economics from Michigan’s Oakland University and master’s in public administration from the same university. He is also a graduate of the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government, Harvard University.

### **Chief Financial Officer – Elaine Hart, CPA**

Ms. Elaine Hart received her B.B.A. in Accounting from The University of Texas at Arlington. Her career with the City spans more than 20 years including over 10 years in public power. Ms. Hart served as Interim Chief Financial Officer for two months before being appointed to the position of Chief Financial Officer in April 2012. Prior to her appointment as Chief Financial Officer, she served as Senior Vice President Finance and Corporate Services for Austin Energy, the municipally owned electric utility. During her tenure at the City (service not continuous), she has also served in other financial capacities, including the City’s Chief Financial Officer in the late 1980s, Assistant Finance Director, City Controller and Deputy City Auditor. Ms. Hart also has private sector auditing, accounting and consulting experience.

## 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>
State Government	State Government	36,462
The University of Texas at Austin	Education	22,956
Dell Computer Corporation	Computers	14,000
Seton Healthcare Network	Healthcare	12,606
City of Austin	City Government	12,109
Federal Government	Government	11,400
Austin Independent School District	Education	11,168
HEB Grocery	Grocery/Retail	10,545
St. David's Healthcare Partnership	Healthcare	7,500
IBM Corporation	Computers	6,239

Source: City's 2012 Comprehensive Annual Financial Report

## 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 City in accordance with the PID Act by a resolution adopted by the City Council on June 6, 2013 (the "Creation Resolution"), for the purpose of, among others, funding the Improvement Projects. The District is not a separate political subdivision of the State of Texas and is governed by the City Council. The property within the District has been annexed by the City for limited purposes by the City. IA #1 contains approximately 254 acres of land. A map of the property within the District, including IA #1, is included on page ii hereof. Only approximately 216 acres of land within IA #1 are expected to be benefitted by the Improvement Projects and subject to Assessments. See "APPENDIX B — Service and Assessment Plan."

### Powers and Authority

Pursuant to the PID Act, the City may establish and create the District and undertake improvement projects that confer a special benefit on property located within the District, whether located within the City limits or the City's extraterritorial jurisdiction. The PID Act provides that the City may levy and collect Assessments on property in the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake the acquisition, construction or improvement of the Improvement Projects. See "THE IA #1 PUBLIC IMPROVEMENTS."

Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition or purchase of certain water, wastewater, drainage, roadway, hardscape, landscape and hike and bike trail public improvements comprising the Improvement Projects 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 — Service and Assessment Plan."

## THE IA #1 PUBLIC IMPROVEMENTS

### General

The “Improvement Projects” consist of the construction, acquisition or purchase of certain water, wastewater, drainage, roadway, hardscape, landscape and hike and bike trail public improvements within IA #1. The Improvement Projects will be constructed with proceeds of the Bonds and Landowner cash (including the Landowner’s cash contribution at closing) and are intended to be acquired by the City and/or Travis County, although some Improvement Projects may be dedicated to the City and/or Travis County by easement and maintained by an owner’s association. The Landowner is responsible for ensuring that construction of the Improvement Projects is completed and it or its designee will act as construction manager. Only approximately 216 acres of land within IA #1 are expected to be benefitted by the Improvement Projects and subject to Assessments.

The Appraisal (defined herein) estimates that total value of the property within IA #1 after construction of the Improvement Projects is \$37,770,000. See “APPRAISAL OF PROPERTY WITHIN IA #1 – The Appraisal”

The cost of all of the Improvement Projects (excluding contingencies and construction management fees) is expected to be approximately \$13,050,206. Only a portion of the costs of the Improvement Projects, in the approximate amount of \$9,646,595.41, is expected to be paid with proceeds of the Bonds. An additional portion of such costs, in the approximate amount of \$3,403,610.59, is expected to be paid from a cash contribution by the Landowner at closing. Contingencies may also be paid from the balance of the Landowner’s cash contribution at closing until exhausted and then paid, along with construction management fees, by the Landowner as incurred. See “PLAN OF FINANCE,” “SOURCES AND USES OF FUNDS” and “BONDHOLDERS’ RISKS – Additional Landowner Financing Necessary to Complete Improvement Projects.”

The following table reflects the expected costs of the Improvement Projects:

<u>Type of Improvement</u>	<u>Cost</u>
Wastewater Line #1*	\$1,718,434
Wastewater Line #2*	234,745
Water Line*	1,210,025
Estancia Parkway (Phase 1)*	1,679,696
Camino Vaquero Parkway*	452,424
Existing Central Pond Improvements*	162,000
Wet Pond North*	290,000
Wet Pond West*	348,000
TxDOT Ramp Flip	200,000
Drainage*	1,971,886
Monumentation*	755,000
Hardscape*	552,215
Landscape*	1,080,206
Hike and Bike Trail System*	390,799
Erosion Control*	860,667
Miscellaneous Soft Costs	<u>1,144,109</u>
Total	<u>\$13,050,206</u>

\* Indicates confirmed costs pursuant to contracts in place.

### Ownership and Maintenance of Improvement Projects

The Improvement Projects will be dedicated to and accepted by the City and/or Travis County and will constitute a portion of the City’s and/or the County’s infrastructure improvements. The City, Travis County, and/or an owner’s association will provide for the ongoing maintenance and repair of the Improvement Projects constructed and conveyed, as outlined in the Service and Assessment Plan. See “THE PROJECT – Current Development Plans.”

## THE PROJECT

The following information has been provided by the Landowner. Certain of the following information is beyond the direct knowledge of the City. The City has not undertaken an independent assessment of such information, nor has the City any way of guaranteeing the accuracy of such information. The Landowner has reviewed this Official Statement and warrants and represents that (i) the information under the captions “THE IA #1 PUBLIC IMPROVEMENTS,” “THE PROJECT” and “THE LANDOWNER” and (ii) to the best of its knowledge after due inquiry, the information relating to the Landowner and the Project under the caption “BONDHOLDERS’ RISKS” and the sub-caption “LEGAL MATTERS – Litigation – The Owner” 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 are made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Landowner will deliver a certificate to this effect to the City and the Underwriter.

### Overview

The Estancia Hill Country Project (the “Project”) is located in the limited purpose jurisdiction of the City. The boundaries of the Project are coterminous with the District as described in “THE DISTRICT.” The Project contains approximately 593 acres to be developed by the Landowner, its affiliates, or subsequent owners and developers as a master-planned mixed use community with residential, retail and office/commercial components as further described below. A boundary map of the Project is included on page iv.

The Project is located on the west side of IH-35, south of Onion Creek, east of Old San Antonio Road and north of Puryear Road in south central Travis County. The Project was purchased by the Landowner with cash in December 2007. At the time, the land had a few outbuildings which have been removed and no infrastructure. To date the Landowner has invested substantial additional funds to achieve the limited purpose annexation, Planned Unit Development (“PUD”) zoning entitlements, and creation of the District.

IA #1 contains approximately 216 acres subject to the Assessments that the Landowner expects will consist of approximately 386 detached single family residential units, approximately 26.6 acres of multifamily residential units and approximately 82.6 acres of office and commercial development.

The Landowner has executed a contract with Lennar Homes of Texas Land and Construction, Ltd. (“Lennar”) for the sale to Lennar of approximately 106 acres within IA #1 that is zoned to allow single-family housing. The Landowner expects that the sale to Lennar will occur within 30 days of the closing of the Bonds.

The Landowner has received offers and inquiries from parties interested in purchasing portions of the balance of IA #1 and is currently negotiating the sale of a tract to a multifamily developer. Although the Landowner is continuing to market all of IA #1, it believes that the remaining portions will be better priced once all of the Improvement Projects are completed and its business plan is to hold off on selling those portions until that time. The Landowner expects to sell a substantial portion of the balance of the property within IA #1 in early 2014.

### Current Development Plans

The current development plan is divided into two major stages: (1) development of the Improvement Projects in IA #1, followed by (2) phased development of public infrastructure and improvements for the remaining portions of the District. See “APPENDIX B — Service and Assessment Plan.”

**Improvement Projects.** The Improvement Projects include water, wastewater, roadway, drainage, hardscape, landscape and hike and bike trail public improvements that benefit IA #1 and are located inside and outside the District. Construction of the Improvement Projects has begun and is expected to be complete by December 2013. Water and wastewater improvements will be dedicated to the City for ownership and maintenance. Roadway and drainage improvements will be dedicated to Travis County for ownership and maintenance.

Wastewater Line #1. Wastewater Line #1 consists of approximately 6,900 linear feet of wastewater collection system ranging from 8"-24" in diameter with a depth ranging from 8' to 50' deep. Wastewater Line #1 also includes a 180 linear feet bore and will tie into the City's existing wastewater interceptor located along Onion Creek. The Project is located parallel to Onion Creek and a portion of Old San Antonio Road.

Wastewater Line #2. Wastewater Line #2 consists of 2200 linear feet of 8" wastewater collection system to service the onsite development of IA #1. Wastewater Line #2 will tie into Wastewater Line #1 and will eventually convey flows to the City's existing wastewater interceptor.

Water Line. The water line consists of approximately 8,900 linear feet of water distribution system ranging from 8"-16" in diameter. The water line will tie into the City's existing water transmission main located along the IH-35 frontage road adjacent to the Project.

Estancia Parkway (Phase I). Estancia Parkway (Phase I) is a 90' parkway consisting of approximately 3,900 linear feet of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Estancia Parkway provides a link between Old San Antonio Road and Camino Vaquero Parkway. It will eventually connect the Project out to Puryear Parkway in Phase II.

Camino Vaquero Parkway. Camino Vaquero Parkway is a 90' parkway consisting of approximately 1,300 linear feet of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Camino Vaquero Parkway provides a link between IH-35 southbound access road and Estancia Parkway. It will eventually connect to a new IH-35 acceleration and deceleration lane into and out of the Project.

Existing Central Pond Improvements. These improvements will include a reconstructed outlet structure to the existing pond located near the center of the Project. This will allow the pond to function as a detention structure for Camino Vaquero Parkway and Estancia Parkway (Phase I).

Wet Pond North. Wet Pond North has been designed for fully-developed conditions for IA # 1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to the Wet Pond North. Flow dissipators and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berm will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements.

Wet Pond West. Wet Pond West has been designed for fully-developed conditions for IA #1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to Wet Pond West. Flow dissipators and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berm will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements. All ponds will be in easements in favor of the public. The property owners' association will be responsible for their maintenance.

TxDOT Ramp Relocations. The existing ramps to the access road along the frontage of IH-35 prevent access to Camino Vaquero Parkway without exiting IH-35 near Onion Creek Parkway. Per discussions with the Texas Department of Transportation ("TxDOT") and with their support, the north entrance ramp near Onion Creek will become an exit ramp from IH-35 to the access road. The south exit ramp will become an entrance ramp to IH35 from the access road. Surveying and geotechnical information will be prepared by the Landowner to assist TxDOT with the design and construction of the ramps.

Drainage. This will consist of drainage improvements to support the installation of Camino Vaquero Parkway and Estancia Parkway, as well as onsite development within IA #1. Runoff conveyance will

consist of box culverts and storm sewer system sized to convey the 100 year storm to the ponds that are proposed to be constructed. The roadway runoff will be routed to one of three ponds located within the Project which were designed for detention and water quality purposes.

Entry Monumentation. These improvements will consist of the construction of an entrance monument at the intersection of IH-35 and Camino Vaquero Parkway and an entrance monument at the intersection of Old San Antonio Road and Estancia Parkway. Entry monuments will be located in easements in favor of the County. The property owners' association will be responsible for their maintenance.

Hardscape. These improvements will consist of the installation of hardscape to include sidewalks, fencing, driveway improvements, parking, lighting, and signage within IA #1. All hardscape outside of the public right-of-way will be located in easements in favor of the County. The property owners' association will be responsible for maintenance.

Landscaping. These improvements will consist of the installation of landscaping including plants, shrubs, and trees within IA # 1. Landscaping will be located in easements in favor of the County. The property owners' association will be responsible for maintenance.

Hike and Bike Trail System. The hike and bike trail system will be located parallel to Old San Antonio Road and Onion Creek and will connect the parks and trail system within IA # 1 together. The trails will consist of a mixture of improved pathways with several ancillary improvements (benches, playscapes, points of interest, etc.) along or near the pathways. All off-street /multi-use facilities conform to American Association of State Highway and Transportation Officials (AASHTO) design standards. Trails within the public park areas will be owned and maintained by the City. Trails within private parks will be located in easements in favor of the County and will be maintained by the property owners' association.

Erosion Control. These improvements consist of the required Erosion and Sedimentation Control Infrastructure, both permanent and temporary controls, as required by the City, Travis County, the Texas Commission on Environmental Quality, and the Environmental Protection Agency. These controls include, but are not limited to, silt fence, rock berms, stabilized construction entrances, matting and revegetation. They are located as needed within IA #1 for protection of slopes and to prevent sedimentation discharge into the watershed.

Miscellaneous Soft Costs. These costs consist of the fees and fiscal posting requirements of the City and Travis County. They include inspection fees, fiscal for installation of improvements, recording fees for easements and plats, submittal fees for review of plans and specifications by both Travis County and the City.

***Phased Improvement Area Improvements.*** The Landowner expects that construction and installation of improvements similar those in IA #1 will be made within the additional phases over the next five (5) to ten (10) years. Those improvements are expected to be financed in whole or in part with proceeds of bonds secured by special assessment revenues levied and collected on portions of the District other than IA #1 (the "Phased Bonds").

## **Zoning/Permitting**

The Preliminary Plan was approved through Travis County which vests development rights over the entire Project in accordance with local and state regulations.

Pursuant to the Development Agreement, the Landowner has secured PUD zoning. The PUD zoning was accomplished in June 2013 and allows flexibility for each phase of the Project to be developed in a manner to meet market demand at the time of development of each phase, including a mixture of residential, mixed-use, commercial, industrial and open space uses within the Project in conformity with the limitations and conditions set forth in the Creation Resolution. In addition, the PUD zoning provides for tailored design regulations within the Project and special waivers from standard City Code requirements.

## **Environmental**

Several environmental studies of the Project have been prepared, including a Phase 1 Environmental Site Assessment and City of Austin Environmental Assessment (together, the “Phase 1 – ESA”). The Project, as planned, provides for a superior environmental project by providing enhanced water quality facilities, preserving the headwaters of several tributaries and preserving open space.

Based on the information as presented in the Phase 1 – ESA there is no evidence that the Project is currently 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.

## **Community Amenities**

The primary theme of community amenities for the Project will revolve around the parks and trail system. There will be approximately 116.5 acres of public and private park land along with a network of trails designed to connect each of the park areas. Onion Creek is a natural amenity that runs along the northern western sides of part of the property.

## **Public Schools**

IA #1 is within Austin Independent School District. Other portions of the Project are located in the Austin and Hays Consolidated Independent School Districts. The land plan for the Project does not include a school site.

## **Utilities**

The City will provide both water and wastewater service to the Project. See “THE IA #1 PUBLIC IMPROVEMENTS.”

Additional utilities are provided by the following entities:

Gas	Centerpoint Energy
Phone/Data	AT&T
Electric	Austin Energy & Pedernales Electric Cooperative
Cable	Time Warner Cable

## **THE LANDOWNER**

The following information has been provided by the Landowner. Certain of the following information is beyond the direct knowledge of the City. The City has not undertaken an independent assessment of such information, nor has the City any way of guaranteeing the accuracy of such information.

### **SLF III – Onion Creek, L.P.**

SLF III – Onion Creek, L.P. (the “Landowner”) owns all of the approximately 254 acres within IA #1, and a total of approximately 418 acres within the District. Another eighteen (18) entities affiliated with the Landowner each own approximately 10 acres, for a total of approximately 180 acres, within the District, but outside of IA #1.

The Project is an investment of Stratford Land Fund III, L.P., a private equity fund sponsored and managed by Stratford Land Manager, L.P. (together with its predecessors and affiliates, “Stratford Land”). Stratford Land has a 25 year track record of successful land investment management on behalf of institutional investors.

## **Stratford Land**

Stratford Land has successfully invested more than \$850 million in land over the past 28 years on behalf of institutional and private investors. Creating value by positioning land to its highest and best use, Stratford Land has made investments controlling more than 40,000 acres in four private equity funds that are now fully invested. Stratford Land Fund IV, L.P., initiated in 2010 for both equity and debt investments in land, has invested over \$275 million in equity and placed almost \$90 million in loans.

Stratford Land acquires land or makes loans on land in the path of growth, providing innovative structures for land buyers and borrowers, and in the case of equity investments seeks to add value through envisioning, planning, entitlement and pre-development work.

Stratford Land focuses on high growth corridors in Texas, Arizona, southern California and the eastern seaboard from Virginia to Florida, and maintains offices in Atlanta, Phoenix and Dallas.

Stratford Land is a vertically-integrated organization that handles acquisition, disposition, land planning, entitlement, engineering, asset management, market research, legal, accounting and reporting services.

## **Stratford Equity Investing**

Stratford Land uses a proprietary model for purchasing land in major metro, coastal and mountain areas where the prospects for growth, spurred by jobs and population increases, are superior. Key indicators include market, political and financial forces. Downside risk is limited through an extensive due diligence and underwriting process.

Stratford Land acquires land that may be completely undeveloped, partially developed or in the process of being developed with "horizontal" infrastructure. Land purchases are typically held and sold over an average of three-to-seven years. The primary source of deal flow is off-market opportunities identified by Stratford Land's on-the-ground investment teams handling each respective market. Target acquisitions include land:

- for any product type including office, retail, industrial, multi-family and single-family residential;
- for single product uses as well as land for mixed-use or master-planned community development;
- parcels ranging from infill tracts under 10 acres to multi-phased master-planned communities in the thousands of acres;
- located in primary growth corridors or in redeveloping infill areas in Texas, Arizona, southern California, Colorado and the eastern seaboard from Virginia to Florida;
- in submarkets within these areas that have superior attributes related to user demand, access, visibility, development potential, utility and entitlement availability, and community support for development.

## **Stratford Land Lending Platform**

Funds managed by Stratford Land also provide private financing for land through a variety of loan types ranging from \$3 million to \$20 million with an entrepreneurial approach to lending that allows financing to be creatively structured to meet each client's needs.

This non-recourse private land financing is available for a range of purposes including acquisition, refinancing, return of equity, horizontal development and note purchase on property deemed suitable to Stratford Land's investment strategy:

- Small to large tracts for mixed use
- Finished residential lots in "A" locations
- Partially developed master-planned communities

Utilizing debt as a complement to equity investment is an effective way to maximize returns. Because the loans are non-recourse, financing decisions are made based on Stratford Land's own valuation of the underlying asset. This internal underwriting allows quick closes and requires limited financial information from the borrower.

There are no loans in place secured by land within IA #1, from any lender, and there are no liens on the property within IA #1 other than for non-delinquent taxes and Assessments.

### **Representative Land Transactions**

***The Canyon – Dallas.*** 201 acres located three miles from downtown Dallas on I-30, the east-west interstate highway connecting Dallas and Fort Worth; zoned for a mixed-use project with retail, residential and industrial/flex/distribution uses; has MMD/TIF to fund infrastructure.

***RiverPort – Hilton Head/Savannah.*** 5,136 acres near Hilton Head/Savannah; 6.5 miles from Port of Savannah and even closer to the future Jasper County Ocean Terminal; significant frontage along I-95 and State Highway 17; zoned under a Planned Development District that provides for a mix of land uses including residential, commercial, retail, office and industrial.

***Vistancia – Phoenix.*** 4,600 acres located in Peoria, a suburb of Phoenix; adjacent to Loop 303 which was just completed in 2012; zoned for residential and mixed uses, including multifamily, retail and commercial; considered the premier development in Peoria; south side is already developed with 4,472 homes already sold and 764 lots available. The North side is currently being platted.

### **Senior Management Biography**

#### **Phillip Wiggins – *President, Chief Executive Officer & Founder***

Mr. Wiggins has over 30 years of experience in land investment and brokerage. He began his real estate career in 1980 as a land broker. In 1983, he co-founded The Stratford Group, the first of several entities involved in real estate activities related to land. Since 1980, Wiggins and his associates have brokered in excess of \$1.5 billion of land. In 1998, Mr. Wiggins was the sole founder of The Stratford Company, a land investment company, and in 2006, he was the sole founder of Stratford Realty Capital, a hard asset lender. He has raised in excess of \$960 million of equity for Stratford Land through a series of real estate funds. Currently, Stratford Land has three offices located in the southern and western portions of the United States.

Mr. Wiggins was born and raised in Dallas, Texas. He graduated from Highland Park High School in 1973. He attended the University of Mississippi on a tennis scholarship and received his B.A. in 1977 with honors in political science and sociology. He worked for Burroughs Corporation (1977-1979) in Memphis, Tennessee and won the company's Legion of Honor award for outstanding sales performance. In 1979, he left Burroughs to take a Rotary Fellowship to study economics in Geneva, Switzerland.

#### **Kevin Watson – *Chief Investment Officer***

Mr. Watson joined Stratford Land in 2004 as the Director of Investments for Texas. He now oversees all Stratford Land activities. Along with the area directors, he is responsible for generating, evaluating, recommending and managing land transactions and assets within the land portfolio.

Mr. Watson has an extensive 28 year background in the real estate industry with experience in lending, brokerage, investment, and development. Prior to joining Stratford Land, Mr. Watson was a Development Partner and the Chief Operating Officer for The Woodmont Company, a Fort Worth based retail developer. In addition to his retail development experience, Mr. Watson has worked in the land brokerage industry, and conducted lending and work-outs roles for several local and national banks. A Dallas native, Mr. Watson attended The University of Texas at Austin, receiving both a BBA and an MBA.

### **Steve Sanders – Senior Investment Manager - Texas**

Mr. Sanders joined Stratford Land in 2010 and is responsible for acquisitions in the State of Texas. Mr. Sanders is a 26-year veteran of the real estate business most recently with Jones Lang LaSalle (JLL) where he was an Area Director and Senior Vice President in Austin, Texas. He came to JLL after its merger in 2008 with The Staubach Company where he was a Partner. At JLL\Staubach, Mr. Sanders focused primarily on land acquisition and disposition for corporate, educational and public sector clients including the City of San Antonio, Texas State University, The Hartford, Apple Computers, Concordia College, Cisco and Austin Community College. He also worked extensively with the State of Texas, the General Land Office and the University of Texas System. Since returning to Texas in 2001, he has brokered in excess of \$175M in land transactions. Mr. Sanders has twice been recognized by the Austin Business Journal for having structured the Broker Transaction of the Year.

Prior to joining JLL, Mr. Sanders worked in development in Texas and much of the southeast US for a diversified group of developers including Partners Development, Pizzuti and Faison. He produced over 1.8 million square feet of retail, office and industrial space. At both Partners Development and Pizzuti, he led the build-to-suit divisions including the responsibility to acquire land in multiple markets for the purpose of development. This and other experience has given him extensive knowledge of the entitlement process as well as highest and best use analysis on a property-specific basis. In addition to numerous specialty real estate-related studies, Mr. Sanders has a BA from the University of Texas at Arlington.

### **History of Estancia Hill Country**

*Estancia Hill Country.* The historic Heep Ranch originally consisted of 10,000 acres on both sides of IH 35 and was a significant dairy and Hereford Cattle ranch operated by Herman Heep, a sixth generation native Texan. The ranching operations ended in the 1970's, but many acres were still owned by descendants up to 2007. In 2007 SH 45 SE, a toll-road connector to SH 130, began being constructed through the original land opening up the land for other economic opportunities. In 2007, after many prior attempts at selling portions of the ranch, Hatsy Heep Shaffer sold 599 acres of the ranch to Stratford Land affiliates.

The Landowner obtained approval for the Preliminary Plan through Travis County which vests development over build-out for the entire Project. The City of Austin approved agreements for water and wastewater with existing lines to the property that are adequate for full build-out.

A Traffic Impact Analysis has been completed and has been approved by the City.

*[The remainder of this page is intentionally left blank.]*

**STRATFORD LAND**  
**Representative Properties**

<b>Property Name</b>	<b>Location</b>	<b>Acres</b>	<b>Project Description</b>
Estancia Hill Country	Austin, TX	599	Mixed Use Planned Community
Vistancia	Phoenix, AZ	7,100	Award Winning Mixed Use Planned Community
Millenia	Chula Vista, CA	206	Mixed Use Planned Community
Park View	Claremont, CA	42	Mixed Use Planned Community
Hamlin	Orlando, FL	827	Mixed Use Planned Community
Baytown	Baytown, TX	465	Business Park
Bear Creek Riverwalk	Eules, TX	194	Mixed Use Planned Community
Blackhawk	Pflugerville, TX	127	Master Planned Residential Community
The Canyon in Oak Cliff	Dallas, TX	188	Mixed Use Planned Community
Cole Ranch	Denton, TX	3,256	Mixed Use Planned Community
Chisholm Trail Ranch	Fort Worth, TX	614	Mixed Use Planned Community
Windcrest	San Antonio, TX	111	Mixed Use Planned Community
Steubing Farm	San Antonio, TX	170	Mixed Use Planned Community
West Ten	Katy, TX	386	Business Park
Riverport	Hardeeville, SC	5,137	Mixed Use Planned Community/Business Park
Ceylon	Camden County, GA	9,473	Mixed Use Planned Community
Sinclair Plantation	Sea Island, GA	129	Residential Community
Altama	Glynn County, GA	3,148	Mixed Use Planned Community
Suwanee Gateway	Atlanta, GA	58	Mixed Use Planned Community

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## APPRAISAL OF PROPERTY WITHIN IA #1

### The Appraisal

*General.* Paul Hornsby & Company, Austin, Texas (the “Appraiser”), prepared an appraisal report for IA #1, dated May 16, 2013, with an effective date of March 16, 2013 (the “Appraisal”). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only. 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, conditions and qualifications, which are set forth therein. See “APPENDIX E — Appraisal of Estancia Hill Country.”

*Value Estimates.* The Appraisal valued the fee simple interest in IA #1 to estimate hypothetical aggregate retail values of the property within IA #1 assuming completion of the Improvement Projects. See “THE IA #1 PUBLIC IMPROVEMENTS.” The value estimate for the assessable property within IA #1 using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal as of March 16, 2013 is shown below:

<b>Tract No.</b>	<b>Preliminary Plan Use</b>	<b>Acres/Units/ Sq. Ft.</b>	<b>Unit of Measure</b>	<b>Unit Value</b>	<b>Indicated Value</b>	<b>Value to Bond Lien<sup>(1)</sup></b>
11/12	Residential	106.76	Acre	\$96,500	\$10,300,000	2.46
1	Multifamily	272 <sup>(2)</sup>	Multifamily Unit	\$10,900	2,960,000	2.75
9	Multifamily	258 <sup>(2)</sup>	Multifamily Unit	\$10,900	2,810,000	2.76
2	Commercial	953,964	Square Foot	\$4.50	4,290,000	3.05
3	Commercial	357,192	Square Foot	\$6.30	2,250,000	3.33
4	Commercial	352,836	Square Foot	\$6.40	2,260,000	3.39
5	Commercial	335,412	Square Foot	\$6.70	2,250,000	3.55
6	Commercial	317,988	Square Foot	\$6.90	2,190,000	3.64
7	Commercial	378,972	Square Foot	\$6.90	2,610,000	3.64
8	Commercial	514,008	Square Foot	\$6.70	3,440,000	3.54
10	Commercial	339,768	Square Foot	\$7.10	2,410,000	3.75

<sup>(1)</sup> See “– Value to Assessment Burden Ratio.”

<sup>(2)</sup> The assumptions in the Appraisal for the number of multi-family units in Tracts 1 and 9 reflect the Appraiser’s determination of the highest and best use of the tracts. In an effort to be conservative in the allocation of Assessments, which is based on build-out value, the assumptions in the Service and Assessment Plan reflect multi-family units of 231 and 219, respectively, and lower estimated build-out values than the Appraisal. See “APPENDIX B - SERVICE AND ASSESSMENT PLAN,” Section IV, Part E.

See also “APPENDIX E – APPRAISAL OF ESTANCIA HILL COUNTRY” page 41.

*Assumptions and Limiting Conditions.* The Appraisal is based upon a number of hypothetical conditions (defined as that which is contrary to what exists but is supposed for purposes of the analysis), extraordinary assumptions (defined as assumptions, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions), ordinary assumptions, and certain limiting conditions. The hypothetical conditions and extraordinary assumptions which may affect the estimates as to value include, among others, the following:

#### Hypothetical Conditions:

- The "Basic Infrastructure" components, including water and wastewater lines to each tract providing sufficient capacity for development, and primary arterial roadway access through the construction of Camino Vaquero Parkway and Estancia Parkway, is completed.
- The property is zoned PUD, the District exists, and the Landowner and the City have entered into the Development Agreement.
- Rollback taxes have been paid.

Extraordinary Assumptions:

- All infrastructure costs, cash flow, reimbursement agreement, PUD and other development agreement information supplied to the Appraiser are true and correct.
- The Bonds will finance the basic infrastructure improvements to be constructed as outlined in Estancia Hill Country Public Improvement District Service and Assessment Plan summarized on page 7 of the Appraisal.\* The Bonds will be special assessment revenue bonds with the debt serviced by special assessments on the real property within IA #1. No City taxes will be imposed on the property until the Bonds are retired so that no undue burden is placed on future landowners.

\*Note: The cost of all of the Improvement Projects (excluding contingencies and construction management fees) is expected to be approximately \$13,050,206. In order to maintain an appraised value to Assessment burden on the Assessed Parcels of at least 3 to 1, only a portion of the costs of the Improvement Projects, in the approximate amount of \$9,646,595.41, is expected to be paid with proceeds of the Bonds. An additional portion of such costs, in the approximate amount of \$3,403,610.59, will be paid from a cash contribution by the Landowner at closing. Although the Bonds will not finance all of the basic infrastructure improvements as assumed in the Appraisal, the change in facts does not affect the Appraiser's conclusions regarding the value of the real property in IA #1. See "PLAN OF FINANCE."

**Value to Assessment Burden Ratio**

Subject to the assumptions and limiting conditions stated therein, the Appraisal sets forth the estimated aggregate retail value of the assessable property subject to Assessment within IA #1 to be \$37,770,000, subject to the limiting conditions stated therein. The estimated principal amount of the Bonds is approximately \$12,590,000. When compared to the estimated aggregate retail value of the taxable property, the estimated principal amount of the Bonds has an estimated value to assessment burden ratio of 3 to 1. See "*Value Estimates*" above for the estimated retail value of each tract within IA #1 to the allocable portion of the assessment burden for each such tract.

In comparing the appraised value of the real property within IA #1 and the aggregate principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Assessment can be foreclosed upon, and the real property within IA #1 cannot be foreclosed upon as a whole to pay delinquent Assessments of the owners of such parcels with IA #1 unless all of the property is subject to a delinquent Assessment. In any event, individual parcels may be foreclosed upon separately to pay delinquent Assessments levied against such parcels.

Other public entities whose boundaries overlap those of IA #1 currently impose ad valorem taxes on the property within IA #1 and will likely do so in the future. Such entities could also impose assessment liens on the property within IA #1. Liens created on the property within IA #1 through the levy of ad valorem taxes as well as liens created through the levy of the Assessments are a first and prior lien superior to all others. For example, construction loans may be obtained by the Landowner or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within IA #1, however, will be in a junior position to ad valorem tax and Assessment liens. See "OVERLAPPING TAXES AND DEBT" and "ASSESSMENT PROCEDURES."

## **BONDHOLDERS' RISKS**

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

**The Bonds, which are limited, special revenue obligations of the City and are not the obligation of the State of Texas, Travis County, or any other political subdivision thereof, are secured solely by the Pledged Revenues. The Bonds are not payable from funds of the City raised or to be raised by taxation.**

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 IA #1 to pay Assessments, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within IA #1, (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 projects, and (d) general economic conditions which may impact the general ability to market and sell the parcels within IA #1, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such parcels.

The rate of development of the property in IA #1 is directly related to the vitality of the single-family and multi-family residential housing industry and demand for office space. In the event that the sale of the lands within IA #1 should proceed more slowly than expected and the Landowner 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 IA #1. There can be and 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 or the City that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

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

### **Assessment Limitations**

Annual Installments of Assessments are billed to property owners in IA #1. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year 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 Assessment installment 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 newly created District, interest on the Bonds has been capitalized with proceeds of the Bonds through November 2014, and the City has established a 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 Fund and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a property within IA #1, an Assessment that is also delinquent will be foreclosed 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 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 that first arise and are subsequently claimed by a property owner after the adoption of the Assessment Ordinance. The Assessment lien would be subordinate to any homestead rights to the extent properly claimed by a property owner prior to the adoption of the Assessment Ordinance, thus precluding foreclosure of the Assessment lien on such pre-existing homestead property. Under Texas law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights had been claimed. Consequently, there are and can be no homestead rights on the Assessed Parcels superior to the lien of the Assessments.

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

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

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

During recent years, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market difficult. These downturns in the real estate market and other factors beyond the control of the Landowner, including general economic conditions, may impact the timing of parcel and home sales within IA #1. There have been reports of various public-private efforts to relieve the subprime mortgage crisis but as of yet no one can predict with certainty when the real estate market will rebound.

## **Competition**

The housing industry in the Austin area is very competitive, and neither the Landowner nor the City can give any assurance that the building programs which are planned will ever commence. The competitive position of the Landowner in the sale of parcels or of home builders 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 IA #1.

## **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.

## **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 of Texas relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner (including the Landowner) 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 IA #1 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 IA #1 currently impose ad valorem taxes on the property within IA #1 and will likely do so in the future. Such entities could also impose assessment liens on the property within IA #1. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments.

Pursuant to the Development Agreement, the City has agreed not to annex for full purposes or impose ad valorem taxes on property in IA #1 prior to the final maturity date of the Bonds. See "OVERLAPPING TAXES AND DEBT."

## **Depletion of Reserve Fund**

Failure of the owners of property within IA #1 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 or the Prepayment Reserve Account. The Indenture provides that if, after a withdrawal from the Reserve Fund, the amount in the Reserve Fund is less than the Debt Reserve Fund Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Fund sufficient to cure such deficiency, as described under "SECURITY FOR THE BONDS — Reserve Fund" herein.

## **Hazardous Substance**

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of

hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well known and widely applicable of these laws. It is likely that, should any of the parcels of land located in IA #1 be affected by a hazardous substance, the marketability and value of parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within IA #1 does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within IA #1 has such a current liability with respect to such parcel; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within IA #1 resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

### **Regulation**

Development within IA #1 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 IA #1, 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 IA #1 and property values.

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

Approximately 12 acres within IA #1 are located within an official FEMA 100 year flood plain as shown on the current Federal Emergency Management Agency’s Flood Insurance Rate Map Panels 48453C0595H, 48453C0680H and 48453C0685H. All of the lands identified to be within the developed floodplain will be located within dedicated open space, park or drainage easements. As the Project is developed the final location of the floodplain will be determined and will be contained within drainage easements or dedicated lots.

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

In the event of default in the payment of principal of or interest on the Bonds Similarly Secured or the occurrence of any other Event of Default under the Indenture, and upon the written request of the Owners of the Bonds Similarly Secured of not less than a majority in principal amount of the Outstanding Bonds Similarly Secured, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds Similarly Secured under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Indenture and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Owners of the Bonds Similarly Secured cannot themselves foreclose on property within IA #1 or sell property within IA #1 in order to pay the principal of and interest on the Bonds Similarly Secured. The enforceability of the rights and remedies of the owners of the Bonds Similarly Secured 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 IA #1 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. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

### **No Acceleration**

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

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

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

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

## **Management and Ownership**

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

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

Investments in undeveloped real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Project will be subject to the risks generally incident to real estate investments in undeveloped land. Many factors that may affect the Project, as well as the operating revenues of the Landowner, including those derived from the Project, are not within the control of the Landowner. 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 project 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 Project, 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 applicable owner or developer. Furthermore, the operating revenues of such entities may be materially adversely affected if specific conditions in the parcel purchase contracts are not met by such entities. Failure to meet the purchase contract's conditions allows the applicable purchaser to terminate its obligation to purchase parcels and obtain its earnest money deposit back. See "THE LANDOWNER" herein.

The Project cannot be initiated or completed without the Landowner or developers obtaining a variety of governmental approvals and permits, some of which have already been obtained. Such permits are necessary to initiate construction of the major infrastructure for each phase of the Project 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 Landowner. See "THE PROJECT."

## **Dependence Upon Landowner**

The Landowner, as the owner, together with affiliated entities, of all of the parcels comprising the Project, currently has the only obligation for payment of the Assessments. The ability of the Landowner to make full and timely payment of the Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. The Landowner (and each such affiliate owning any portion of the Project) is a nominally capitalized limited partnership, the primary asset of which is its land within IA #1. The source of funding for future entitlement activities and infrastructure construction to make the parcels within Improvement Area #1 ready for sale to developers consists of proceeds from the sale of Bonds and proceeds of parcel sales, as well as possible bank financing.

There can be no assurances given as to the financial ability of the Landowner to advance any funds to the City to supplement the Assessments or as to whether the Landowner actually will advance such funds.

## **Agricultural Use Valuation and Redemption Rights**

All of the acreage within the IA #1 has an agricultural valuation for the purpose of property taxes. The Landowner expects that this valuation will be terminated on a parcel by parcel basis at the time the applicable developer begins construction on a parcel.

Under Texas law, an owner of land that is entitled to an agricultural valuation has the right to redeem such property after a tax sale for a period of two years after the tax sale by paying to the tax sale purchaser a 25% premium, if redeemed during the first year, or a 50% premium, if redeemed during the second year, over the purchase price paid at the tax sale and certain qualifying costs incurred by the purchaser. Although IA #1 Special Assessments are not considered a tax under Texas law, the PID Act provides that the lien for IA #1 Special Assessments may be enforced in the same manner as a lien for ad valorem taxes. This shared enforcement mechanism raises a possibility that the right to redeem agricultural valuation property may be available following a foreclosure of a lien for IA #1 Special Assessments, though there is no indication in Texas law that such redemption rights would be available in such a case.

The Landowner expects that the agricultural use valuations within the District will be terminated on a parcel by parcel basis at the time the applicable developer begins construction of its development on a parcel.

At closing of the Bonds, the Landowner will execute an Agreement Regarding Conveyance of Right of Redemption and Waiver of Agricultural Valuation (the "Redemption Agreement") with the City pursuant to which the Landowner will convey to the Trustee for the benefit of the Owners of the Bonds Similarly Secured its right to redeem any agricultural valuation property within IA #1 and require any subsequent purchaser from the Landowner to execute a similar conveyance. In addition, the Landowner will deliver, and require any subsequent purchaser to deliver, into escrow with the Trustee a waiver of agricultural valuation, which the Trustee will be authorized to release and file with the Travis County Tax Assessor/Collector in the event that the subsequent owner has not paid ad valorem taxes or the special assessments due in respect of agricultural valuation property within 60 days of their due date. The Redemption Agreement will be enforceable by the Trustee on behalf of the Owners of the Bonds. Although the Redemption Agreement is intended to protect the City and the bondholders against potential redemption rights of the Landowner in the context of a foreclosure proceeding, because there is currently no case law with respect to waiver of redemption rights or an agricultural valuation, it is unclear whether the Redemption Agreement is enforceable under Texas law.

Because the enforceability of the Redemption Agreement is not certain, as additional protection against the occurrence of a tax sale for non-payment of ad valorem taxes and the associated risk of redemption rights arising, the Landowner will pay to the Trustee prior to delivery of the Bonds, and maintain at all times while there exists property in IA #1 that is entitled to valuation based on its agricultural use, an amount equal to the estimated ad valorem taxes assessed against agricultural valuation property to become due in the next two years. Such funds will be held by the Trustee and used to pay delinquent ad valorem taxes on agricultural valuation property and thereby potentially avoid the possibility of a sale for non-payment of ad valorem taxes and the associated risk of redemption rights arising. In the event such funds are used to pay delinquent ad valorem taxes, the Landowner will be required to replenish such funds previously held by the Trustee. A proportionate amount of such deposit will be returned to the Landowner upon termination of agricultural valuation.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Indenture subsequent to the issuance of the Bonds. The Indenture contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

## **LEGAL MATTERS**

### **Legal Proceedings**

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

In connection with the issuance of the Bonds, Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, serves as Bond Counsel to the City. Andrews Kurth LLP serves as Underwriter’s Counsel. The legal fees paid to Bond 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 of Texas, to the effect that the Bonds are valid and binding special obligations of the City. The City will also furnish the legal opinion of Fulbright & Jaworski LLP, Bond Counsel, a member of Norton Rose Fulbright, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the City under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of an interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS," including the alternative minimum tax consequences for corporations. A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX C —Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCE," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS" (except for information contained in the fourth paragraph under the subheading "Pledged Revenues"), "TAX MATTERS," "LEGAL MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except for the sub-caption "Compliance with Prior Undertakings"), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" and APPENDIX A and such firm is of the opinion that the information relating to the Bonds, the Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed herein and, with respect to the Bonds, such information conforms to the Ordinance and the Indenture.

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

### **Litigation — The City**

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

### **Litigation — The Landowner**

At the time of delivery and payment for the Bonds, the Landowner 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 Landowner, threatened against or affecting the Landowner wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition of the Landowner or its general partners or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and

Assessment Plan or the Bond Purchase Agreement, or otherwise described in this Official Statement, or (2) the tax-exempt status of interest on the Bonds.

### **SUITABILITY FOR INVESTMENT**

Investment in the Bonds poses certain economic risks. The Bonds are not rated by any nationally recognized municipal securities rating organization. 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 Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Landowner, 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. Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

### **NO RATING**

No application for a rating of 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**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the City, the Trustee and the Landowner will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement"), for the benefit of the Bondholders (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement, certain financial information and operating data relating to the City, the Project and the Landowner and certain information regarding the Improvement Projects and other projects within IA #1 that will be financed by the Landowner (the "Reports"). The specific nature of the information to be contained in the Reports is set forth in "APPENDIX D — Form of Disclosure Agreement." Under certain circumstances, the failure of the City or the Landowner to comply with its obligations under the 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 Disclosure Agreement would allow the Bondholders (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

#### **Compliance with Prior Undertakings**

Except as described in this paragraph, 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 City's audited financial statements for the fiscal year ended September 30, 2008, were filed on April 30, 2009. The City's audited financial statements for the fiscal year ended September 30, 2011, were filed on April 2, 2012, which was the first business day after the filing deadline. The City has filed material event notices in connection with each late filing.

The Landowner has not previously entered into any continuing disclosure agreements in accordance with the Rule.

The City has agreed to update information and to provide notices of material events only as provided in the 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 Official Statement, except as provided in the 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 Disclosure Agreement or from any statement made pursuant to the Disclosure Agreement.

## **UNDERWRITING**

Jefferies LLC (the “Underwriter”), has agreed to purchase the Bonds from the City at a purchase price of \$12,338,200.00 (the par amount of the Bonds less an underwriting discount of \$251,800.00). 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 cover hereof, and such initial offering prices may be changed from time to time by the Underwriter.

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

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

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

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provide that the Bonds are negotiable instruments governed by Chapter 8, 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 of Texas, the PFI Act 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 investment standard, the Bonds are legal investments for state banks, savings banks, trust companies with a capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

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

## **INVESTMENTS**

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

Under Texas law, the City is authorized to invest in (1) obligations, including letter of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas 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 is guaranteed or insured by or backed by the full faith and credit of, the State of Texas 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) certificates of deposit and share certificates meeting the requirements of the PFIA that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or are invested by the City through a broker or depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) 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, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this sub-caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this sub-caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the

investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (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.

## **SOURCES OF INFORMATION**

### **General**

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

### **Source of Certain Information**

The information contained in this Official Statement relating to the description of the Improvement Projects generally and, in particular, the information included in the sections captioned “THE IA #1 PUBLIC IMPROVEMENTS,” “THE PROJECT,” “THE LANDOWNER,” “BONDHOLDERS’ RISKS” (only as it pertains to the Landowner and the Project) and “LEGAL MATTERS — Litigation — The Landowner” has been provided by the Landowner.

### **Experts**

The information regarding the Service and Assessment Plan in this Official Statement has been provided by Development Planning Finance Group Inc. (DPFG), Austin, Texas, and has been included in reliance upon the authority of such firm as experts in the field of development planning and finance.

The information regarding the Appraisal in this Official Statement has been provided by Paul Hornsby & Company 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 Official Statement**

If, subsequent to the date of the Official Statement, 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 Official Statement 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 Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the City to so amend or supplement the Official Statement 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 Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE

OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE 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 execution and delivery of this Official Statement has been duly authorized by the City Council of the City of Austin.

CITY OF AUSTIN, TEXAS

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

APPENDIX A  
FORM OF INDENTURE

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**INDENTURE OF TRUST**

**By and Between**

**CITY OF AUSTIN, TEXAS**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**DATED AS OF JUNE 1, 2013**

**SECURING**

**\$12,590,000**

**CITY OF AUSTIN, TEXAS,  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013  
(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)**

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## **INDENTURE OF TRUST**

THIS INDENTURE, dated as of June 1, 2013, is by and between the CITY OF AUSTIN, TEXAS (the “City”), and U.S. BANK NATIONAL ASSOCIATION, as trustee (together with its successors, the “Trustee”). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, a petition was submitted by the Petitioners and filed with the City Clerk of the City (the “City Clerk”) pursuant to the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code (the “PID Act”), requesting the creation of a public improvement district located in the extraterritorial jurisdiction of the City to be known as Estancia Public Improvement District (the “District”); and

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

WHEREAS, on May 9, 2013, after due notice, the City Council of the City (the “City Council”) held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Sec. 372.009 of the PID Act and on June 6, 2013, the City Council made the findings required by Sec. 372.009(b) of the PID Act and, by Resolution No. 20130606-054, adopted by a majority of the members of the City Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services; and

WHEREAS, on June 10, 2013, the City published notice of its authorization of the District in the Austin American Statesman, a newspaper of general circulation in the City; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the City Clerk within 20 days after June 6, 2013; and

WHEREAS, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice of a public hearing in a newspaper of general circulation in the City to consider the proposed “Assessment Roll” and the “Service and Assessment Plan” and the levy of the “Assessments” on property in the District; and

WHEREAS, the City Council, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Assessment Roll and the Service and Assessment Plan and the levy of Assessments on property in the District to the last known address of the owners of the property liable for the Assessments; and

WHEREAS, the City Council convened the hearing on June 20, 2013, at which all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the Service and Assessment Plan, the Assessment Roll, and the Assessments, and to offer testimony pertinent to any issue presented on the amount of the

Assessment, the allocation of Costs, the purposes of the Assessment, the special benefits of the Assessment, and the penalties and interest on annual installments and on delinquent annual installments of the Assessment; and

WHEREAS, at the June 20, 2013 public hearing referenced above, there were no written objections or evidence submitted to the City Clerk in opposition to the Service and Assessment Plan, the allocation of Costs, the Assessment Roll, and the levy of the Assessments; and

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

WHEREAS, the City Council hereby finds and determines that the Assessment Roll and the Service and Assessment Plan should be approved and that the Assessments should be levied as provided in the Service and Assessment Plan and the Assessment Roll; and

WHEREAS, the City Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments and from other revenue to be received from the Petitioners for the purpose of (i) paying the Costs of the Improvement Projects, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Projects, and (iii) funding a reserve fund for payment of principal and interest on Bonds and for funding other funds as provided in Section 6.2; and

WHEREAS, the City Council now desires to issue its revenue bonds, in accordance with the PID Act, such bonds to be entitled “City of Austin, Texas, Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District),” (the “Bonds”), such Bonds being payable solely from the Assessments and other funds pledged under this Indenture to the payment of the Bonds and for the purposes set forth in this preamble; and

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

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

#### FIRST GRANTING CLAUSE

The Pledged Revenues, as herein defined, but excluding any moneys held in the Landowner Improvement Account of the Project Fund, and all moneys and investments held in the Pledged Funds, including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether now existing or

hereafter coming into existence, and whether now or hereafter acquired, but excluding any moneys held in the Landowner Improvement Account of the Project Fund; and

## SECOND GRANTING CLAUSE

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

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

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

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

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

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

## ARTICLE I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.1. Definitions.

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

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

“Additional Bonds” means the additional parity bonds authorized to be issued in accordance with the terms and conditions prescribed in Section 13.2(c) of this Indenture.

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

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

“Annual Collection Costs” mean the following actual or budgeted costs, as applicable, related to the annual collection costs of outstanding Assessments paid in installments, including the costs or anticipated costs of: (i) issuing, refunding or refinancing bonds, (ii) computing, levying, collecting and transmitting the Assessments (whether by the City, the Administrator or otherwise), (iii) remitting the Assessments to the Trustee, (iv) the City, the Administrator and Trustee (including legal counsel) in the discharge of their duties, (v) complying with arbitrage rebate requirements, (vi) complying with securities disclosure requirements, and (vii) the City in any way related to the collection of the Assessments in installments, including, without limitation, the administration of the District, maintaining the record of installments, payments and reallocations and/or cancellations of Assessments, and the repayment of the Bonds, including, without limitation, any associated legal expenses, the reasonable costs of other consultants and advisors and contingencies and reserves for such costs as deemed appropriate by the City Council. Annual Collection Costs collected and not expended for actual Annual Collection Costs shall be carried forward and applied to reduce Annual Collection Costs in subsequent years to avoid the over-collection of Annual Collection Costs.

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

“Annual Installment” means, with respect to each Assessed Parcel, each annual payment of the Assessment as shown on the Assessment Roll attached to the Service and Assessment Plan as Exhibit A and related to the Bonds, the Improvement Projects or as shown on an Annual Service Plan Update as defined in the Service and Assessment Plan related to the Bonds.

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

“Assessed Parcel” means each respective parcel of land located within the District against which an Assessment is levied by the Assessment Ordinance in accordance with the Service and Assessment Plan.

“Assessment Ordinance” means Ordinance No. 20130620-052 adopted by the City Council on June 20, 2013, that levied the Assessments on the Assessed Parcels.

“Assessment Roll” means the document attached as Appendix A to the Service and Assessment Plan, showing the total amount of the Assessment against each Assessed Parcel, as updated, modified, or amended from time to time in accordance with the terms of the Service and Assessment Plan and the PID Act.

“Assessments” means the aggregate assessments shown on the Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel as shown on the Assessment Roll.

“Authorized Denomination” means \$25,000 and any integral multiple of \$5,000 in excess thereof.

“Bond” means any of the Bonds.

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

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

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

“Bond Ordinance” means Ordinance No. 20130620-076 adopted by the City Council on June 20, 2013 authorizing the issuance of the Bonds pursuant to this Indenture.

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

“Bonds” means the City’s bonds authorized to be issued by Section 3.1 of this Indenture entitled “City of Austin, Texas, Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District).”

“Bonds Similarly Secured” means, collectively, any Outstanding Bonds or Additional Bonds.

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

“Certification for Payment” means a certificate executed by an engineer, construction manager or other person or entity acceptable to the City, as evidenced by the signature of a City Representative, specifying the amount of work performed and the cost thereof, presented to the Trustee to request funding for Costs from money on deposit in the Project Fund.

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

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

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

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

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

“Costs” means the costs of the Improvement Projects.

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

“Delinquency Reserve Requirement” means an amount equal to \$113,310.00 which will be funded from revenues received from the payment of Assessments deposited to the Pledged Revenue Fund.

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

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

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

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

“Financing Agreement” means the Estancia Public Improvement District Financing Agreement between the City and the Landowner dated as of June 1, 2013 which provides for the appointment, levying and collection of Assessments, the construction of the Improvement

Projects, the maintenance of the Improvement Projects, the issuance of bonds and other matters related thereto.

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

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

“Improvement Projects” mean the public improvements and other related costs defined as Improvement Area #1 Public Improvements in the Service and Assessment Plan.

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

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

“Initial Bonds” means the Initial Bonds authorized by Section 5.2 of this Indenture.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on May 1 and November 1 of each year, commencing November 1, 2013.

“Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Government Code, as amended; and provided further investments are, at the time made, included in and authorized by the City’s official investment policy as approved by the City Council from time to time.

“Landowner” means SLF III – Onion Creek, L.P., a Texas limited partnership (including its successors and assigns).

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

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

substitution for which a new Bond shall have been authenticated and delivered pursuant to Section 3.10 herein.

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

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

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

“Petitioners” means SLF III – Onion Creek, L.P., Sevensgreen One, Ltd., Quartersage II, Ltd., Reverde Three, Ltd., IV Capital Pointe, L Ltd., Stone Point Five, Ltd., Saladia VI, Ltd., Palo Grande Seven, Ltd., High Point Green, VIII, Ltd., Golondrina Nine, Ltd., X Cordoniz, Ltd., Ciervo Eleven, Ltd., Zagan XII, Ltd., Thirteen Canard, Ltd., Ruisseau XIV, Ltd., Dindon Fifteen, Ltd., Bois de Chene XVI, Ltd., Etourneau Seventeen, Ltd., Moineau XVIII, Ltd., each a Texas limited partnership whose general partner is SLF III Property GP, LLC, a Texas limited liability company.

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

“Pledged Funds” means the Pledged Revenue Fund, the Bond Fund, the Project Fund (but excluding the Landowner Improvement Account), the Reserve Fund, and the Redemption Fund.

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

“Pledged Revenues” means the sum of (i) the Annual Installments, less the Annual Collection Costs, (ii) any Prepayments received by the City, (iii) any Foreclosure Proceeds received by the City, and (iv) the moneys held in any of the Pledged Funds.

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

“Prepayment Reserve Requirement” means an amount equal to \$62,950.00 which will be funded from revenues received from the payment of Assessments deposited to the Pledged Revenue Fund.

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

“Purchaser” means the initial purchaser of the Bonds.

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Regulations.

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

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

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

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

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

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

“Reserve Fund Obligations” means cash or Investment Securities.

“Reserve Fund Requirement” means 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, or (iii) 10% of the proceeds of the Bonds Similarly Secured; provided, however, that such amount shall be reduced by the amount of any transfers made pursuant to subsections (c) and (d) of Section 6.7; and provided further that as a result of an optional redemption pursuant to Section 4.3, the Reserve Fund Requirement shall be reduced by a percentage equal to the pro rata amount of Bonds Similarly Secured redeemed by such optional redemption divided by the total amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the date of delivery of the Bonds, the Reserve Fund Requirement is \$1,259,000.00 which is an amount equal to 10% of the proceeds of the Bonds Similarly Secured.

“Service and Assessment Plan” means the document, including the Assessment Roll, as amended, which is attached as Exhibit A to the Assessment Ordinance.

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

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

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

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

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

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

“Trustee” means U.S. Bank National Association and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

#### Section 1.2. Findings.

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

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

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

#### Section 1.4. Interpretation.

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

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

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

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

## ARTICLE II

### THE BONDS

#### Section 2.1. Security for the Bonds.

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

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

#### Section 2.2. Limited Obligations.

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

#### Section 2.3. Authorization for Indenture.

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

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

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

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

### ARTICLE III

#### AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

##### Section 3.1. Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$12,590,000 for the purpose of (i) paying the Costs of the Improvement Projects, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Projects, (iii) funding a reserve fund for payment of principal and interest on Bonds, (iv) paying a portion of the costs incidental to the organization of the District, and (v) paying the costs of issuance.

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

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

(b) Interest shall accrue and be paid on each Bond from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2013 computed on the basis of a 360-day year of twelve 30-day months.

(c) The Bonds shall mature on November 1 in the years and in the principal amounts and shall bear interest as set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$2,695,000	4.50%
2028	\$9,895,000	6.00%

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

Section 3.3. Conditions Precedent to Delivery of Bonds.

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

- (a) a certified copy of the Assessment Ordinance;
- (b) a certified copy of the Bond Ordinance;
- (c) a copy of the executed Financing Agreement;
- (d) a copy of this Indenture executed by the Trustee and the City; and
- (e) a City Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the City.

Section 3.4. Medium, Method and Place of Payment.

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

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

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

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

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

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

Section 3.5. Execution and Registration of Bonds.

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

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

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

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

amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.6. Ownership.

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

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

Section 3.7. Registration, Transfer and Exchange.

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

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

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

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

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

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

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

#### Section 3.8. Cancellation.

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

#### Section 3.9. Temporary Bonds.

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

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

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

Section 3.10. Replacement Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 3.13. Payments to Cede & Co.

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

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1. Limitation on Redemption.

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

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Bonds are subject to mandatory sinking fund redemption prior to their maturity and will be redeemed by the City in part at the Redemption Price from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI, on the dates and in the respective sinking fund installments as set forth in the following schedule:

Term Bonds Maturing November 1, 2018

<u>Redemption Date</u>	<u>Principal Amount</u>
November 1, 2015	\$630,000
November 1, 2016	\$660,000
November 1, 2017	\$685,000
November 1, 2018 (maturity)	\$720,000

Term Bonds Maturing November 1, 2028

<u>Redemption Date</u>	<u>Principal Amount</u>
November 1, 2019	\$ 750,000
November 1, 2020	\$ 795,000
November 1, 2021	\$ 845,000
November 1, 2022	\$ 895,000
November 1, 2023	\$ 945,000
November 1, 2024	\$1,005,000
November 1, 2025	\$1,065,000
November 1, 2026	\$1,130,000
November 1, 2027	\$1,195,000
November 1, 2028 (maturity)	\$1,270,000

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

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

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

Section 4.3. Optional Redemption.

(a) The City reserves the right and option to redeem Bonds, maturing on November 1, 2028, in whole or in part, on November 1, 2023 and any date thereafter, such redemption date or dates to be fixed by the City, at the Redemption Price and without premium.

Section 4.4. 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 the first day of any month, at the Redemption Price, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund as provided in Section 6.7(c)).

Section 4.5. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to either Sections 4.2, 4.3 or 4.4, Bonds shall be redeemed in minimum principal amounts of \$25,000 and increments of \$5,000 thereafter by any method selected by the Trustee that results in a random selection. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the smallest Authorized Denomination for such Bond.

(b) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed, but only in a principal amount equal to \$25,000 or any integral of \$5,000 in excess thereof. The Trustee shall treat each \$25,000 portion of such Bond as though it were a single bond for purposes of selection for redemption. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time.

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

Section 4.6. Notice of Redemption to Owners.

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

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

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

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

(e) With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the Redemption Price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the

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

Section 4.7. Payment Upon Redemption.

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

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

Section 4.8. Effect of Redemption.

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

## ARTICLE V

### FORM OF THE BONDS

Section 5.1. Form Generally.

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

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

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

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

Section 5.2. Form of the Bonds.

(a) Form of Bond.

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

REGISTERED

REGISTERED

No. \_\_\_\_\_

\$ \_\_\_\_\_

United States of America  
State of Texas

CITY OF AUSTIN, TEXAS  
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2013  
(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER:</u>
_____%	November 1, ____	July 16, 2013	_____

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

\_\_\_\_\_

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

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Bond Date, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest

specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on May 1 and November 1 of each year, commencing November 1, 2013.

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

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

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

This Bond is one of a duly authorized issue of assessment revenue bonds of the City having the designation specified in its title (herein referred to as the "Bonds"), dated as of the date of delivery and issued in the aggregate principal amount of \$12,590,000 and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of June 1, 2013 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the holders of the Bonds, the Trustee, and the City, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each holder of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the

amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying the Costs of the Improvement Projects, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Improvement Projects, (iii) making deposits to a reserve fund, a capitalized interest account, and a project fund, and (iv) paying the costs of issuing the Bonds.

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

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

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$25,000 and any multiple of \$5,000 in excess thereof.

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

Term Bonds Maturing November 1, 2018

<u>Redemption Date</u>	<u>Principal Amount</u>
November 1, 2015	\$630,000
November 1, 2016	\$660,000
November 1, 2017	\$685,000
November 1, 2018 (maturity)	\$720,000

Term Bonds Maturing November 1, 2028

<u>Redemption Date</u>	<u>Principal Amount</u>
November 1, 2019	\$ 750,000
November 1, 2020	\$ 795,000
November 1, 2021	\$ 845,000
November 1, 2022	\$ 895,000
November 1, 2023	\$ 945,000
November 1, 2024	\$1,005,000
November 1, 2025	\$1,065,000
November 1, 2026	\$1,130,000
November 1, 2027	\$1,195,000
November 1, 2028 (maturity)	\$1,270,000

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

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

The City reserves the right and option to redeem Bonds maturing on November 1, 2028, in whole or in part, on November 1, 2023 or on any date thereafter, such redemption date or dates to be fixed by the City, at the Redemption Price and without premium.

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

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

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

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

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

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

The City has reserved the right to issue Additional Bonds on the terms and conditions specified in the Indenture.

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

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

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

\_\_\_\_\_  
City Clerk, City of Austin, Texas

\_\_\_\_\_  
Mayor, City of Austin, Texas

[Seal]

(b) Form of Comptroller's Registration Certificate.

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

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS MY SIGNATURE AND SEAL OF OFFICE this \_\_\_\_\_

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

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

U. S. BANK NATIONAL ASSOCIATION,  
as Trustee

DATED: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

Date: \_\_\_\_\_

Signature Guaranteed By:

\_\_\_\_\_  
\_\_\_\_\_

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

Authorized Signatory

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

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

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on \_\_\_\_\_ 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

Years                      Principal Installments                      Interest Rates"

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

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

Section 5.3. CUSIP Registration.

The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 5.4. Legal Opinion.

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

ARTICLE VI

FUNDS AND ACCOUNTS

Section 6.1. Establishment of Funds and Accounts.

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

- (i) Pledged Revenue Fund;
- (ii) Bond Fund;
- (iii) Project Fund;
- (iv) Reserve Fund;
- (v) Redemption Fund;
- (vi) Rebate Fund;
- (vii) Administrative Fund; and
- (viii) Reimbursement Fund.

(b) Creation of Accounts.

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

- (A) Capitalized Interest Account; and
- (B) Principal and Interest Account

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

- (A) Reserve Account;
- (B) Prepayment Reserve Account; and
- (C) Delinquency Reserve Account

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

- (A) Bond Improvement Account;
- (B) Landowner Improvement Account; and
- (C) Costs of Issuance Account

(iv) The following Accounts are hereby created and established under the Pledged Revenue Fund:

- (A) Bond Pledged Revenue Account; and
- (B) Landowner Pledged Revenue Account.

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

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

Section 6.2. Initial Deposits to Funds and Accounts.

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

- (i) to the Capitalized Interest Account of the Bond Fund: \$981,104.59;
- (ii) to the Reserve Account of the Reserve Fund: \$1,259,000.00;
- (iii) to the Costs of Issuance Account of the Project Fund: \$451,500.00; and
- (iv) to the Bond Improvement Account of the Project Fund: \$9,646,595.41.

(b) Funds received from the Landowner on the Closing Date in the amount of \$3,403,610.59 shall be deposited to the Landowner Improvement Account of the Project Fund.

Section 6.3. Pledged Revenue Fund.

(a) On or about March 10 of each year while the Bonds are outstanding and beginning with the year when Assessments are being collected, the City shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. The City shall deposit or cause to be deposited to the Bond Pledged Revenue Account from the Pledged Revenue Fund Assessments collected first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due, second to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Fund Requirement, third to the Landowner Pledged Revenue Account of the Pledged Revenue Fund to reimburse the Landowner for costs of Improvement Projects that have been paid from the Landowner Improvement Account of the Project Fund (consisting of the initial Landowner contribution to the Landowner Improvement Account), fourth to pay other costs of the Improvement Projects and fifth to pay other costs permitted by the PID Act. Moneys transferred to the Landowner Pledged Revenue Account shall not be a part of the Trust Estate and are not security for the Bonds.

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

(c) From time to time as needed to pay the obligations relating to costs of Improvement Projects that are paid with funds withdrawn from the Landowner Improvement Account of the Project Fund the Trustee shall withdraw from the Landowner Pledged Revenue Account and transfer to the Reimbursement Fund such amount needed to reimburse the Landowner for funds withdrawn from the Landowner Improvement Account of the Project Fund used to fund costs of Improvement Projects.

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

(e) The Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such prepayments to the Redemption Fund.

(f) The Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Fund to restore any transfers from the Reserve Fund made with respect to the Assessed Parcel or Assessed Parcels to which the Foreclosure Proceeds relate, and second, to the Redemption Fund.

(g) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in the Reserve Fund and to fund any obligations due to Landowner with funds deposited to the Reimbursement Fund, the Trustee may apply Assessments for any lawful purposes permitted by the Act for which Assessments may be paid.

(h) Any Assessments remaining after satisfying the foregoing payments may be used for any lawful purpose for which Assessments may be used under the PID Act.

Section 6.4. Bond Fund.

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

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

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

<u>Date</u>	<u>Amount</u>
November 1, 2013	\$208,534.38
May 1, 2014	\$357,487.50
November 1, 2014	\$357,487.50
May 1, 2015	\$ 57,595.21

Any amounts on deposit to the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Bond Improvement Account of the Project Fund, or if the Project Fund has been closed as provided in Section 6.5(d) herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5. Project Fund.

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

(b) Any funds received at Closing pursuant to the Financing Agreement shall be applied as provided therein. Such provisions and procedures are herein incorporated by reference and deemed set forth herein in full.

(c) Disbursements from the Project Fund to pay Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment. The disbursement of funds from the Project Fund pursuant to a Certification for Payment shall be pursuant to and accordance with the disbursement procedures described in the Financing Agreement. Such provisions and procedures are herein incorporated by reference and deemed set forth herein in full.

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

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

(f) Upon the filing of a City Certificate stating that all Improvement Projects have been completed and that all Costs of the Improvement Projects have been paid, or that any such Costs are not required to be paid from the Bond Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee (i) shall transfer the amount, if any, remaining within the Project Fund to the Bond Fund, (ii) shall transfer any remaining amount in the Landowner Improvement Account of the Project Fund to the Landowner and (iii) the Project Fund shall be closed.

#### Section 6.6. Redemption Fund.

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

#### Section 6.7. Reserve Fund.

(a) The City agrees with the Owners of the Bonds and Additional Bonds to accumulate, and when accumulated maintain in the Reserve Fund an amount equal to not less than the Reserve Fund Requirement. All amounts deposited in the Reserve Fund shall be used

and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture. The Trustee will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Prepayment Reserve Account on May 1 and November 1 of each year, commencing May 1, 2015, an amount equal to .20% of the interest rate component of the Annual Installments until the Prepayment Reserve Requirement has been accumulated in the Prepayment Reserve Account. The Trustee shall also deposit from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Delinquency Reserve Account on May 1 and November 1, commencing May 1, 2015, an amount equal to .30% of the interest rate component of the Annual Installments until the Delinquency Reserve Requirement has been accumulated in the Delinquency Reserve Account.

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

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

(d) Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the amount in the Reserve Account exceeds the Reserve Fund Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within thirty days of such notice to the City Representative, the Trustee receives a City Order instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to the Administrative Fund in an amount not more than the Annual Collection Costs for the Bonds, or (iii) to the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof.

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Prepayment Reserve Account exceeds the Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The amount of such excess on deposit in the Prepayment Reserve Account shall be transferred to the Pledged Revenue Fund.

(f) Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Delinquency Reserve Account exceeds the Delinquency Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess. The amount of such excess on deposit in the Delinquency Reserve Account shall be transferred to the Pledged Revenue Fund.

(g) Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first from the Delinquency Reserve Account of the Reserve Fund, second from the Reserve Account of the Reserve Fund and third from the Prepayment Reserve Account to the Bond Fund the amounts necessary to cure such deficiency. The Trustee shall determine the value of cash and investments on deposit in the Delinquency Reserve Account as of September 30 of each year. So long as no Event of Default under this Indenture shall have occurred and be continuing, if as of the date of such determination the value of cash and investments on deposit in the Delinquency Reserve Account exceeds the Delinquency Reserve Fund Requirement for the Bonds Similarly Secured, the Trustee shall transfer such excess at the direction of the City.

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

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

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

Section 6.8. Rebate Fund: Rebate Amount.

(a) There is hereby established a special fund of the City to be designated "City of Austin, Texas, Rebate Fund" (the "Rebate Fund") to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code.

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

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 7.5(h) and shall not be liable or responsible if it follows the

instructions of the City and shall not be required to take any action under this Section and Section 7.5(h) in the absence of instructions from the City.

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

Section 6.9. Administrative Fund.

(a) The City shall deposit or cause to be deposited to the Administrative Fund the Annual Collection Costs.

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

Section 6.10. Investment of Funds.

(a) Money in any Fund established pursuant to this Indenture shall be invested by the Trustee as directed by the City pursuant to a City Order filed with the Trustee at least two (2) days in advance of the making of such investment in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act of 1987, Chapter 2256 Texas Government Code, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such 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 are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default

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

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall not incur any

liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the legality of any investments.

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

(e) The Trustee will furnish the City monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 6.11. Security of Funds.

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

Section 6.12. Reimbursement Fund. Money on deposit in the Reimbursement Fund shall be used to reimburse the Landowner for funds withdrawn from the Landowner Improvement Account of the Project Fund and used to pay costs of Improvement Projects. When all amounts due to the Landowner to reimburse it for the funds withdrawn from the Landowner Improvement Account of the Project Fund have been paid to the Landowner, whether through Assessments received and applied or through the proceeds of Additional Bonds, no further deposits shall be made to the Reimbursement Fund and the Reimbursement Fund shall be closed.

## ARTICLE VII

### COVENANTS

Section 7.1. Confirmation of Assessments.

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

Section 7.2. Collection and Enforcement of Assessments.

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

(b) The City will determine or cause to be determined, no later than March 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel.

Section 7.3. Against Encumbrances.

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

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

Section 7.4. Records, Accounts, Accounting Reports.

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

Section 7.5. Covenants to Maintain Tax-Exempt Status.

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

“*Closing Date*” means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“*Code*” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

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

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

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

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

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

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

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

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

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the

United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

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

(d) No Private Loan.

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

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

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

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

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

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

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

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

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

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

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have

resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager, Assistant City Manager, Chief Financial Officer, City Treasurer, City Clerk, or Deputy City Clerk, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

## ARTICLE VIII

### LIABILITY OF CITY

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

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

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

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

against the City or any of its officers, officials, agents, or employees to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds by mandamus or other proceeding at law or in equity.

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

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

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

## ARTICLE IX

### THE TRUSTEE

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

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

#### Section 9.2. Trustee Entitled to Indemnity

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may make transfers from the Pledged Revenue Fund to pay all costs and

expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 9.3. Responsibilities of the Trustee.

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

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

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for its own gross negligence or willful misconduct.

Section 9.4. Property Held in Trust.

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

Section 9.5. Trustee Protected in Relying on Certain Documents.

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

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a City Certificate, unless other evidence in

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

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

Section 9.6. Compensation.

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

Section 9.7. Permitted Acts.

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

Section 9.8. Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' notice, specifying the date when such resignation shall take effect, to the City and each Owner of any Outstanding Bond. Such resignation shall

take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.9. Removal of Trustee.

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

Section 9.10. Successor Trustee.

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

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

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

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

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and

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

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

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

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

Section 9.12. Merger, Conversion or Consolidation of Trustee.

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

Section 9.13. Trustee To File Continuation Statements.

If necessary, the Trustee shall file or cause to be filed, such continuation statements as may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC.

Section 9.14. Construction of Indenture.

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

ARTICLE X

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. Amendments Permitted.

This Indenture and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of the Owners of the Bonds of at least sixty-six and two-thirds percent (66-2/3%) of the aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Pledged Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by Applicable Laws or this Indenture), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

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

- (i) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;
- (ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;
- (iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the City and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds; and
- (iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Section 10.2. Owners' Meetings.

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

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

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

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

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

Section 10.4. Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith,

the respective rights, duties, and obligations under this Indenture of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.5. Endorsement or Replacement of Bonds Issued After Amendments.

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

Section 10.6. Amendatory Endorsement of Bonds.

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

Section 10.7. Waiver of Default

With the written consent of at least sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Bonds then Outstanding, the Owners may waive compliance by the City with certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners.

## ARTICLE XI

### DEFAULT AND REMEDIES

Section 11.1. Events of Default.

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

- (i) The failure of the City to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
- (ii) The failure of the City to enforce the collection of the Assessments including the prosecution of foreclosure proceedings; and

(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture and the continuation thereof for a period of 60 days after written notice specifying such default by the Owners of at least 25% of the Bonds at the time Outstanding requesting that the failure be remedied.

Section 11.2. Immediate Remedies for Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Owners of at least 25% of the Bonds Similarly Secured then Outstanding, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted.

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

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

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

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

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in Section 11.1, or of which by such Section it is deemed to have notice, (ii) such default has become an Event of Default and the Owners of 25% of the aggregate principal amount 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 hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.2 herein, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Bonds Similarly Secured then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds Similarly Secured shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds 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 this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article VIII, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond 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 hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds Similarly Secured.

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

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

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

notwithstanding Section 11.2 hereof, be applied by the Trustee to the payment of interest and principal or Redemption Price then due on Bonds Similarly Secured, as follows:

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

SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds 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 ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds 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 this Indenture.

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

#### Section 11.5. Effect of Waiver.

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

#### Section 11.6. Evidence of Ownership of Bonds.

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

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

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

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

Section 11.7. No Acceleration.

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

Section 11.8. Mailing of Notice.

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

Section 11.9. Exclusion of Bonds.

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

## ARTICLE XII

### GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Pledged Revenues.

(a) The City represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds, to execute and deliver this Indenture and to pledge the Pledged Revenues in the manner and to the extent provided in this Indenture, and that the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge, or encumbrance

thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

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

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

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

#### Section 12.2. Accounts, Periodic Reports and Certificates.

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

#### Section 12.3. General.

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

### ARTICLE XIII

#### SPECIAL COVENANTS

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

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

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

Section 13.2. Other Obligations or Other Liens; Additional Bonds.

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

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

(c) The City reserves the right to issue Additional Bonds for any purpose permitted by the Act and in accordance with the conditions set forth below:

(i) the City Representative shall certify that the City is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the City contained in the Indenture;

(ii) the Landowner, through an authorized representative, shall certify that the Landowner is not in default in the performance and observance of any of the terms, provisions and conditions applicable to the Landowner contained in the Financing Agreement;

(iii) the Landowner shall provide the City with a certificate or report from an independent certified appraiser or appraisal firm that, assuming completion of the improvements to be financed with the proceeds of the Additional Bonds or with the funds withdrawn from the Landowner Improvement Account of the Project Fund, as applicable, (A) the appraised value of the Assessed Parcels is equal to at least four (4) times the principal amount of the Outstanding Bonds Similarly Secured, taking into account the Additional Bonds to be issued, (B) the appraised value allocated to each Assessed Parcel that is zoned for other than single-family housing purposes is at least three (3) times the portion of the principal amount of any Outstanding Bonds Similarly Secured, taking into account the Additional Bonds to be issued, that is allocated to each Assessed Parcel that is so zoned and (C) the appraised value allocated to each Assessed Parcel that is zoned for single-family housing purposes is at least equal to two and one-half (2.5) times the portion of the principal amount of any Outstanding Bonds Similarly Secured, taking into

account the Additional Bonds to be issued, that is allocated to each Assessed Parcel that is so zoned;

(iv) the principal of and interest on the Additional Bonds must be scheduled to be paid or mature on May 1 and November 1, or both, of the years in which each principal or interest are scheduled to be paid or mature; and

(v) there shall be deposited to the Reserve Fund an amount equal to the Reserve Fund Requirement taking into account the outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued.

Section 13.3. Books of Record.

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

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

ARTICLE XIV

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE  
INDENTURE

Section 14.1. Trust Irrevocable.

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

Section 14.2. Satisfaction of Indenture.

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

Section 14.3. Bonds Deemed Paid.

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

ARTICLE XV

MISCELLANEOUS

Section 15.1. Benefits of Indenture Limited to Parties.

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

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

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

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

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

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

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

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

Section 15.4. Waiver of Personal Liability.

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

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

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

If to the City:

City of Austin, Texas  
P.O. Box 2106  
Austin, Texas 78768  
Attn: City Treasurer

If to the Trustee  
or the Paying Agent/Registrar:

U.S. Bank National Association  
5555 San Felipe Street, Suite 1150  
Houston, TX 77056  
Attn: Mauri Cowen, Vice President

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

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

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

Section 15.6. Partial Invalidity.

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

Section 15.7. Applicable Laws.

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

Section 15.8. Payment on Business Day.

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

Section 15.9. Counterparts.

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

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

CITY OF AUSTIN, TEXAS

By: \_\_\_\_\_  
LEE LEFFINGWELL, Mayor

[SEAL]

Attest:

\_\_\_\_\_  
JANNETTE S. GOODALL  
City Clerk

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

*Signature Page to Indenture of Trust*

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APPENDIX B

SERVICE AND ASSESSMENT PLAN

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# Estancia Hill Country Public Improvement District

Service and Assessment Plan

6/20/13

B-1

## Section I

### PLAN DESCRIPTION AND DEFINED TERMS

#### A. Introduction

On June 6, 2013, (the “**Creation Date**”) the Austin City Council approved that certain “Petition for the Creation of a Public Improvement District to Finance Improvements for Estancia Hill Country” which authorized the creation of the Estancia Hill Country Public Improvement District (the “**PID**”) to finance the Actual Costs for the benefit of certain property in the PID, all of which is located in the limited purpose annexed jurisdiction of the City of Austin, Texas (the “**City**”), but not within its corporate limits.

Upon application of the current property owners, the property within the PID was zoned by Ordinance No. \_\_\_\_\_ (the “**Planned Unit Development Ordinance**”) adopted by the City of Austin on June 20, 2013. The Planned Unit Development Ordinance designates the type of land uses that are permitted within the project and includes development standards for each land use type.

Chapter 372 of the Texas Local Government Code, Improvement Districts in Municipalities and Counties (as amended, the “**PID Act**”), governs the creation of public improvement districts within the State of Texas. This Assessment Plan has been prepared pursuant to the PID Act. According to the PID Act, a service plan “must cover a period of five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements.” The service plan is described in Section V of this Service and Assessment Plan (“Assessment Plan”).

The Assessment Roll for Improvement Area #1 is attached hereto as **Appendix A**, and is addressed in Section VII of this Assessment Plan. The Assessments as shown on the Assessment Roll are based on the method of assessment described in Sections IV and VI of this Assessment Plan.

#### B. Definitions

Capitalized terms shall have the meanings ascribed to them as follows:

“**Actual Cost(s)**” means, with respect to a Segment, the Owner’s demonstrated, reasonable, allocable, and allowable costs of constructing such Segment, as specified in a Payment Request that has been reviewed and approved by the City and the Project Engineer and in an amount not to exceed the amount for each Segment as set forth in the Assessment Plan (subject to cost overruns in Section 5.02). Actual Cost may include (a) the costs incurred by or on behalf of the Owner (either directly or through affiliates) for the design, planning, financing, administration/management, acquisition, installation, construction and/or implementation of such Segment, (b) if the Owner has acted as general contractor with respect to such Segment, or a portion thereof, a contractor’s fee of 5.5% of the costs incurred by or on behalf of the Owner for the construction of such Segment or portion thereof, (c) the costs incurred by or on behalf of the Owner in preparing the Plans for such

Segment, (d) the fees paid for obtaining permits, licenses or other governmental approvals for such Segment, (e) a construction management fee of 4% of the costs incurred by or on behalf of the Owner for the construction of such Segment if the Owner is serving as the Construction Manager, (f) the costs incurred by or on behalf of the Owner for external professional costs, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (property and franchise) related to the Segment receiving the benefits of the assessments and the Public Improvements (g) all labor, bonds and materials, including equipment and fixtures, by contractors, builders and materialmen in connection with the acquisition, construction or implementation of the Public Improvements, (h) all related permitting, zoning and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees and charges, insurance premiums, and miscellaneous expenses, and all payments for Administrative Expenses after the date of a resolution authorizing such reimbursement, plus Interest, if any, calculated from the respective dates of the expenditures until the date of reimbursement therefore.

Actual Costs shall not include general contractor's fees in an amount that exceeds a percentage equal to the percentage of work completed and accepted or construction management fees in an amount that exceeds an amount equal to the construction management fee amortized in equal monthly installments over the term of the appropriate construction management agreement. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated. Actual Costs also may be paid to the Owner only in the capacity of construction manager or only in the capacity of general contractor but not both.

**“Administrator”** means employee or designee of the City who shall have the responsibilities provided for herein and in the PID Finance Agreement.

**“Administrative Expenses”** means the administrative, organization, maintenance and operation costs and expenses associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of (i) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (ii) creating and organizing the District and preparing the assessment roll, (iii) computing, levying, collecting and transmitting the Special Assessments or the installments thereof, (iv) maintaining the record of installments, payments and reallocations and/or cancellations of the Special Assessments, (v) issuing, paying and redeeming the PID Bonds, (vi) investing or depositing the Special Assessments, (vii) complying with the PID Act with respect to the PID Bonds, (viii) paying the paying agent/registrar's and trustee's fees and expenses (including the fees and expenses of its legal counsel), and (ix) administering the construction of the Public Improvements, in accordance with the terms of this Agreement.

**“Annual Installment”** means, with respect to each Assessed Property, each annual payment of: (i) the Special Assessment, as shown on the Assessment Roll attached hereto as **Appendix A**, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Assessment Plan, (ii) Administrative Expenses, (iii) the prepayment reserve

described in Section IV of this Assessment Plan, and (iv) the delinquency reserve described in Section IV of this Assessment Plan.

**“Annual Service Plan Update”** has the meaning set forth in Section V of this Assessment Plan.

**“Assessed Property”** means for any year, Parcels within the PID other than Non-Benefited Property.

**“Assessment Ordinance”** means each ordinance adopted by the City Council approving the Assessment Plan (or such amendments to the Assessment Plan) and levying the Special Assessments, as required by Article II of the PID Finance Agreement.

**“Assessment Plan”** means this Estancia Hill Country Public Improvement District Service and Assessment Plan (as such plan is amended from time to time), to be initially adopted by the City Council in the first Assessment Ordinance for the purpose of assessing allocated costs against property located within the boundaries of the PID.

**“Assessment Roll”** means, the Improvement Area #1 Assessment Roll or any other Assessment Roll in an amendment or supplement to this Assessment Plan or in an Annual Service Plan Update.

**“Authorized Improvements”** mean those public improvements described in Section 372.003 of the PID Act designed, constructed, and installed in accordance with this Assessment Plan, and any future amendments.

**“Bond Issuance Costs”** means costs relating to the authorization, sale and issuance of the PID Bonds including, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Trustee, including its first annual administration fee, expenses incurred by the City or Owners in connection with the issuance of the PID Bonds, financial advisor fees, bond (underwriter’s) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the PID Bonds and other costs, charges and fees in connection with the issuance of the PID Bonds.

**“City”** means the City of Austin, Texas.

**“City Council”** means the duly elected governing body and council of the City.

**“County”** means Travis County, Texas.

**“Delinquent Collection Costs”** mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of a Special Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Special Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

**“Estancia Hill Country” or “Project”** means the approximately 600 acres of land located in Travis County, Texas, contained within the area described on Table II-A. Estancia Hill

Country is located in the City’s extraterritorial jurisdiction and has been annexed by the City for limited purposes.

**“Future Improvement Area”** means Improvement Areas that are developed after Improvement Area #1, as such areas are generally shown on Table II-C. The Future Improvement Areas are subject to adjustment and are shown for example only.

**“Improvement Area #1”** means the land within the Project more particularly described on Appendix “E” attached hereto and generally shown on Table II-B.

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

**“Improvement Area #1 Assessment Roll”** means the document included in this Assessment Plan as Appendix A, as updated, modified or amended from time to time in accordance with the procedures set forth herein and in the PID Act, including updates prepared in connection with the issuance of PID Bonds or in connection with any Annual Service Plan Update.

**“Improvement Area #1 Parity Bonds”** means any special assessment revenue bond that is secured by Special Assessments levied on Improvement Area #1 Assessed Property, other than the Initial Improvement Area #1 PID Bonds.

**“Improvement Area #1 Public Improvements”** means Authorized Improvements which benefit Improvement Area #1 Assessed Property and are described in Section III.B.

**“Initial Improvement Area #1 PID Bonds”** means those certain City of Austin, Texas Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District) that are secured by Special Assessments levied on Improvement Area #1 Assessed Property.

**“Initial Indenture”** means that certain Indenture of Trust dated as of June 1, 2013 between the City and Trustee covering the Initial Improvement Area #1 PID Bonds, as it may be amended from time to time.

**“Initial Owner Contribution”** has the meaning given in Section 4.02(e) of the PID Finance Agreement.

**“Landowner’s Agreement”** means that certain Estancia Hill Country PID Landowner Agreement dated as of June 1, 2013 by and between the City and the Owners.

**“Lot”** means a tract of land described as a “lot” in a subdivision plat recorded in the Official Public Records of Travis County, Texas.

**“Lot Type”** means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as zoned pursuant to the City Code. In the case of single family residential Lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final buildout value for each lot as of the date of the recorded subdivision plat, considering factors such as density,

lot size, proximity to amenities, view premiums, location, and any other factors that may impact each Lot's buildout value.

Prior to the recording of a subdivision plat, the Owner shall provide the City an estimated buildout value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact a Lot's buildout value. The calculation of the estimated average Lot buildout value for a Lot shall be confirmed by the Administrator based on information provided by the Owner, homebuilders, developers, third party consultants retained by the Owner, City, or Administrator, the Official Public Records of Travis County, Texas, and/or any other information regarding the Lot.

**“Owner(s)”** means SLF III – ONION CREEK, L.P., a Texas limited partnership, SEVENGREEN ONE, LTD., a Texas limited partnership, QUARTERSAGE II, LTD., a Texas limited partnership, REVERDE THREE, LTD., a Texas limited partnership, IV CAPITOL POINTE, LTD., a Texas limited partnership, STONE POINT FIVE, LTD., a Texas limited partnership, SALADIA VI, LTD., a Texas limited partnership, PALO GRANDE SEVEN, LTD., a Texas limited partnership, HIGH POINT GREEN VIII, LTD., a Texas limited partnership, GOLONDRINA NINE, LTD., a Texas limited partnership, X CORDONIZ, LTD., a Texas limited partnership, CIERVO ELEVEN, LTD., a Texas limited partnership, ZAGUAN XII, LTD., a Texas limited partnership, THIRTEEN CANARD, LTD., a Texas limited partnership, RUISSEAU XIV, LTD., a Texas limited partnership, DINDON FIFTEEN, LTD., a Texas limited partnership, BOIS DE CHENE XVI, LTD., a Texas limited partnership, ETOURNEAU SEVENTEEN, LTD., a Texas limited partnership, MOINEAU XVIII, LTD., a Texas limited partnership, or their assignees or successors. Pursuant to the PID Finance Agreement, the Owners acknowledged that SLF III – Onion Creek, L.P. has the authority to act on behalf of the remaining Owners with respect to matters related to the PID.

**“Owner Association Property”** means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, an Owner's Association established or to be established for the benefit of a group of homeowners or property owners within the PID.

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

**“Phased PID Bonds”** means PID Bonds to be secured by Future Improvement Area Assessed Property.

**“PID”** means the Estancia Hill Country Public Improvement District created by the City pursuant to Ordinance No. 2013-0606-054.

**“PID Act”** means Chapter 372, Local Government Code, as amended.

**“PID Bonds”** means the bonds to be issued by the City, in one or more series, which may include funds for any required reserves and amounts necessary to pay the Bond Issuance Costs, and to be secured by a pledge of the PID Bond Security pursuant to the authority granted in the PID Act, and as required by the PID Finance Agreement for the purposes of (i) financing the costs of the Authorized Improvements and related costs, and (ii) reimbursing the Owner for Actual Costs paid prior to the issuance of the PID Bonds.

**“PID Finance Agreement”** means the Estancia Hill Country Public Improvement District Financing Agreement by and between the City and SLF III-Onion Creek, L.P. dated June 1, 2013.

**“Planned Unit Development Ordinance”** has the meaning set forth in Section I.A of this Assessment Plan.

**“Prepayment Costs”** mean interest and expenses to the date of prepayment, plus any additional amounts due pursuant to the Indenture related to the PID Bonds and allowed by law, if any, reasonably expected to be incurred by or imposed upon the City as a result of any prepayment of an Assessment and the Bonds secured by such Assessment.

**“Project Fund”** means the separate and unique fund established by the City under such name pursuant to the Indenture as described in Section 5.02 of the PID Finance Agreement.

**“Public Property”** means property, real property, right of way and easements located within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Travis County, the City, a school district, a public utility provider or any other political subdivision or public agency, whether in fee simple, through an exclusive use easement, or through a public utility easement.

**“Special Assessment Revenues”** means the monies collected from Special Assessments, including supplemental assessments and reassessments, interest, expenses, or penalties on Special Assessments, prepayments, foreclosure proceeds, and proceeds from a guarantor, if any, of the Special Assessments.

**“Special Assessments”** means the assessments levied against properties in the District, as provided for in the Assessment Ordinance and in the Assessment Plan, including any supplemental assessments or reassessments levied in accordance with Sections 372.019 and 372.020 of the PID Act.

**“Trustee”** means the trustee under the Initial Indentures, and any successor thereto permitted under the Initial Indentures and any other Trustee under a future Indenture.

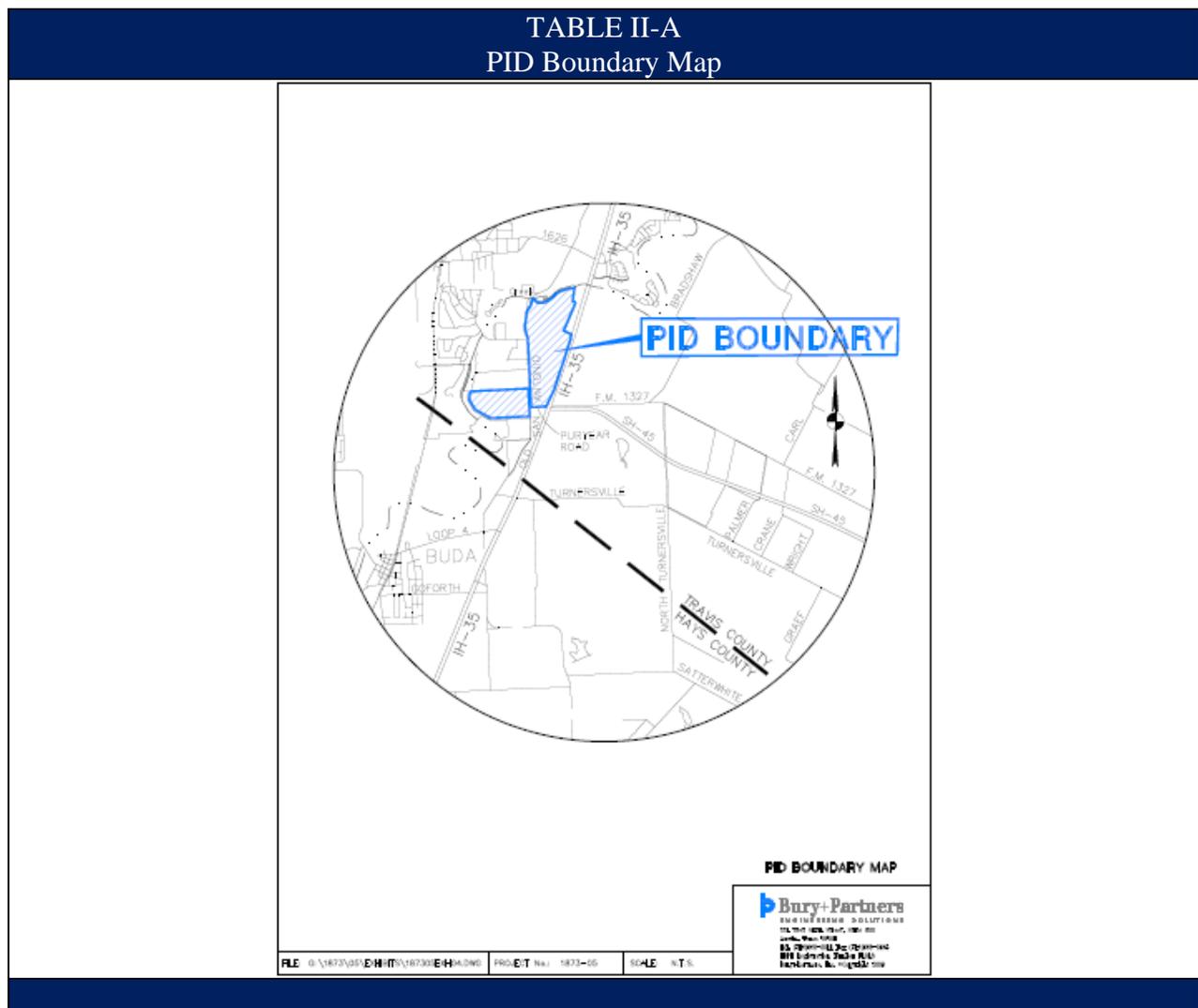
## Section II

### PROPERTY INCLUDED IN THE PID

#### A. Property Included in the PID

The area constituting the PID is depicted and described by metes and bounds on Exhibit A to Ordinance No. 2013-0606-054 adopted by the City Council. The Property is located in the City's extraterritorial jurisdiction and has been annexed by the City for limited purposes. The PID contains approximately 600 acres. A map of the property within the PID is shown in Table II-A. Descriptions for all Parcels within the PID are included in Appendix D.

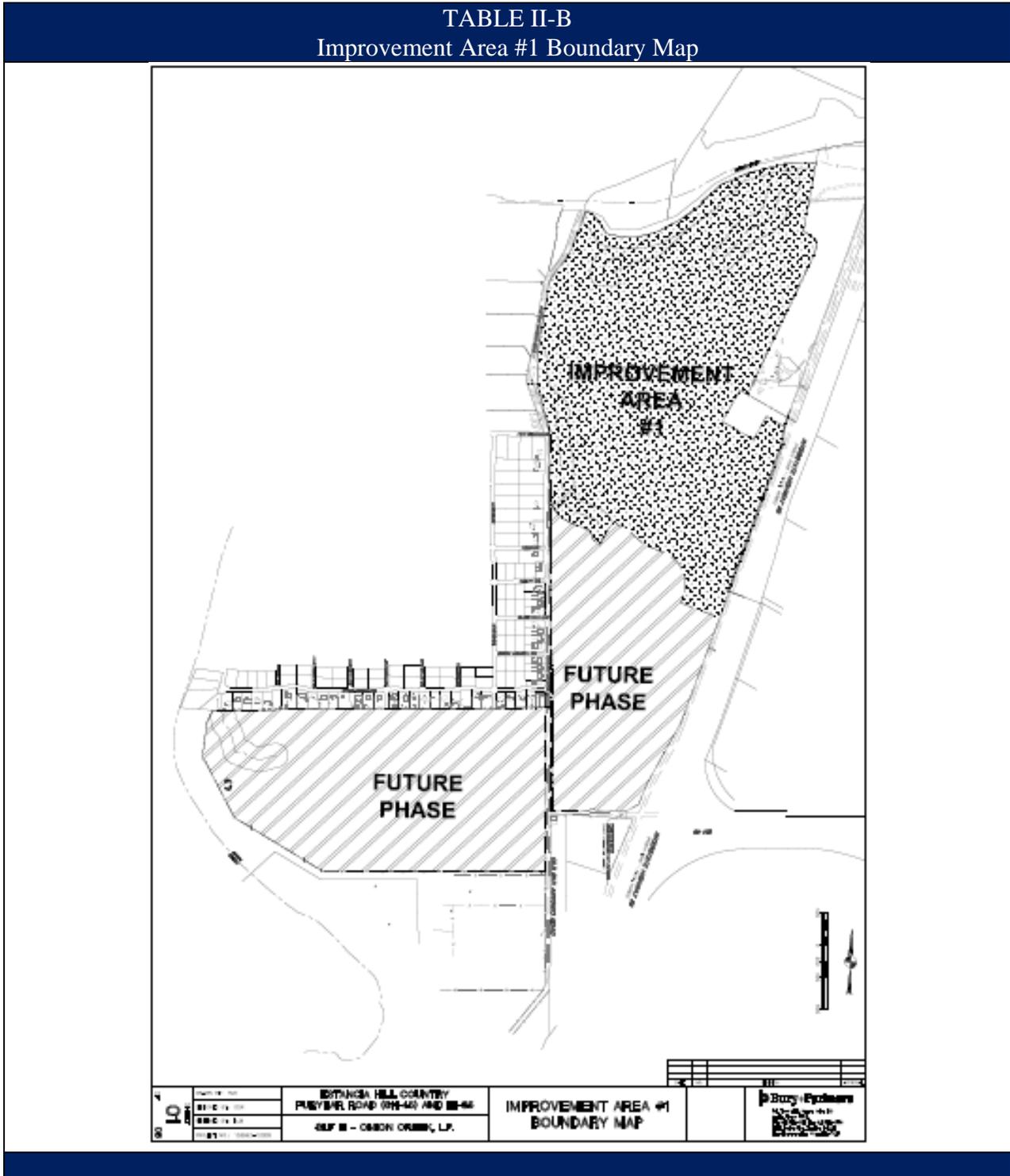
At completion, the PID is expected be developed to include single-family and multifamily residential, office, light industrial, retail and other uses, as well as parks, entry monuments, and associated rights-or-way, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID.



**B. Property Included in Improvement Area #1**

Improvement Area #1 consists of approximately 215.96 acres of assessed property projected to consist of 386 single family residential units, 26.6 acres of multifamily residential units, and 82.6 acres of office/commercial development. A map of the property within Improvement Area #1 is shown in Table II-B. Legal descriptions for all Improvement Area #1 Assessed Property are included in **Appendix E**.

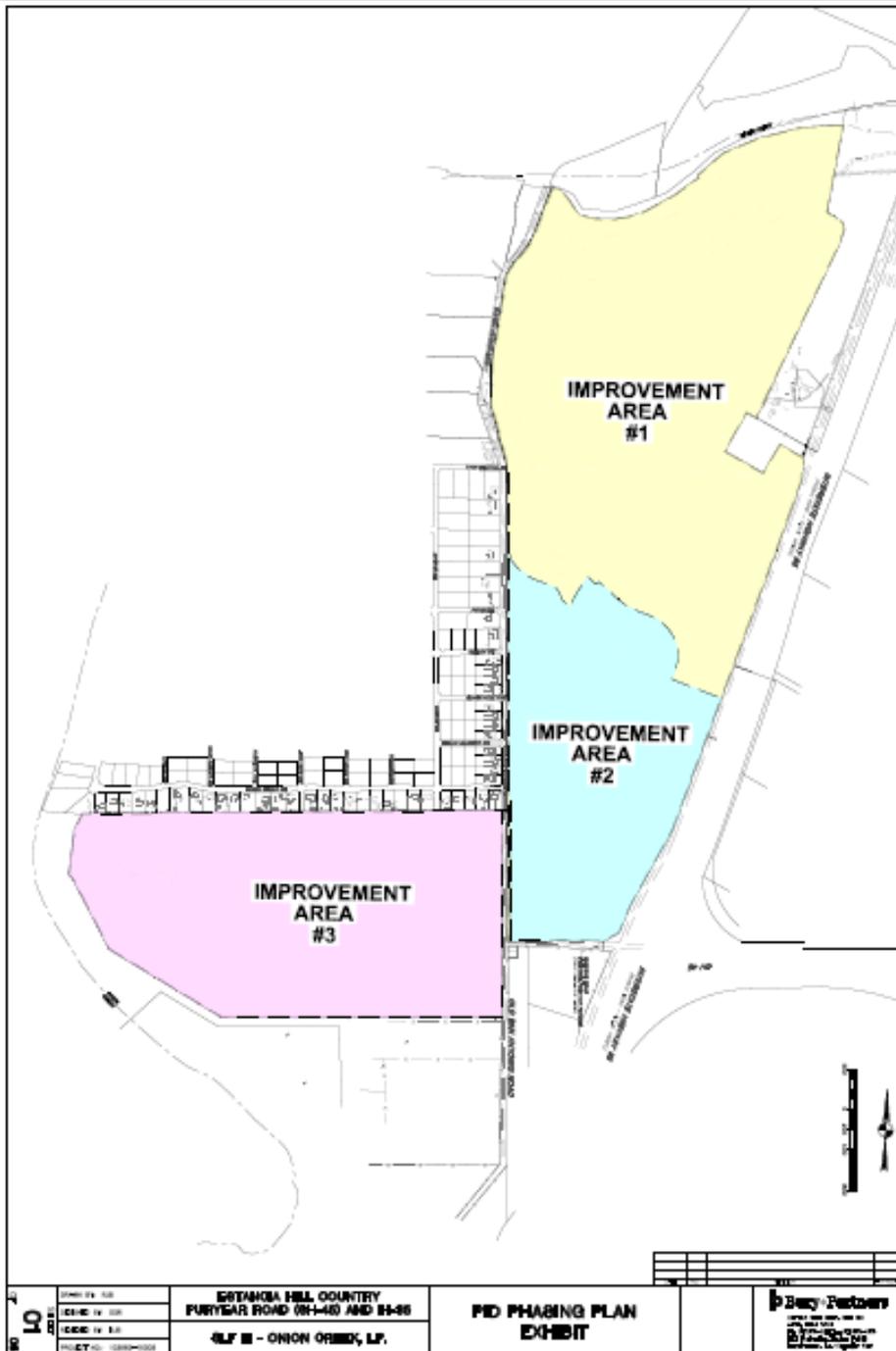
**TABLE II-B**  
**Improvement Area #1 Boundary Map**



**C. Property Included in Future Improvement Areas**

As Improvement Areas are developed, then in connection with the issuance of future PID Bonds, this Assessment Plan will be amended to revise the table shown in Section II.B (e.g. Table II-B will be revised to show the addition of Future Improvement Areas). A map of the projected property within each Future Improvement Area is shown in Table II-C. The Future Improvement Areas are shown for illustrative purposes only and are subject to adjustment.

**TABLE II-C**  
**Conceptual Future Improvement Area Boundary Map**



PRELIMINARY AND SUBJECT TO CHANGE.

## Section III

### DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

#### **A. Authorized Improvement Overview**

Section 372.003 of the PID Act defines the Authorized Improvements that may be undertaken by a municipality or county through the establishment of a public improvement district. Authorized Improvements that may be undertaken pursuant to the PID Act include the following:

- (i) landscaping;
- (ii) erection of fountains, distinctive lighting, and signs;
- (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) construction or improvement of pedestrian mall;
- (v) acquisition and installment of pieces of art;
- (vi) acquisition, construction or improvement of libraries;
- (vii) acquisition, construction or improvement of off-street parking facilities;
- (viii) acquisition, construction or improvement of rerouting of mass transportation facilities;
- (ix) acquisition, construction or improvement of water, wastewater, or drainage facilities or improvements;
- (x) the establishment or improvement of parks;
- (xi) projects similar to those listed in Subdivisions (i)-(x)
- (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development recreation and cultural enhancement;
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district; and
- (xv) the development, rehabilitation, or expansion of affordable housing.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements described in Section III.B and Section III.C of this Assessment Plan should be undertaken by the City.

#### **B. Descriptions and Estimated Costs of Improvement Area #1 Public Improvements**

The Improvement Area #1 Public Improvements are described below. The costs of the Improvement Area #1 Public Improvements are shown in Table III-A. The costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates.

- Wastewater Line #1  
 Wastewater Line #1 consists of ±6,900 linear feet (LF) of wastewater collection system ranging from 8"-24" in diameter with a depth ranging from 8 feet deep to 50 feet deep. Wastewater Line #1 also includes a 180 LF bore and will tie into an existing City wastewater interceptor located along Onion Creek. The Property is located parallel to Onion Creek and a portion of Old San Antonio Road. The Wastewater Line #1 will benefit Improvement Area # 1. The Wastewater Line will be constructed to City and County standards and specifications and owned and operated by the City.
- Wastewater Line #2  
 Wastewater Line #2 consists of ±2200 linear feet (LF) of 8" wastewater collection system to service the onsite development. Wastewater Line #2 will tie into the Offsite Wastewater Line and will eventually convey flows to an existing City wastewater interceptor. Wastewater Line #2 will benefit Improvement Area # 1. Wastewater Line #2 will be constructed to City standards and specifications and owned and operated by the City.
- Water Line  
 The Water Line consists of ±8,900 linear feet (LF) of water distribution system ranging from 8"-16" in diameter. The Water Line will tie into an existing City water transmission main located along the IH-35 frontage road adjacent to the Property. The Water Line will benefit Improvement Area # 1. The Water Line will be constructed to City standards and specifications and owned and operated by the City.
- Estancia Parkway (Phase I)  
 Estancia Parkway (Phase I) is a 90 foot parkway consisting of ±3,900 LF of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Estancia Parkway provides a link between Old San Antonio Road and Camino Vaquero Parkway. It will eventually connect the Project out to Puryear Parkway in Phase II. The roadway will be constructed to City and County standards and specifications and owned and operated by the County.
- Camino Vaquero Parkway  
 Camino Vaquero Parkway is a 90 foot parkway consisting of ±1,300 LF of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Camino Vaquero Parkway provides a link between IH-35 southbound access road and Estancia Parkway. It will eventually connect to a new IH-35 acceleration and deceleration lane into and out of the Project. The roadway will be constructed to City and County standards and specifications and owned and operated by the County.
- Existing Central Pond Improvements  
 These will include a reconstructed outlet structure to the existing pond located near the center of the Property. This will allow the pond to function as a detention structure for Camino Vaquero Parkway and Estancia Parkway (Phase I). The central pond improvements will be constructed to City and County standards and

specifications and owned and operated by the County, but maintained by the Property Owners Association.

- Wet Pond North

Wet Pond North has been designed for fully-developed conditions for Improvement Area # 1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to the Wet Pond North. Flow dissipators and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berm will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements. Wet Pond North will be constructed to City and County standards and specifications and owned and operated by the County, but maintained by a Property Owners Association.

- Wet Pond West

Wet Pond West has been designed for fully-developed conditions for Improvement Area # 1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to Wet Pond West. Flow dissipators and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berm will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements. The project will be constructed to City and County standards and specifications and owned and operated by the County, but maintained by a Property Owners Association.

- TxDOT Ramp Relocations

The existing ramps to the access road along the frontage of IH-35 prevent access to Camino Vaquero Parkway without exiting IH-35 near Onion Creek Parkway. Per discussions with TxDOT and with their support, the north entrance ramp near Onion Creek will become an exit ramp from IH-35 to the access road. The south exit ramp will become an entrance ramp to IH35 from the access road. Surveying and geotechnical information will be prepared by Owner to assist TxDOT with the design and construction of the ramps. The ramps will be designed to TxDOT standards and specifications and once constructed, will be owned and operated by TxDOT.

- Drainage

This will consist of drainage improvements to support the installation of Camino Vaquero Parkway and Estancia Parkway, as well as onsite development within Improvement Area #1. Runoff conveyance will consist of box culverts and storm sewer system sized to convey the 100 year storm to the ponds that are proposed to be constructed. The roadway runoff will be routed to one of three ponds located within the development which were designed for detention and water quality purposes. The drainage improvements will be constructed to City and County standards and specifications and owned and operated by the County.

- Entry Monumentation  
This shall consist of the construction of an entrance monument at the intersection of IH-35 and Camino Vaquero Parkway and an entrance monument at the intersection of Old San Antonio Road and Estancia Parkway. The entry monumentation will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.
  
- Hardscape  
This shall consist of the installation of hardscape to include sidewalks, fencing, driveway improvements, parking, lighting, and signage within the PID. The hardscape will be constructed to City and County standards and specifications. The hardscape will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.
  
- Landscaping  
This shall consist of the installation of landscaping including plants, shrubs, and trees within Improvement Area # 1. The landscaping will be installed to City and County standards and specifications. The landscaping will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.
  
- Hike & Bike Trail System  
The Hike & Bike Trail System will be located parallel to Old San Antonio Road and Onion Creek and will connect the parks and trail system within Improvement Area # 1 together. The trails will consist of a mixture of improved pathways with several ancillary improvements (benches, playscapes, points of interest, etc.) along or near the pathways. The Hike & Bike Trail System will be constructed to City and County standards and specifications. The portion of the Hike & Bike Trail System located within the public park will be owned and maintained by the City, and the portion of the Hike and Bike Trail System located outside of the public park will be owned by a Property Owners Association and covered by an easement granted to the County or City.
  
- Erosion Control and Miscellaneous Bond Costs  
This consists of the required Erosion and Sedimentation Control Infrastructure, both permanent and temporary controls, as required by the City of Austin, County, Texas Commission on Environmental Quality, and the Environmental Protection Agency. These controls include, but are not limited to, silt fence, rock berms, stabilized construction entrances, matting and revegetation. The Erosion and Sedimentation Controls will be installed to City, County, TCEQ and EPA specifications and standards. They are located as needed within Improvement Area #1 for protection of slopes and to prevent sedimentation discharge into the watershed.
  
- Miscellaneous Soft Costs (fees, fiscals, etc.)  
This consists of the fees and fiscal posting requirements of the City of Austin and Travis County. They include inspection fees, fiscal for installation of improvements, recording fees for easements and plats, submittal fees for review of plans and

specifications by both the County and the City.

**TABLE III-A**  
**Improvement Area #1 Estimated Costs**

Authorized Improvement	Costs Funded with Initial Improvement Area #1 PID Bond and Initial Owner Contribution (a)		Costs Funded By Owner as Costs Are Incurred (b)		Total
	Hard Costs (c)	Soft Costs (c)	Construction Management (d)	Contingency (e)	
Wastewater Line #1	\$ 1,439,434	\$ 279,000	\$ 57,577	\$ 143,943	\$ 1,919,955
Wastewater Line #2	174,745	60,000	6,990	17,475	259,209
Water Line	1,150,025	60,000	46,001	115,003	1,371,029
Estancia Parkway (Phase 1)	1,569,696	110,000	62,788	156,970	1,899,453
Camino Vaquero Parkway	392,424	60,000	15,697	39,242	507,363
Existing Central Pond Improvements	122,000	40,000	4,880	12,200	179,080
Wet Pond North	250,000	40,000	10,000	25,000	325,000
Wet Pond West	308,000	40,000	12,320	30,800	391,120
TxDOT Ramp Flip	-	200,000	-	-	200,000
Drainage	1,861,886	110,000	74,475	186,189	2,232,550
Monumentation	700,000	55,000	28,000	70,000	853,000
Hardscape	442,215	110,000	17,689	44,222	614,125
Landscape	970,206	110,000	38,808	97,021	1,216,035
Hike & Bike Trail System	345,799	45,000	13,832	34,580	439,211
Erosion Control and Misc. Bond Costs	840,667	20,000	33,627	84,067	978,360
Misc Soft Costs (fees, fiscals, etc)	-	1,144,109	-	-	1,144,109
<b>Total Authorized Improvements</b>	<b>\$ 10,567,097</b>	<b>\$ 2,483,109</b>	<b>\$ 422,684</b>	<b>\$ 1,056,710</b>	<b>\$ 14,529,600</b>
<b>Total by Funding Source</b>	<b>\$13,050,206</b>		<b>\$1,479,394</b>		<b>\$ 14,529,600</b>

- (a) The \$13,050,206 in hard costs and soft costs shown above will be funded with a combination of Initial Improvement Area #1 PID Bond proceeds and the Initial Owner Contribution. The Initial Improvement Area #1 PID Bond proceeds will be used to fund 100% of the hard costs and soft costs until Initial Improvement Area #1 PID Bond proceeds have been depleted, and the Initial Owner Contribution will fund the hard and soft costs thereafter. All costs funded by the Initial Owner Contribution will be eligible to be reimbursed to Owner through Special Assessment Revenues and/or Parity Bonds.
- (b) The \$1,479,394 in construction management and contingency costs shown above will be funded by the Owner as costs are incurred. All costs funded by the Owner will be eligible to be reimbursed to Owner through Special Assessment Revenues and/or Parity Bonds, to the extent sufficient PID funds are available.
- (c) Cost estimates provided by Bury+Partners. The figures shown in Table III-A are estimates and may be revised in Annual Service Plan Updates. Some soft costs shown in Table III-A have been completed and will be reimbursed upon issuance of the Initial Improvement Area #1 PID Bonds pursuant to the PID Financing Agreement.
- (d) Construction Management equals 4% of estimated hard costs.
- (e) Contingency equals 10% of estimated hard costs.

**D. Future Improvement Area Authorized Improvements**

As Improvement Areas are developed, then in association with issuing PID Bonds this Assessment Plan will be amended to identify the Authorized Improvements for Future Improvement Areas that benefit each Improvement Area (e.g., a Table III-B will be added to show the estimated costs for Improvement Area #2 Authorized Improvements, etc.).

## **Section IV ASSESSMENT PLAN**

### **A. Introduction**

The PID Act requires the City Council to apportion the Actual Cost of the Authorized Improvements on the basis of special benefits conferred upon the Parcel because of the Authorized Improvements. The PID Act provides that the Actual Costs may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes or improvements.

Table IV-A provides the estimated allocation of costs of the Improvement Area #1 Public Improvements between Improvement Area #1 Assessed Property, Future Improvement Areas, and non-PID property.

At this time it is impossible to determine with absolute certainty the amount of special benefit each Parcel within Future Improvement Areas will receive from Phased PID Bond Authorized Improvements. Therefore, at this time only Improvement Area #1 Assessed Property will be assessed for the special benefits conferred upon the Parcel because of the Improvement Area #1 Public Improvements.

In connection with issuance of PID Bonds, this Assessment Plan will be updated to reflect the special benefit each Parcel of Assessed Property within a Future Improvement Area receives from the Authorized Improvements for Future Improvement Areas funded with those PID Bonds issued with respect to that Future Improvement Area. Prior to assessing Parcels located within Future Improvement Areas in connection with issuance of PID Bonds, each owner of the Parcels to be assessed must acknowledge that the Authorized Improvements for Future Improvement Areas confer a special benefit on their Parcel and must consent to the imposition of the Special Assessments to pay for the Actual Costs.

This section of this Assessment Plan currently describes the special benefit received by each Parcel within Improvement Area #1 as a result of the Improvement Area #1 Public Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Special Assessments, and establishes the methodologies by which the City Council allocates and reallocates the special benefit of the Improvement Area #1 Public Improvements to Parcels in a manner that results in equal share of the Actual Cost being apportioned to Parcels similarly benefited. The determination by the City Council of the assessment methodologies set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Owner and all future owners and developers of the Assessed Property.

As Future Improvement Areas are developed, then in connection with the issuance of future PID Bonds this Assessment Plan will be updated based on the City's determination of the assessment methodology for each Future Improvement Area.

**B. Special Benefit**

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Special Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format on Table III-A to this Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment of the PID shown in Table IV-A are authorized by the Act.

Each of the owners of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Special Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Special Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Special Assessments.

Pursuant to the Landowner's Agreement, the Owners have ratified, confirmed, accepted, agreed to and approved: (i) the determinations and finding by the City Council as to the special benefits described in this Assessment Plan and the Assessment Ordinance; (ii) the Assessment Plan and the Assessment Ordinance, and (iii) the levying of Special Assessments on the Assessed Property. Use of the Assessed Property as described in this Assessment Plan and as authorized by the Planned Unit Development Ordinance requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs through the PID has been determined by the City Council to be the most beneficial means of doing so. As a result, the Special Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Special Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

**C. Allocation of Actual Costs of Improvement Area #1 Authorized Improvements**

The Improvement Area #1 Public Improvements will provide a special benefit to Improvement Area #1 Assessed Property only. Accordingly, the Actual Costs of the Improvement Area #1 Public Improvements are allocated entirely to Improvement Area #1 Assessed Property based on the special benefit it receives. Table IV-A summarizes the allocation of Actual Costs for each Improvement Area #1 Authorized Improvement. The costs shown in Table IV-A are estimates and may be revised in Annual Service Plan Updates, but may not result in increased Special Assessments without consent by each of the owners of the Parcels to the imposition of the increased Special Assessments to pay for the Actual Costs.

**D. Allocation of Actual Costs of Authorized Improvements for Future Improvement Areas**

As Future Improvement Areas are developed, then in connection with issuance of Phased PID Bonds this Assessment Plan will be amended to identify the Authorized Improvements that confer a special benefit to property inside the Future Improvement Area (e.g. Table IV-A will be amended to show the estimated allocation of Actual Costs for Improvement Area #2 Authorized Improvements, etc.).

<b>TABLE IV-A</b>							
<b>Allocation of Authorized Improvement Costs</b>							
	<b>Total Cost (a)</b>	<b>Improvement Area #1 Assessed Property</b>				<b>Future Improvement Area Assessed Property and Non PID Property</b>	
		<b>Initial Improvement Area #1 PID Bonds and Initial Owner Contribution</b>		<b>Costs Funded by Owner as Costs Are Incurred and/or Parity Bonds</b>			
<b>Authorized Improvement</b>		<b>% Allocation</b>	<b>Share of Costs</b>	<b>% Allocation</b>	<b>Share of Costs</b>	<b>% Allocation</b>	<b>Share of Costs</b>
<i>Improvement Area #1 Authorized Improvements</i>							
Wastewater Line #1	\$ 1,919,955	90%	\$ 1,718,434	10%	\$ 201,521	0%	\$ -
Wastewater Line #2	259,209	91%	234,745	9%	24,464	0%	-
Water Line	1,371,029	88%	1,210,025	12%	161,004	0%	-
Estancia Parkway (Phase 1)	1,899,453	88%	1,679,696	12%	219,757	0%	-
Camino Vaquero Parkway	507,363	89%	452,424	11%	54,939	0%	-
Existing Central Pond Improvements	179,080	90%	162,000	10%	17,080	0%	-
Wet Pond North	325,000	89%	290,000	11%	35,000	0%	-
Wet Pond West	391,120	89%	348,000	11%	43,120	0%	-
TxDOT Ramp Flip	200,000	100%	200,000	0%	-	0%	-
Drainage	2,232,550	88%	1,971,886	12%	260,664	0%	-
Monumentation	853,000	89%	755,000	11%	98,000	0%	-
Hardscape	614,125	90%	552,215	10%	61,910	0%	-
Landscape	1,216,035	89%	1,080,206	11%	135,829	0%	-
Hike & Bike Trail System	439,211	89%	390,799	11%	48,412	0%	-
Erosion Control and Misc. Bond Costs	978,360	88%	860,667	12%	117,693	0%	-
Misc Soft Costs (fees, fiscals, etc)	1,144,109	100%	1,144,109	0%	-	0%	-
<b>Total Improvement Area #1 Authorized Improvements</b>	<b>\$ 14,529,600</b>		<b>\$ 13,050,206</b>		<b>\$ 1,479,394</b>		<b>\$ -</b>
<i>Initial Improvement Area #1 PID Bond Issuance Costs</i>							
Debt Service Reserve Fund (b)	\$ 1,259,000	100%	\$ 1,259,000	0%	\$ -	0%	\$ -
Capitalized Interest (b)	981,105	100%	981,105	0%	-	0%	-
Underwriter Discount (b)	251,800	100%	251,800	0%	-	0%	-
Cost to Establish PID and Issue Bonds (b)	451,500	100%	451,500	0%	-	0%	-
<b>Total Initial Improvement Area #1 PID Bond Issuance Costs</b>	<b>\$ 2,943,405</b>		<b>\$ 2,943,405</b>		<b>\$ -</b>		<b>\$ -</b>
<b>Total (Without Parity Bond Issue)</b>	<b>\$ 17,473,004</b>		<b>\$ 15,993,611</b>		<b>\$ 1,479,394</b>		<b>\$ -</b>
<i>Parity Bond Issuance Costs</i>							
Debt Service Reserve Fund (c)	\$ 464,500	0%	\$ -	100%	\$ 464,500	0%	\$ -
Capitalized Interest (c)	396,094	0%	-	100%	396,094	0%	-
Underwriter Discount (c)	162,575	0%	-	100%	162,575	0%	-
Cost to Establish PID and Issue Bonds (c)	200,000	0%	-	100%	200,000	0%	-
<b>Total Parity Bond Issuance Costs</b>	<b>\$ 1,223,169</b>		<b>\$ -</b>		<b>\$ 1,223,169</b>		<b>\$ -</b>
<b>Total (With Parity Bond Issue)</b>	<b>\$ 18,696,173</b>		<b>\$ 15,993,611</b>		<b>\$ 2,702,563</b>		<b>\$ -</b>

(a) See Table III-A for details. Any Authorized Improvement that is allocated 100% to Improvement Area #1 Assessed Property would be required to be built if Improvement Area #1 was developed on a stand-alone basis.

(b) See Table V-A for details.

(c) Preliminary estimate. If Improvement Area #1 Parity Bonds are not issued, the Improvement Area #1 Parity Bond Issuance Costs will be removed from Table IV-A in Annual Service Plan Updates.

## **E. Assessment Methodology**

The Actual Costs may be assessed by the City Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the amount of the Special Assessments. The Actual Costs may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

- **Assessment Methodology for Improvement Area #1**

For purpose of this Assessment Plan, the City Council has determined that the Actual Costs of the portion of the Improvement Area #1 Public Improvements to be financed with the PID Bonds for Improvement Area #1 shall be allocated to the Improvement Area #1 Assessed Property by spreading the entire Special Assessment across all Parcels within Improvement Area #1 based on the ratio of the estimated buildout value of each Parcel to the total buildout value for all Parcels within Improvement Area #1. Table IV-B summarizes the allocation of the Special Assessment relating to Initial Improvement Area #1 PID Bonds among Improvement Area #1 Assessed Property.

Based on the cost estimates provided by Bury+Partners for the Improvement Area #1 Public Improvements, the City Council has determined that the benefit to Improvement Area #1 Assessed Property from the Improvement Area #1 Public Improvements is at least equal to the Special Assessments levied on the Improvement Area #1 Assessed Property.

Upon subsequent divisions of any Parcel, the Special Assessment applicable to it will then be apportioned pro rata based on the estimated buildout value of each newly created Parcel. For residential Lots, when final residential building sites are platted, Special Assessments will be apportioned proportionately among each Lot Type based on the ratio of the estimated average buildout value for the Lot Type at the time the residential Lots are platted to the total buildout value of residential Lots in the platted Parcel. The result of this approach is that each final residential Lot within a recorded subdivision plat with similar buildout values will have the same Assessment, with more valuable Lots having a proportionately larger share of the Assessments than less valuable Lots. As part of the determination as to the ability of different Lot Types to utilize and benefit from the Authorized Improvements, the City Council has taken into consideration that larger, more expensive homes, on average, will create more vehicle trips and greater demands for water and wastewater consumption and larger, more expensive homes are likely to be built on larger, more valuable lots.

Prior to the division of any Parcel or the recording of a subdivision plat, the Owner shall provide the City an estimated buildout as of the date of the recorded subdivision plat for each new subdivide Parcel or Lot created by a recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any other factors that may impact the Parcel or Lot's buildout value. The calculation of the estimated average Parcel or Lot buildout value shall be confirmed by the Administrator based on information provided by the Owner,

homebuilders, developers, third party consultants retained by the Owner, City, or Administrator, the Official Public Records of Travis County, Texas, and/or any other information regarding the Parcel or Lot.

The Special Assessment and Annual Installments for each Parcel or Lot located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as **Appendix A**, and no Special Assessment shall be changed except as authorized by this Assessment Plan or the PID Act. Table IV-B summarizes the initial allocation of the Special Assessment relating to Improvement Area #1 among Improvement Area #1 Assessed Property at the time the Assessment Ordinance was adopted by the City Council.

**TABLE IV-B**  
**Initial Special Assessment Allocation for Improvement Area #1**

Parcel	Net Acres	Land Use	Estimated Units/SF (a)	Estimated Buildout Value Per Unit/SF (a)	Total Estimated Buildout Value	% of Improvement Area #1	Initial Special Assessment Allocation (b)
11/12	106.76	Single Family Residential	386 Units	\$ 279,016	\$ 107,700,000	33.19%	\$ 5,720,389
1	13.60	Multifamily Residential	231 Units	\$ 120,000	\$ 27,720,000	8.54%	\$ 1,472,323
9	13.00	Multifamily Residential	219 Units	\$ 120,000	\$ 26,280,000	8.10%	\$ 1,395,839
2	22.00	Commercial	181,319 SF	\$ 200	\$ 36,263,800	11.18%	\$ 1,926,119
3	8.30	Commercial	87,040 SF	\$ 200	\$ 17,408,000	5.36%	\$ 924,610
4	8.10	Commercial	85,978 SF	\$ 200	\$ 17,195,678	5.30%	\$ 913,333
5	7.80	Commercial	81,733 SF	\$ 200	\$ 16,346,509	5.04%	\$ 868,230
6	7.30	Commercial	77,487 SF	\$ 200	\$ 15,497,340	4.78%	\$ 823,127
7	8.80	Commercial	92,347 SF	\$ 200	\$ 18,469,432	5.69%	\$ 980,987
8	12.30	Commercial	125,252 SF	\$ 200	\$ 25,050,494	7.72%	\$ 1,330,535
10	8.00	Commercial	82,794 SF	\$ 200	\$ 16,558,801	5.10%	\$ 879,506
	109.20				\$ 216,790,055	66.81%	\$ 11,514,611
<b>Total</b>	<b>215.96</b>				<b>\$ 324,490,055</b>	<b>100.00%</b>	<b>\$ 17,235,000</b>

- (a) Estimates based on information available as of 06/20/2013, the date the original Assessment Plan was adopted by the City Council. The residential lots contained within Parcel 1 are expected to have buildout values of \$240,000 for 50' lots and \$325,000 for 60' lots.
- (b) Although the actual unit counts and buildout values may vary from the estimates shown above, the initial Special Assessment allocation for each Parcel will not change unless modified in a Service Plan Update approved by the City Council, subject to the terms of this Assessment Plan, the PID Act, and any other documents associated with Improvement Area #1 PID Bonds.

- Assessment Methodology for Future Improvement Areas

When any given Future Improvement Area is developed, and PID Bonds for that Future Improvement Area are to be issued, this Assessment Plan will be amended to determine the assessment methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within that Improvement Area (e.g. Table IV-B will be amended to show the initial allocation of Special Assessments among Improvement Area #2 Assessed Property, etc.).

**F. Special Assessments and Annual Installments**

The Special Assessments for Improvement Area #1 will be levied on each Parcel according to the Improvement Area #1 Assessment Roll, attached hereto as **Appendix A**. The Annual Installments for Improvement Area #1 will be collected on the dates and in the amounts shown on the Improvement Area #1 Assessment Roll, subject to any revisions made during an Annual Service Plan Update.

**G. Administrative Expenses**

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Special Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same

manner as Annual Installments in the amounts shown on the Improvement Area #1 Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates.

#### **H. Prepayment Reserve**

Pursuant to the PID Act, the interest rate for Special Assessments may exceed the actual interest rate per annum paid on the related PID Bonds by no more than one half of one percent (0.50%). The interest rate used to determine the Special Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the PID Bonds, with 0.20% allocated to fund the associated interest charged between the date of prepayment of a Special Assessment and the date on which PID Bonds are actually prepaid, and 0.30% allocated to fund a delinquency reserve account as described below. The prepayment reserve shall be funded up to \$62,950, but in no event will the annual collection be more than 0.20% higher than the actual interest rate paid on the PID Bonds. If the PID Act is subsequently amended to require a prepayment of a Special Assessment to include all applicable interest from the date of prepayment through and including the date of the regularly scheduled PID Bond payments or the prepayment reserve is fully funded at \$62,950, the 0.20% allocated to fund the associated interest charged between the date of prepayment of and Special Assessment and the date on which PID Bonds are actually prepaid may be eliminated. The first prepayment reserve payment is due January 1, 2014.

#### **I. Delinquency Reserve**

The City has allocated up to 0.30% of the interest rate component of the Annual Installments to offset any possible delinquent payments. The delinquency reserve shall be funded up to 10% of the next year's debt service for the PID Bonds, but in no event will the annual collection be more than 0.30% higher than the actual interest rate paid on the PID Bonds. If in a given year the delinquency reserve is fully funded at 15% of the next year's debt service, the City can allocate up to 0.30% of the interest rate component of the Annual Installments to any other use that benefits the Assessed Property, as determined by the City Council. The first delinquency reserve payment is due January 1, 2014.

## **Section V**

### **SERVICE PLAN**

The PID Act requires the service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the five year period. It is anticipated that it will take approximately 6 months for the Improvement Area #1 Public Improvements to be constructed. At some point after the Improvement Area #1 Public Improvements are constructed, Improvement Area #2 will begin development. After Improvement Area #2 is developed, it is anticipated that Improvement Area #3 will begin development, with each Future Improvement Area to be subsequently developed corresponding to the Assessment Plan to be updated with that development.

The estimated Actual Costs for Improvement Area #1 Public Improvements plus costs related to the issuance of the PID Bonds for Improvement Area #1, and payment of expenses incurred in the establishment, administration and operation of the PID is \$17,473,004 without Improvement Area #1 Parity Bonds, and \$18,696,173 if Improvement Area #1 Parity Bonds are issued, as shown in Table IV-A. The service plan shall be reviewed and updated at least annually by the Administrator in sufficient time to allow the City Council to determine the then applicable Administrative Expenses for the next fiscal year, updating the estimated Authorized Improvement costs, and updating the Assessment Roll. Any update to this Assessment Plan is herein referred as an “Annual Service Plan Update.”

Table V-A summarizes the sources and uses of funds required to construct the Improvement Area #1 Public Improvements, establish the PID, and issue the PID Bonds for Improvement Area #1. The sources and uses of funds shown in Table V-A shall be updated each year in the Annual Service Plan Update to reflect any budget revisions and Actual Costs.

As Future Improvement Areas are developed in connection with the issuance of PID Bonds, this Assessment Plan will be amended (e.g. Table V-A will be amended to add Improvement Area #2, etc.).

**TABLE V-A**  
**Sources and Uses of Funds**

Sources of Funds	Initial Improvement Area #1 Bonds	Reimbursed to Owner by Special Assessment Revenues and/or Parity Bonds (a)		Unreimbursed Costs (b)	Total
		Initial Owner Contribution (c)	Owner Contribution as Costs Incurred (d)	Owner Contribution as Costs Incurred (d)	
Improvement Area #1 Series 2013 Bond PAR Amount	\$ 12,590,000	\$ -	\$ -	\$ -	\$ 12,590,000
Initial Owner Contribution (c)	-	3,403,611	-	-	3,403,611
Owner Contribution as Costs Incurred (d)	-	-	1,241,389	238,004	1,479,394
<b>Total</b>	<b>\$ 12,590,000</b>	<b>\$ 3,403,611</b>	<b>\$ 1,241,389</b>	<b>\$ 238,004</b>	<b>\$ 17,473,004</b>
<b>Uses of Funds</b>					
Improvement Area #1 Authorized Improvements (e)	\$ 9,646,595	\$ 3,403,611	\$ 1,241,389	\$ 238,004	\$ 14,529,600
Debt Service Reserve Fund (f)	1,259,000	-	-	-	1,259,000
Capitalized Interest (g)	981,105	-	-	-	981,105
Underwriter Discount (h)	251,800	-	-	-	251,800
Cost to Establish PID and Issue Bonds (i)	451,500	-	-	-	451,500
<b>Total</b>	<b>\$ 12,590,000</b>	<b>\$ 3,403,611</b>	<b>\$ 1,241,389</b>	<b>\$ 238,004</b>	<b>\$ 17,473,004</b>

**Total Assessment = \$17,235,000**

(a) The total Special Assessment for all Parcels, as shown in Table IV-B and the Assessment Roll is \$17,235,000, of which \$12,590,000 is associated with the Initial Improvement Area #1 PID Bonds. The remaining \$4,645,000 will be used to reimburse the Owner for the Initial Owner Contribution and any other Authorized Improvements constructed by Owner with funds other than the Project Fund.

(b) The total Special Assessment for all Parcels, as shown in Table IV-B and the Assessment Roll is \$17,235,000. The cost of any Authorized Improvement, including the cost of issuance relating to the Initial Improvement Area #1 PID Bond and any Improvement Area #1 Parity Bond, in excess of \$17,235,000 will be funded by Owner and will not be reimbursed.

(c) The Initial Owner Contribution will be used to fund the portion of the hard costs and soft costs of the Authorized Improvements described in Table III-A not funded with Initial Improvement Area #1 PID Bond proceeds, and is eligible for reimbursement by Special Assessment Revenues and/or Improvement Area #1 Parity Bonds.

(d) The owner will pay for construction management and any contingency expenses as costs are incurred, and these costs are eligible for reimbursement by Special Assessment Revenues and/or Improvement Area #1 Parity Bonds subject to the limitation described in note (b) above.

(e) See Table III-A and Table IV-A for details. Excludes Bond Issuance Costs, which are identified separately.

(f) The Improvement Area #1 PID Bonds will include a debt service reserve fund equal to the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the bond amount.

(g) The PID Bonds will include capitalized interest through November 30, 2014.

(h) The PID Bonds will have a 2.0% underwriter's discount.

(i) Preliminary estimate.

The annual projected costs and annual projected indebtedness is shown by Table V-B. The annual projected costs and indebtedness is subject to revision and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

**TABLE V-B**  
**Annual Projected Costs and Annual Projected Indebtedness**

Year	Projected Cost	Initial Improvement Area #1 PID Bond Indebtedness	Reimbursement	
			Due to Owner and/or Improvement Area #1 Parity Bonds	Owner Contribution
2013	\$ 17,473,004	\$ 12,590,000	\$ -	\$ -
2014	-	-	4,645,000	238,004
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
<b>Total</b>	<b>\$ 17,473,004</b>	<b>\$ 12,590,000</b>	<b>\$ 4,645,000</b>	<b>\$ 238,004</b>

Note: The Annual Projected Costs shown are the annual expenditures relating to the Improvement Area #1 Authorized Costs and the costs associated with forming the PID, issuance costs, capitalized interest reserves, and reserve fund requirements shown in Table IV-A. The difference between the total projected cost and the total projected indebtedness is the amount contributed by the Owner. As Future Improvement Areas are developed, then in association with issuing PID Bonds this Table V-B will be amended to identify the Authorized Improvements for Future Improvement Areas and the projected indebtedness resulting from the PID Bonds.

## Section VI

### TERMS OF THE SPECIAL ASSESSMENTS

**A. Amount of Special Assessments and Annual Installments for Parcels Located Within Improvement Area #1**

The Special Assessment and Annual Installments for each Assessed Property located within Improvement Area #1 is shown on the Improvement Area #1 Assessment Roll, attached as **Appendix A**, and no Special Assessment shall be changed except as authorized by this Assessment Plan and the PID Act.

**B. Amount of Special Assessments and Annual Installments for Parcels Located Within Future Improvement Areas**

As Future Improvement Areas are developed, this Assessment Plan will be amended to determine the Special Assessment and Annual Installments for each Assessed Property located within Future Improvement Areas (e.g. an Appendix will be added as the Assessment Roll for Improvement Area #2, etc.). The Special Assessments shall not exceed the benefit received by the Assessed Property.

**C. Reallocation of Special Assessments for Parcels Located Within Improvement Area #1**

1. Upon Division Prior to Recording of Subdivision Plat

Upon the division of any Assessed Property (without the recording of subdivision plat), the Administrator shall reallocate the Special 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 Special Assessment for the new divided Assessed Property

B = the Special Assessment for the Assessed Property prior to division

C = the estimated buildout value of the new divided Assessed Property

D = the sum of the estimated buildout value for all of the new divided Assessed Properties excluding Non-Benefitted Property

Prior to the division of any Assessed Property (without the recording of subdivision plat), the Owner shall provide the City an estimated buildout value for each newly created Parcel, as of the date of the division of the Parcel, considering factors such as land use, density, location, market conditions, historical sales, discussions with homebuilders/developers, and any other factors that may impact buildout value. The calculation of the estimated average buildout value for a Parcel shall be confirmed by the Administrator based on the information provided by the Owner, homebuilders, developers, third party consultants retained by the Owner, City, or Administrator, the Official Public Records of Travis County, Texas, and/or any other information regarding the Parcel.

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

A hypothetical example of how Special Assessments are reallocated upon division prior to the recording of a subdivision plat is attached as **Appendix B.**

## 2. Upon Subdivision by a Recorded Subdivision Plat

Upon the subdivision of any Assessed Property based on a recorded subdivision plat, the Administrator shall reallocate the Special Assessment for the Assessed Property prior to the subdivision among the new subdivided Lots according to the following formula:

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

Where the terms have the following meanings:

A = the Special Assessment for the new subdivided Lot

B = the Special Assessment for the Parcel prior to subdivision

C = the sum of the estimated average buildout value of all new subdivided Lots with same Lot Type

D = the sum of the estimated average buildout value for all of the new 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 an estimated buildout value as of the date of the recorded subdivision plat for each Lot created by the recorded subdivision plat considering factors such as density, lot size, proximity to amenities, view premiums, location, market conditions, historical sales, discussions with homebuilders, and any

other factors that may impact a Lot's buildout value. The calculation of the estimated average Lot buildout value for a Lot shall be confirmed by the Administrator based on information provided by the Owner, homebuilders, developers, third party consultants retained by the Owner, City, or Administrator, the Official Public Records of Travis County, Texas, and/or any other information regarding the Lot.

The sum of the Special Assessments for all newly subdivided Lots shall not exceed the Special 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 a Special Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Special Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the Annual Service Plan Update.

A hypothetical example of how Special Assessments are reallocated upon subdivision by a subdivision plat is attached as **Appendix C**.

### 3. Upon Consolidation

Upon the consolidation of two or more Assessed Properties, the Special Assessment for the consolidated Assessed Property shall be the sum of the Special Assessments for the Assessed Properties prior to consolidation. The reallocation of an Assessment for an Assessed Property that is a homestead under Texas law may not exceed the Special Assessment prior to the reallocation. Any reallocation pursuant to this section shall be calculated by the Administrator and reflected in the Annual Service Plan Update.

### **D. Reallocation of Special Assessments for Parcels Located Within Future Improvement Areas**

As Future Improvement Areas are developed, this Assessment Plan will be amended to determine the assessment reallocation methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within each Future Improvement Area.

### **E. Mandatory Prepayment of Special Assessments**

If Assessed Property or portion thereof is transferred to a party that is exempt from the payment of the Special Assessment under applicable law, or if an owner causes a Parcel or portion thereof to become Non-Benefited Property, the owner of such Parcel or portion thereof shall pay to the Administrator the full amount of the Special Assessment, plus all Prepayment Costs, for such Parcel or portion thereof prior to any such transfer or act; provided, however that such mandatory prepayment of the Special Assessment shall not be required for portions of a Parcel that are dedicated for use as internal roads, parks, utilities, and other similar, public improvements prior to the recording of the plat for a Parcel that has been subdivided, in which case the Special Assessment that was allocated to that certain Parcel in which the public improvement is located will be reallocated to similarly benefitted Parcels, as more fully described in Section VI.C;

provided, however, that reallocation of a Special Assessment for a Parcel that is a homestead under Texas Law may not exceed the Special Assessment prior to reallocation.

**F. Reduction of Special Assessments**

1. If after all Authorized Improvements to be funded with Special Assessments have been completed, including any additional Authorized Improvements described in Section VI.I, and Actual Costs for such Authorized Improvements are less than the Special Assessments, resulting in excess Special Assessment Revenues being available, then the Special Assessment for each Assessed Property shall be reduced by the City Council prorata such that the sum of the resulting reduced Special Assessments for all Assessed Properties equals the reduced Actual Costs and any excess Bond proceeds shall be applied to redeem PID Bonds of such series. The Special Assessments shall not be reduced to an amount less than any related outstanding series of PID Bonds.
2. If the Authorized Improvements to be funded with Special Assessments, including any additional Authorized Improvements described in Section VI.I, are not undertaken, resulting in excess Special Assessment Revenues being available, the Special Assessment for each Assessed Property shall be reduced by the City Council to reflect only the Actual Costs that were expended and any excess Bond proceeds shall be applied to redeem PID Bonds of such series. The City Council shall reduce such Special Assessments for each Assessed Property prorata such that the sum of the resulting reduced Special Assessments equals the Actual Costs with respect to such Authorized Improvements that were undertaken. The Special Assessments shall not be reduced to an amount less than any related outstanding series of PID Bonds.

**G. Payment of Special Assessments**

1. Payment in Full
  - (a) The Special Assessment for any Parcel may be paid in full at any time in accordance with applicable laws. Payment shall include all Prepayment Costs. If prepayment in full will result in a redemption of PID Bonds, the payment amount shall receive credit from any proceeds from the reserve fund applied to the redemption under the Indenture, net of any other costs applicable to the redemption of PID Bonds.
  - (b) If an Annual Installment has been billed prior to payment in full of a Special Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
  - (c) Upon payment in full of a Special Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the related Indenture; whereupon, the Special Assessment shall be reduced to zero, and the owner's obligation to pay the Special Assessment and Annual Installments thereof shall automatically

terminate. The City shall provide the owner of the affected Assessed Property a recordable “Notice of PID Assessment Termination.”

- (d) At the option of the Parcel owner, the Special Assessment on any Parcel may be paid in part in an amount equal to the amount of prepaid Special Assessments plus Prepayment Costs with respect thereto. Upon the payment of such amount for a Parcel, the Special Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

## 2. Payment in Annual Installments

The PID Act provides that a Special Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the City to collect interest and collection costs on the outstanding Special Assessment. A Special Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Improvement Area #1 Assessment Roll, which includes interest on the outstanding Special Assessment and Administrative Expenses.

Each Special Assessment for a Future Improvement Area shall bear interest at a rate of interest on the PID Bonds approved and issued by the City to fund all or a portion of the Authorized Improvements for such Future Improvement Area plus up to 0.5%. The Annual Installments as listed on the Improvement Area #1 Assessment Roll have been calculated assuming the weighted average interest rate on the PID Bonds. The Annual Installments may not exceed the amounts shown on the Improvement Area #1 Assessment Roll except as pursuant to any amendment or update to this Assessment Plan.

The Annual Installments shall be reduced to equal the actual costs of repaying the related series of PID Bonds and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The City reserves and shall have the right and option to refund the PID Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding PID Bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding PID Bonds, and such refunding PID Bonds shall constitute “PID Bonds” for purposes of this Assessment Plan.

## **H. Collection of Annual Installments**

No less frequently than annually, the Administrator shall prepare, and submit to the City Council for its approval, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Improvement Area #1 Assessment Roll and a calculation of the Annual Installment for each Assessed Property. Administrative Expenses shall be allocated among Assessed Properties in proportion to the amount of the Annual Installments for the Assessed Property. Each Annual Installment shall be reduced by any credits applied under the Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, and existing deposits for a prepayment reserve. Annual Installments may be collected by the City (or such entity to whom the City directs) in the same manner and at the same time as ad valorem taxes. Annual Installments shall be subject to the penalties, procedures, and foreclosure sale in case of delinquencies as set forth in the PID Act. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Special Assessments shall have lien priority as specified in the PID Act.

Any sale of Assessed Property for nonpayment of the delinquent Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such Assessed Property and such Assessed Property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such Assessed Property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be assessed on or about December 1 and shall be due on January 1 of the following year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

## **I. Surplus Funds Remaining in Improvement Area #1 Bond Account**

If proceeds from PID Bonds for Improvement Area #1 still remain after all of the Improvement Area #1 Public Improvements are constructed and accepted by the City and the County, the proceeds may be utilized to finance other Authorized Improvements that specially benefit all Improvement Area #1 Assessed Property.

## Section VII

### THE ASSESMENT ROLL

#### A. Improvement Area #1 Assessment Roll

Each Parcel within Improvement Area #1 has been evaluated by the City Council (based on the Planned Unit Development Ordinance, developable area, proposed Owner Association Property and Public Property, the Improvement Area #1 Public Improvements, best and highest use of land, and other development factors deemed relevant by the City Council) to determine the amount of Assessed Property within the Parcel.

Improvement Area #1 Assessed Property will be assessed for the special benefits conferred upon the property because of the Improvement Area #1 Public Improvements. Table IV-A summarizes the \$17,473,004 in special benefit received by Improvement Area #1 Assessed Property from the Improvement Area #1 Public Improvements that benefit Improvement Area #1, the costs of the PID formation, and Bond Issuance Costs. The total Special Assessment for all Parcels within Improvement Area #1 is \$17,235,000, which is less than the benefit received by Improvement Area #1 Assessed Property, and as such the total assessment for all Assessed Property within Improvement Area #1 is \$17,235,000 plus annual Administrative Expenses. The Assessment for each Assessed Property within Improvement Area #1 is calculated based on the allocation methodologies described in Section IV.E of this Assessment Plan. The Improvement Area #1 Assessment Roll is attached hereto as Appendix A.

#### B. Future Improvement Area Assessment Roll

As Future Improvement Areas are developed, this Assessment Plan will be amended to determine the Special Assessment for each Parcel located within Future Improvement Areas (e.g. an appendix will be added as the Assessment Roll for Improvement Area #2, etc.).

#### C. Annual Assessment Roll Updates

The Administrator shall prepare, and shall submit to the City Council for approval, annual updates to the Improvement Area #1 Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the City and permitted by the PID Act: (i) the identification of each Parcel (ii) the Special Assessment for each Assessed Property, including any adjustments authorized by this Assessment Plan or in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Special Assessment is payable in installments); and (iv) payments of the Special Assessment, if any, as provided by Section VI.G of this Assessment Plan.

Once PID Bonds are issued in addition to the Initial Improvement Area #1 PID Bonds, the Assessment Roll shall be updated, which update may be done in the next Annual Service Plan Update, to reflect any changes resulting from the issuance of the PID Bonds. This update shall reflect the actual interest on the PID Bonds on which the Annual Installments shall be paid, any

reduction in the Special Assessments, and any revisions in the Actual Costs to be funded by the PID Bonds and Owner funds.

## Section VIII

### MISCELLANEOUS PROVISIONS

#### **A     Administrative Review**

The City may elect to designate a third party to serve as Administrator. The City shall notify Owner in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the PID Act, an owner of an Assessed Property claiming that a calculation error has been made in the Improvement Area #1 Assessment Roll, including the calculation of the Annual Installment, must send a written notice describing the error to the City no later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. If an owner fails to give such notice, such owner shall be deemed to have accepted the calculation of the Improvement Area #1 Assessment Roll (including the Annual Installments) and to have waived any objection to the calculation. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Property owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Improvement Area #1 Assessment Roll should be modified or changed in favor of the Assessed Property owner, such change or modification shall be presented to the City Council for approval, to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Property owner (except for the final year during which the Annual Installment shall be collected), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Improvement Area #1 Assessment Roll may be appealed to the City Council for determination. Any amendments made to the Improvement Area #1 Assessment Roll pursuant to calculation errors shall be made pursuant to the PID Act.

#### **B     Termination of Special Assessments**

Each Special Assessment shall terminate on the date the Special Assessment is paid in full, including payment of any unpaid Annual Installments and Delinquent Collection Costs, if any. After the termination of a Special Assessment, and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable "Notice of the PID Assessment Termination."

#### **C     Amendments**

Amendments to the Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

**D     Administration and Interpretation of Provisions**

The City Council shall administer (or cause the administration of) the PID, this Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act, and shall make all interpretations and determinations related to the application of this Assessment Plan unless stated otherwise herein or in the Indenture, such determinations shall be conclusive.

**E     Severability**

If any provision, section, subsection, sentence, clause or phrase of this Assessment Plan, or the application of same to an Assessed Property or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Assessment Plan that no part thereof, or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Assessment Plan are declared to be severable for that purpose.

If any provision of this Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

# **Appendix A**

## Improvement Area #1 Assessment Roll

## Appendix A Special Assessment by Parcel

Parcel	Assessable Acres	Special Assessment
1	13.60	1,472,323.09
2	22.00	1,926,119.41
3	8.30	924,610.40
4	8.10	913,333.12
5	7.80	868,230.25
6	7.30	823,127.38
7	8.80	980,987.43
8	12.30	1,330,534.67
9	13.00	1,395,838.77
10	8.00	879,505.97
11/12	106.76	\$ 5,720,389.50
<b>Total</b>	<b>215.96</b>	<b>\$ 17,235,000.00</b>

PRELIMINARY AND SUBJECT TO CHANGE.

Descriptions of each Parcel in Improvement Area #1 are included in Appendix E.

Assessment for Administrative Expenses, Delinquency Reserves, and Prepayment Reserves are shown in annual installment schedules for each Parcel.

**Appendix A**  
**Annual Installments – ALL PARCELS**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,180	\$ 37,770	\$ 87,950.00
1/31/2015	630,000	657,380	35,000	273,375	1,595,755	25,500	25,180	37,770	1,684,204.79
1/31/2016	660,000	686,625	70,000	273,375	1,690,000	26,010	12,590	37,770	1,766,370.00
1/31/2017	685,000	656,925	105,000	271,800	1,718,725	26,530	-	-	1,745,255.20
1/31/2018	720,000	626,100	145,000	268,650	1,759,750	27,061	-	-	1,786,810.80
1/31/2019	750,000	593,700	185,000	263,925	1,792,625	27,602	-	-	1,820,227.02
1/31/2020	795,000	548,700	230,000	257,400	1,831,100	28,154	-	-	1,859,254.06
1/31/2021	845,000	501,000	275,000	246,300	1,867,300	28,717	-	-	1,896,017.14
1/31/2022	895,000	450,300	325,000	232,500	1,902,800	29,291	-	-	1,932,091.48
1/31/2023	945,000	396,600	385,000	216,000	1,942,600	29,877	-	-	1,972,477.31
1/31/2024	1,005,000	339,900	440,000	196,500	1,981,400	30,475	-	-	2,011,874.86
1/31/2025	1,065,000	279,600	505,000	173,400	2,023,000	31,084	-	-	2,054,084.36
1/31/2026	1,130,000	215,700	575,000	147,000	2,067,700	31,706	-	-	2,099,406.04
1/31/2027	1,195,000	147,900	645,000	116,700	2,104,600	32,340	-	-	2,136,940.17
1/31/2028	1,270,000	76,200	725,000	82,200	2,153,400	32,987	-	-	2,186,386.97
<b>Totals</b>	<b>\$ 12,590,000</b>	<b>\$ 6,176,630</b>	<b>\$ 4,645,000</b>	<b>\$ 3,019,125</b>	<b>\$ 26,430,755</b>	<b>\$ 432,335</b>	<b>\$ 62,950</b>	<b>\$ 113,310</b>	<b>\$ 27,039,350.21</b>

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #1**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,136	\$ 2,151	\$ 3,227	\$ 7,513.25
1/31/2015	53,819	56,158	2,990	23,353	136,320	2,178	2,151	3,227	143,875.46
1/31/2016	56,381	58,656	5,980	23,353	144,371	2,222	1,076	3,227	150,894.54
1/31/2017	58,517	56,119	8,970	23,219	146,824	2,266	-	-	149,090.78
1/31/2018	61,507	53,485	12,387	22,950	150,329	2,312	-	-	152,640.72
1/31/2019	64,070	50,718	15,804	22,546	153,137	2,358	-	-	155,495.35
1/31/2020	67,914	46,873	19,648	21,989	156,424	2,405	-	-	158,829.28
1/31/2021	72,185	42,799	23,492	21,041	159,517	2,453	-	-	161,969.82
1/31/2022	76,457	38,467	27,764	19,862	162,549	2,502	-	-	165,051.52
1/31/2023	80,728	33,880	32,889	18,452	165,949	2,552	-	-	168,501.53
1/31/2024	85,853	29,036	37,588	16,786	169,264	2,603	-	-	171,867.12
1/31/2025	90,979	23,885	43,140	14,813	172,817	2,655	-	-	175,472.92
1/31/2026	96,532	18,426	49,120	12,558	176,636	2,709	-	-	179,344.59
1/31/2027	102,084	12,635	55,100	9,969	179,788	2,763	-	-	182,550.99
1/31/2028	108,491	6,509	61,934	7,022	183,957	2,818	-	-	186,775.05
<b>Totals</b>	<b>\$ 1,075,518</b>	<b>\$ 527,647</b>	<b>\$ 396,805</b>	<b>\$ 257,913</b>	<b>\$ 2,257,883</b>	<b>\$ 36,933</b>	<b>\$ 5,378</b>	<b>\$ 9,680</b>	<b>\$ 2,309,872.91</b>

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #2**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,794	\$ 2,814	\$ 4,221	\$ 9,828.96
1/31/2015	70,406	73,466	3,911	30,551	178,336	2,850	2,814	4,221	188,220.45
1/31/2016	73,759	76,735	7,823	30,551	188,868	2,907	1,407	4,221	197,402.93
1/31/2017	76,553	73,415	11,734	30,375	192,078	2,965	-	-	195,043.22
1/31/2018	80,465	69,971	16,205	30,023	196,663	3,024	-	-	199,687.32
1/31/2019	83,817	66,350	20,675	29,495	200,337	3,085	-	-	203,421.79
1/31/2020	88,846	61,321	25,704	28,766	204,637	3,146	-	-	207,783.31
1/31/2021	94,434	55,990	30,733	27,526	208,682	3,209	-	-	211,891.81
1/31/2022	100,022	50,324	36,321	25,983	212,650	3,274	-	-	215,923.35
1/31/2023	105,610	44,323	43,026	24,139	217,098	3,339	-	-	220,436.72
1/31/2024	112,315	37,986	49,173	21,960	221,434	3,406	-	-	224,839.64
1/31/2025	119,020	31,247	56,437	19,379	226,083	3,474	-	-	229,556.82
1/31/2026	126,285	24,106	64,260	16,428	231,078	3,543	-	-	234,621.80
1/31/2027	133,549	16,529	72,083	13,042	235,202	3,614	-	-	238,816.47
1/31/2028	141,930	8,516	81,023	9,186	240,656	3,687	-	-	244,342.46
<b>Totals</b>	\$ 1,407,012	\$ 690,277	\$ 519,108	\$ 337,406	\$ 2,953,803	\$ 48,316	\$ 7,035	\$ 12,663	\$ 3,021,817.08

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #3**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,341	\$ 1,351	\$ 2,026	\$ 4,718.28
1/31/2015	33,798	35,267	1,878	14,666	85,608	1,368	1,351	2,026	90,352.96
1/31/2016	35,407	36,836	3,755	14,666	90,664	1,395	675	2,026	94,760.90
1/31/2017	36,748	35,242	5,633	14,581	92,205	1,423	-	-	93,628.15
1/31/2018	38,626	33,589	7,779	14,412	94,406	1,452	-	-	95,857.49
1/31/2019	40,235	31,850	9,925	14,159	96,169	1,481	-	-	97,650.18
1/31/2020	42,650	29,436	12,339	13,809	98,233	1,510	-	-	99,743.87
1/31/2021	45,332	26,877	14,753	13,213	100,176	1,541	-	-	101,716.11
1/31/2022	48,014	24,157	17,435	12,473	102,080	1,571	-	-	103,651.40
1/31/2023	50,697	21,277	20,654	11,588	104,215	1,603	-	-	105,817.99
1/31/2024	53,915	18,235	23,605	10,542	106,297	1,635	-	-	107,931.56
1/31/2025	57,134	15,000	27,092	9,302	108,528	1,668	-	-	110,195.98
1/31/2026	60,621	11,572	30,847	7,886	110,926	1,701	-	-	112,627.37
1/31/2027	64,108	7,934	34,602	6,261	112,906	1,735	-	-	114,640.97
1/31/2028	68,132	4,088	38,894	4,410	115,524	1,770	-	-	117,293.65
<b>Totals</b>	<b>\$ 675,419</b>	<b>\$ 331,359</b>	<b>\$ 249,191</b>	<b>\$ 161,968</b>	<b>\$ 1,417,937</b>	<b>\$ 23,194</b>	<b>\$ 3,377</b>	<b>\$ 6,079</b>	<b>\$ 1,450,586.86</b>

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #4**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,325	\$ 1,334	\$ 2,002	\$ 4,660.73
1/31/2015	33,386	34,836	1,855	14,487	84,564	1,351	1,334	2,002	89,250.94
1/31/2016	34,975	36,386	3,710	14,487	89,558	1,378	667	2,002	93,605.12
1/31/2017	36,300	34,812	5,564	14,403	91,080	1,406	-	-	92,486.18
1/31/2018	38,155	33,179	7,684	14,237	93,254	1,434	-	-	94,688.34
1/31/2019	39,745	31,462	9,804	13,986	94,996	1,463	-	-	96,459.16
1/31/2020	42,129	29,077	12,188	13,640	97,035	1,492	-	-	98,527.32
1/31/2021	44,779	26,549	14,573	13,052	98,954	1,522	-	-	100,475.50
1/31/2022	47,429	23,863	17,223	12,321	100,835	1,552	-	-	102,387.19
1/31/2023	50,078	21,017	20,402	11,446	102,944	1,583	-	-	104,527.35
1/31/2024	53,258	18,012	23,317	10,413	105,000	1,615	-	-	106,615.14
1/31/2025	56,437	14,817	26,761	9,189	107,205	1,647	-	-	108,851.95
1/31/2026	59,882	11,431	30,471	7,790	109,573	1,680	-	-	111,253.67
1/31/2027	63,327	7,838	34,180	6,184	111,529	1,714	-	-	113,242.72
1/31/2028	67,301	4,038	38,420	4,356	114,115	1,748	-	-	115,863.05
<b>Totals</b>	\$ 667,181	\$ 327,318	\$ 246,152	\$ 159,992	\$ 1,400,643	\$ 22,911	\$ 3,336	\$ 6,005	\$ 1,432,894.35

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A  
Annual Installments – PARCEL #5**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,259	\$ 1,268	\$ 1,903	\$ 4,430.57
1/31/2015	31,737	33,116	1,763	13,772	80,388	1,285	1,268	1,903	84,843.49
1/31/2016	33,248	34,589	3,526	13,772	85,135	1,310	634	1,903	88,982.64
1/31/2017	34,508	33,093	5,289	13,692	86,582	1,336	-	-	87,918.97
1/31/2018	36,271	31,540	7,305	13,534	88,649	1,363	-	-	90,012.37
1/31/2019	37,782	29,908	9,320	13,295	90,305	1,390	-	-	91,695.74
1/31/2020	40,049	27,641	11,586	12,967	92,243	1,418	-	-	93,661.77
1/31/2021	42,568	25,238	13,853	12,408	94,067	1,447	-	-	95,513.75
1/31/2022	45,087	22,684	16,372	11,712	95,855	1,476	-	-	97,331.03
1/31/2023	47,605	19,979	19,395	10,881	97,860	1,505	-	-	99,365.50
1/31/2024	50,628	17,123	22,165	9,899	99,815	1,535	-	-	101,350.20
1/31/2025	53,650	14,085	25,440	8,735	101,911	1,566	-	-	103,476.54
1/31/2026	56,925	10,866	28,966	7,405	104,162	1,597	-	-	105,759.67
1/31/2027	60,199	7,451	32,493	5,879	106,021	1,629	-	-	107,650.48
1/31/2028	63,978	3,839	36,523	4,141	108,480	1,662	-	-	110,141.42
<b>Totals</b>	<b>\$ 634,234</b>	<b>\$ 311,154</b>	<b>\$ 233,996</b>	<b>\$ 152,091</b>	<b>\$ 1,331,476</b>	<b>\$ 21,779</b>	<b>\$ 3,171</b>	<b>\$ 5,708</b>	<b>\$ 1,362,134.14</b>

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

Appendix A  
Annual Installments – PARCEL #6

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,194	\$ 1,203	\$ 1,804	\$ 4,200.41
1/31/2015	30,088	31,396	1,672	13,056	76,212	1,218	1,203	1,804	80,436.04
1/31/2016	31,521	32,793	3,343	13,056	80,713	1,242	601	1,804	84,360.17
1/31/2017	32,715	31,374	5,015	12,981	82,085	1,267	-	-	83,351.75
1/31/2018	34,387	29,902	6,925	12,830	84,044	1,292	-	-	85,336.40
1/31/2019	35,819	28,355	8,835	12,605	85,614	1,318	-	-	86,932.33
1/31/2020	37,968	26,205	10,985	12,293	87,452	1,345	-	-	88,796.22
1/31/2021	40,356	23,927	13,134	11,763	89,180	1,372	-	-	90,551.99
1/31/2022	42,744	21,506	15,522	11,104	90,876	1,399	-	-	92,274.87
1/31/2023	45,132	18,941	18,387	10,316	92,777	1,427	-	-	94,203.66
1/31/2024	47,998	16,233	21,014	9,385	94,630	1,455	-	-	96,085.25
1/31/2025	50,863	13,353	24,118	8,281	96,617	1,485	-	-	98,101.14
1/31/2026	53,968	10,302	27,461	7,021	98,751	1,514	-	-	100,265.66
1/31/2027	57,072	7,064	30,805	5,573	100,514	1,545	-	-	102,058.25
1/31/2028	60,654	3,639	34,625	3,926	102,844	1,575	-	-	104,419.78
<b>Totals</b>	\$ 601,287	\$ 294,990	\$ 221,841	\$ 144,191	\$ 1,262,308	\$ 20,648	\$ 3,006	\$ 5,412	\$ 1,291,373.92

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

Appendix A  
Annual Installments – PARCEL #7

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,423	\$ 1,433	\$ 2,150	\$ 5,005.97
1/31/2015	35,859	37,417	1,992	15,560	90,828	1,451	1,433	2,150	95,862.13
1/31/2016	37,566	39,082	3,984	15,560	96,192	1,480	717	2,150	100,538.83
1/31/2017	38,989	37,391	5,976	15,470	97,827	1,510	-	-	99,337.01
1/31/2018	40,981	35,637	8,253	15,291	100,162	1,540	-	-	101,702.29
1/31/2019	42,689	33,792	10,530	15,022	102,033	1,571	-	-	103,604.28
1/31/2020	45,250	31,231	13,091	14,651	104,223	1,602	-	-	105,825.64
1/31/2021	48,096	28,516	15,653	14,019	106,284	1,635	-	-	107,918.13
1/31/2022	50,942	25,630	18,498	13,234	108,304	1,667	-	-	109,971.42
1/31/2023	53,788	22,574	21,914	12,294	110,570	1,701	-	-	112,270.12
1/31/2024	57,203	19,347	25,044	11,184	112,778	1,735	-	-	114,512.56
1/31/2025	60,618	15,914	28,744	9,870	115,146	1,769	-	-	116,915.05
1/31/2026	64,318	12,277	32,728	8,367	117,690	1,805	-	-	119,494.69
1/31/2027	68,017	8,418	36,712	6,642	119,790	1,841	-	-	121,631.07
1/31/2028	72,286	4,337	41,266	4,679	122,568	1,878	-	-	124,445.50
<b>Totals</b>	\$ 716,602	\$ 351,563	\$ 264,386	\$ 171,844	\$ 1,504,394	\$ 24,608	\$ 3,583	\$ 6,449	\$ 1,539,034.67

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #8**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,930	\$ 1,944	\$ 2,916	\$ 6,789.70
1/31/2015	48,636	50,749	2,702	21,104	123,192	1,969	1,944	2,916	130,019.89
1/31/2016	50,952	53,007	5,404	21,104	130,467	2,008	972	2,916	136,363.01
1/31/2017	52,882	50,714	8,106	20,983	132,685	2,048	-	-	134,732.96
1/31/2018	55,584	48,335	11,194	20,740	135,852	2,089	-	-	137,941.03
1/31/2019	57,900	45,833	14,282	20,375	138,390	2,131	-	-	140,520.75
1/31/2020	61,374	42,359	17,756	19,871	141,360	2,173	-	-	143,533.62
1/31/2021	65,234	38,677	21,230	19,014	144,155	2,217	-	-	146,371.72
1/31/2022	69,094	34,763	25,090	17,949	146,895	2,261	-	-	149,156.64
1/31/2023	72,954	30,617	29,722	16,675	149,968	2,307	-	-	152,274.41
1/31/2024	77,586	26,240	33,968	15,170	152,963	2,353	-	-	155,315.88
1/31/2025	82,218	21,585	38,986	13,386	156,175	2,400	-	-	158,574.44
1/31/2026	87,236	16,652	44,390	11,348	159,626	2,448	-	-	162,073.25
1/31/2027	92,253	11,418	49,794	9,009	162,474	2,497	-	-	164,970.87
1/31/2028	98,043	5,883	55,970	6,346	166,242	2,547	-	-	168,788.14
<b>Totals</b>	\$ 971,943	\$ 476,833	\$ 358,592	\$ 233,075	\$ 2,040,443	\$ 33,376	\$ 4,860	\$ 8,747	\$ 2,087,426.34

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #9**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,025	\$ 2,039	\$ 3,059	\$ 7,122.95
1/31/2015	51,023	53,240	2,835	22,140	129,238	2,065	2,039	3,059	136,401.41
1/31/2016	53,452	55,609	5,669	22,140	136,871	2,107	1,020	3,059	143,055.86
1/31/2017	55,477	53,203	8,504	22,013	139,197	2,149	-	-	141,345.80
1/31/2018	58,312	50,707	11,743	21,758	142,520	2,192	-	-	144,711.33
1/31/2019	60,741	48,083	14,983	21,375	145,182	2,235	-	-	147,417.66
1/31/2020	64,386	44,438	18,627	20,846	148,298	2,280	-	-	150,578.41
1/31/2021	68,435	40,575	22,272	19,947	151,230	2,326	-	-	153,555.80
1/31/2022	72,485	36,469	26,321	18,830	154,105	2,372	-	-	156,477.41
1/31/2023	76,534	32,120	31,181	17,494	157,328	2,420	-	-	159,748.21
1/31/2024	81,394	27,528	35,635	15,914	160,471	2,468	-	-	162,938.96
1/31/2025	86,253	22,644	40,899	14,043	163,840	2,517	-	-	166,357.45
1/31/2026	91,517	17,469	46,568	11,905	167,460	2,568	-	-	170,027.99
1/31/2027	96,781	11,978	52,238	9,451	170,449	2,619	-	-	173,067.82
1/31/2028	102,856	6,171	58,717	6,657	174,401	2,672	-	-	177,072.45
<b>Totals</b>	\$ 1,019,647	\$ 500,237	\$ 376,192	\$ 244,515	\$ 2,140,590	\$ 35,014	\$ 5,098	\$ 9,177	\$ 2,189,879.52

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments – PARCEL #10**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,276	\$ 1,285	\$ 1,927	\$ 4,488.11
1/31/2015	32,149	33,546	1,786	13,950	81,432	1,301	1,285	1,927	85,945.35
1/31/2016	33,680	35,039	3,572	13,950	86,241	1,327	642	1,927	90,138.26
1/31/2017	34,956	33,523	5,358	13,870	87,707	1,354	-	-	89,060.77
1/31/2018	36,742	31,950	7,399	13,709	89,800	1,381	-	-	91,181.36
1/31/2019	38,273	30,297	9,441	13,468	91,478	1,409	-	-	92,886.60
1/31/2020	40,569	28,000	11,737	13,135	93,441	1,437	-	-	94,878.16
1/31/2021	43,121	25,566	14,033	12,569	95,289	1,465	-	-	96,754.19
1/31/2022	45,672	22,979	16,585	11,865	97,100	1,495	-	-	98,595.07
1/31/2023	48,224	20,239	19,647	11,023	99,131	1,525	-	-	100,655.97
1/31/2024	51,285	17,345	22,453	10,027	101,111	1,555	-	-	102,666.43
1/31/2025	54,347	14,268	25,770	8,849	103,234	1,586	-	-	104,820.39
1/31/2026	57,664	11,007	29,342	7,501	105,515	1,618	-	-	107,133.17
1/31/2027	60,981	7,547	32,914	5,955	107,398	1,650	-	-	109,048.54
1/31/2028	64,808	3,889	36,997	4,195	109,888	1,683	-	-	111,571.82
<b>Totals</b>	\$ 642,471	\$ 315,195	\$ 237,035	\$ 154,067	\$ 1,348,767	\$ 22,062	\$ 3,212	\$ 5,782	\$ 1,379,824.19

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

**Appendix A**  
**Annual Installments –PARCEL #11/12**

Installment Due Date (a)	Initial IA#1 Bond Principal	Initial IA#1 Bond Interest (b)	Owner Reimbursement Principal (c)	Owner Reimbursement Interest (d)	Principal + Interest (e)	City Admin Expenses (f)	Prepayment Reserve	Delinquency Reserve	Total Annual Installment
1/31/2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,298	\$ 8,357	\$ 12,536	\$ 29,191.08
1/31/2015	209,100	218,188	11,617	90,735	529,640	8,464	8,357	12,536	558,996.66
1/31/2016	219,058	227,895	23,233	90,735	560,920	8,633	4,179	12,536	586,267.73
1/31/2017	227,355	218,037	34,850	90,212	570,454	8,806	-	-	579,259.62
1/31/2018	238,972	207,806	48,126	89,166	584,071	8,982	-	-	593,052.15
1/31/2019	248,929	197,052	61,402	87,598	594,982	9,161	-	-	604,143.17
1/31/2020	263,865	182,116	76,338	85,432	607,752	9,344	-	-	617,096.45
1/31/2021	280,460	166,285	91,274	81,748	619,767	9,531	-	-	629,298.32
1/31/2022	297,055	149,457	107,869	77,168	631,550	9,722	-	-	641,271.59
1/31/2023	313,651	131,634	127,784	71,692	644,759	9,916	-	-	654,675.86
1/31/2024	333,565	112,815	146,038	65,219	657,637	10,115	-	-	667,752.12
1/31/2025	353,479	92,801	167,612	57,552	671,445	10,317	-	-	681,761.68
1/31/2026	375,053	71,592	190,846	48,790	686,281	10,523	-	-	696,804.19
1/31/2027	396,627	49,089	214,079	38,733	698,528	10,734	-	-	709,261.97
1/31/2028	421,520	25,291	240,631	27,283	714,725	10,949	-	-	725,673.63
<b>Totals</b>	\$ 4,178,689	\$ 2,050,057	\$ 1,541,701	\$ 1,002,064	\$ 8,772,510	\$ 143,494	\$ 20,893	\$ 37,608	\$ 8,974,506.23

**PRELIMINARY AND SUBJECT TO CHANGE.**

- (a) The 1/31/XX dates represent Installment due dates for the PID Bonds which are intended to cover the May 1 and November 1 payments.
- (b) Net of Capitalized Interest.
- (c) Includes the Initial Owner Contribution and any other unreimbursed eligible Actual Costs.
- (d) The interest shown is calculated using the interest rate on the Initial Improvement Area #1 Bonds. The interest will be updated in Annual Service Plan Updates to use an interest rate equal to the lesser of (i) the interest rate on the Initial Improvement Area #1 Bonds, and (ii) the maximum interest rate allowed by the PID Act.
- (e) Does not include reserve fund earnings or any other funds which could reduce net debt service.
- (f) Preliminary estimate. The Administrative Expenses will be revised in Annual Service Plan Updates based on actual costs.

# Appendix B

## Reallocation of Special Assessments Assuming Subdivision of Parcel Prior to Recording of Subdivision Plat

(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)

Reallocation of Assessments Assuming Subdivision of Parcel Prior to Recording of Subdivision Plat  
(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)

The table below summarizes a hypothetical scenario in which \$2,000,000 in assessments levied against Parcel A, which consists of 40 acres, are reallocated when Parcel A is subdivided into 3 smaller Parcels (but prior to recording of a subdivision plat). The scenario assumes 2 parcels totaling 36 acres are classified as Assessable Property, while 1 Parcel consisting of 4 acres is classified as Non-Benefitted property.

Prior to Subdivision					
Parcel	Acreage	Total Assessment			
Parcel A	20	\$ 2,000,000			

After Subdivision					
Parcel	Assessable or Non-Benefitted Property?	A = B x (C ÷ D) Special Assessment for the new divided Assessed Property	B Special Assessment for the Assessed Property prior to division	C Estimated buildout value of the new divided Assessed Property	D Sum of estimated buildout value for all new divided Assessed Properties
Parcel A-1	Assessable Property	\$1,179,487	\$2,000,000	\$ 23,000,000	\$ 39,000,000
Parcel A-2	Assessable Property	\$820,513	\$2,000,000	\$ 16,000,000	\$ 39,000,000
Parcel A-3*	Non-Benefitted Property	\$0	\$2,000,000	\$ -	\$ 39,000,000
		\$2,000,000		\$ 39,000,000	

\* Parcel A-3 consists of 4 acres of Non-Benefitted Property, therefore the value of Parcel A-6 excluding Non Benefited Property is \$0.

# Appendix C

## Reallocation of Special Assessments Assuming Subdivision by a Recorded Subdivision Plat

(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)

Reallocation of Assessments for Parcels Improvement Area #1  
Assuming Subdivision by a Recorded Subdivision Plat  
**(HYPOTHETICAL - FOR ILLUSTRATIVE PURPOSES ONLY)**

The table below summarizes a hypothetical scenario in which \$175,000 in assessments levied against Parcel A, which consists of 5 acres, are reallocated when Parcel A is subdivided by a Recorded Subdivision Plat into 12 residential Lots. The scenario assumes the Lots will be classified into 2 Lot Types, with the assessment per Lot Type ranging from \$13,349 for Lot Type 1 to \$15,465 for Lot Type II.

Prior to Subdivision								
Parcel	Acres	Total Assessment						
Parcel A	5	\$ 175,000						
After Subdivision								
Lot Types	Estimated Buildout Value Range for Lot Type							
I	Less than \$250,000							
II	Greater than \$250,001							
$A = [B \times (C \div D)] \div E$								
Parcel	Estimated Buildout Value	Lot Type	Special Assessment For new subdivided Lot	Special Assessment for the Parcel Prior to Subdivision	Sum of estimated average buildout value of all new subdivided Lots with same Lot Type	Sum of estimated buildout value for all Lots	Number of Lots with Same Lot Type	
Lot A-1	\$ 230,000	I	\$ 13,349	\$175,000	\$1,190,000	\$ 3,120,000	5	
Lot A-2	\$ 240,000	I	\$ 13,349	\$175,000	\$1,190,000	\$ 3,120,000	5	
Lot A-3	\$ 235,000	I	\$ 13,349	\$175,000	\$1,190,000	\$ 3,120,000	5	
Lot A-4	\$ 240,000	I	\$ 13,349	\$175,000	\$1,190,000	\$ 3,120,000	5	
Lot A-5	\$ 245,000	I	\$ 13,349	\$175,000	\$1,190,000	\$ 3,120,000	5	
	\$ 1,190,000		\$ 66,747					
Lot A-6	\$ 280,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-7	\$ 275,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-8	\$ 270,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-9	\$ 275,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-10	\$ 270,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-11	\$ 285,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
Lot A-12	\$ 275,000	II	\$ 15,465	\$175,000	\$1,930,000	\$ 3,120,000	7	
	\$ 1,930,000		\$ 108,253					
Total	\$ 3,120,000		\$ 175,000					

## Appendix D

### Parcel Descriptions for Parcels within PID

**TRACT 1:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 418.601 ACRES OF LAND, SITUATED IN THE S.F. SLAUGHTER SURVEY NO. 1, THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2007226648 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS, SAVE AND EXCEPT THAT CERTAIN 5.367 ACRE TRACT CONVEYED TO THE CITY OF AUSTIN RECORDED IN DOCUMENT NO. 2009190064 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 2:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.007 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078591 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 3:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078592 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 4:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078593 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 5:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078594 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 6:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078595 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 7:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S.

IRVINE SURVEY NO. 4, AND THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078596, AS CORRECTED IN DOCUMENT NO. 2009093810 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 8:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.505 ACRES OF LAND, MORE OR LESS, SITUATED IN THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078597, AS CORRECTED IN DOCUMENT NO. 2009093811 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 9:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.005 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, AND IN THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078598, AS CORRECTED IN DOCUMENT NO. 2009093812 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 10:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078599 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 11:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078600 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 12:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078601 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 13:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078602 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 14:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078603 OF THE OFFICIAL PUBLIC RECORDS OF

TRAVIS COUNTY, TEXAS.

**TRACT 15:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078604 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 16:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078605 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 17:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078606 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 18:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078607 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 19:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078608 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

# **Appendix E**

Legal Descriptions for Improvement Area #1 Assessed Property

28.333 ACRES  
 CITY OF AUSTIN, LOT 2, BLOCK 'A'  
 DOUBLE CREEK VILLAGE BLOCK 'A'  
 DOCUMENT NO. 200500241  
 DOCUMENT NO. 2009184044

GOLDEN LAKE ESTATES  
 VOL. 71, PG. 1

3.0 ACRES  
 HARRIET 'HATSY' HEEP SHAFFER  
 DOCUMENT NO. 2000089761

54.981 ACRES  
 E. F. ROMANO, III AND HEADHUNTERS INVESTMENTS, L.P.  
 DOCUMENT NO. 2006095000

S.F. SLAUGHTER  
 SURVEY NO. 1

S. H. EDGERTON, ET AL  
 VOL. 9801, PG. 9

SARAH H. & M. ANDREW EDGERTON  
 VOL. 11039, PG. 108

SARAH H. & M. ANDREW EDGERTON  
 VOL. 11492, PG. 162

TERRY N. & SUE TAYLOR  
 VOL. 12205, PG. 1686

APPROXIMATE SURVEY LINE TWIN CREEKS DRIVE

**OLD SAN ANTONIO ROAD**  
 (PUBLIC ROAD - R.O.W. VARIES)

MYSTIC OAKS ESTATES  
 VOL. 46, PG. 62

J.S. IRVINE  
 SURVEY NO. 4

FIELD DRIVE

TURLEY DRIVE

BLACKWELL DRIVE  
 ONION CREEK MEADOWS AMENDED  
 VOL. 56, PG. 66  
 GREEN MEADOW DRIVE

ONION CREEK DRIVE

MOINEAU XVIII  
 DOCUMENT NO. 2009078608

**PURYEAR ROAD**  
 (PUBLIC ROAD - R.O.W. VARIES)

SEVENGREEN ONE  
 DOCUMENT NO. 2009078591

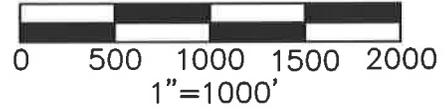
REMAINING PORTION OF  
 418.601 ACRES  
 SLF III - ONION  
 CREEK, L.P.  
 DOCUMENT NO.  
 2007226648

TRINIDAD VARCINAS  
 SURVEY NO. 535

5.367 ACRES  
 CITY OF AUSTIN  
 DOCUMENT NO. 2009190064

54.2 ACRES  
 (SAVE AND EXCEPT 8 ACRES)  
 TRAVIS MIZPAH, LTD  
 VOL. 13074, PG. 565  
 2.000 ACRES  
 BURNIA MAE McLEOD  
 DOCUMENT NO. 2001220365

AREA SUMMARY	
TRACT	AREA
1	13.6 AC.
2	22.0 AC.
3	8.3 AC.
4	8.1 AC.
5	7.8 AC.
6	7.3 AC.
7	8.8 AC.
8	12.3 AC.
9	13.0 AC.
10	8.0 AC.
11	71.5 AC.
12	35.2 AC.
<b>TOTAL</b>	<b>215.9 AC.</b>



TRACT SEVEN BOONE  
 AND HERMAN'S, LLC  
 DOCUMENT NO. 2006056153

TRACT NINE ELEVEN-MILE HILL, LLC  
 DOCUMENT NO. 2006056155

**Bury+Partners**

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**EXHIBIT**

OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION CREEK, LP.**

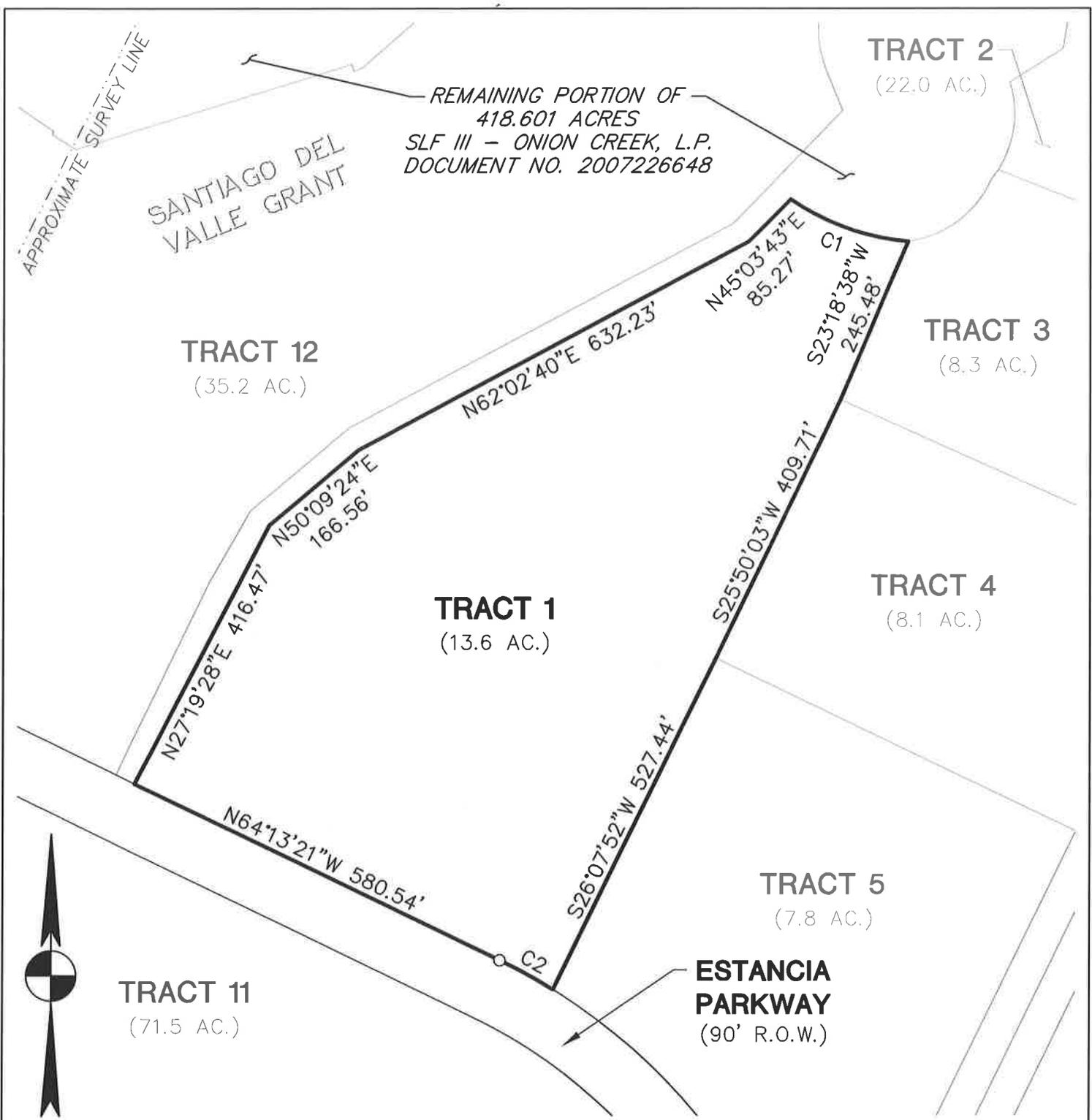
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DATE: 05/30/13

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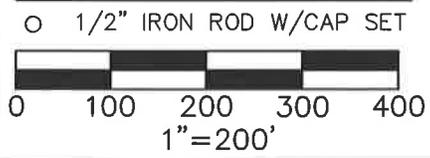
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PROJ. No: R0103662-10008



**TRACT 11**  
(71.5 AC.)

**LEGEND**



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	29°25'41"	353.08'	181.35'	179.36'	S70°30'54"E
C2	05°53'46"	845.00'	86.96'	86.92'	N61°16'28"W

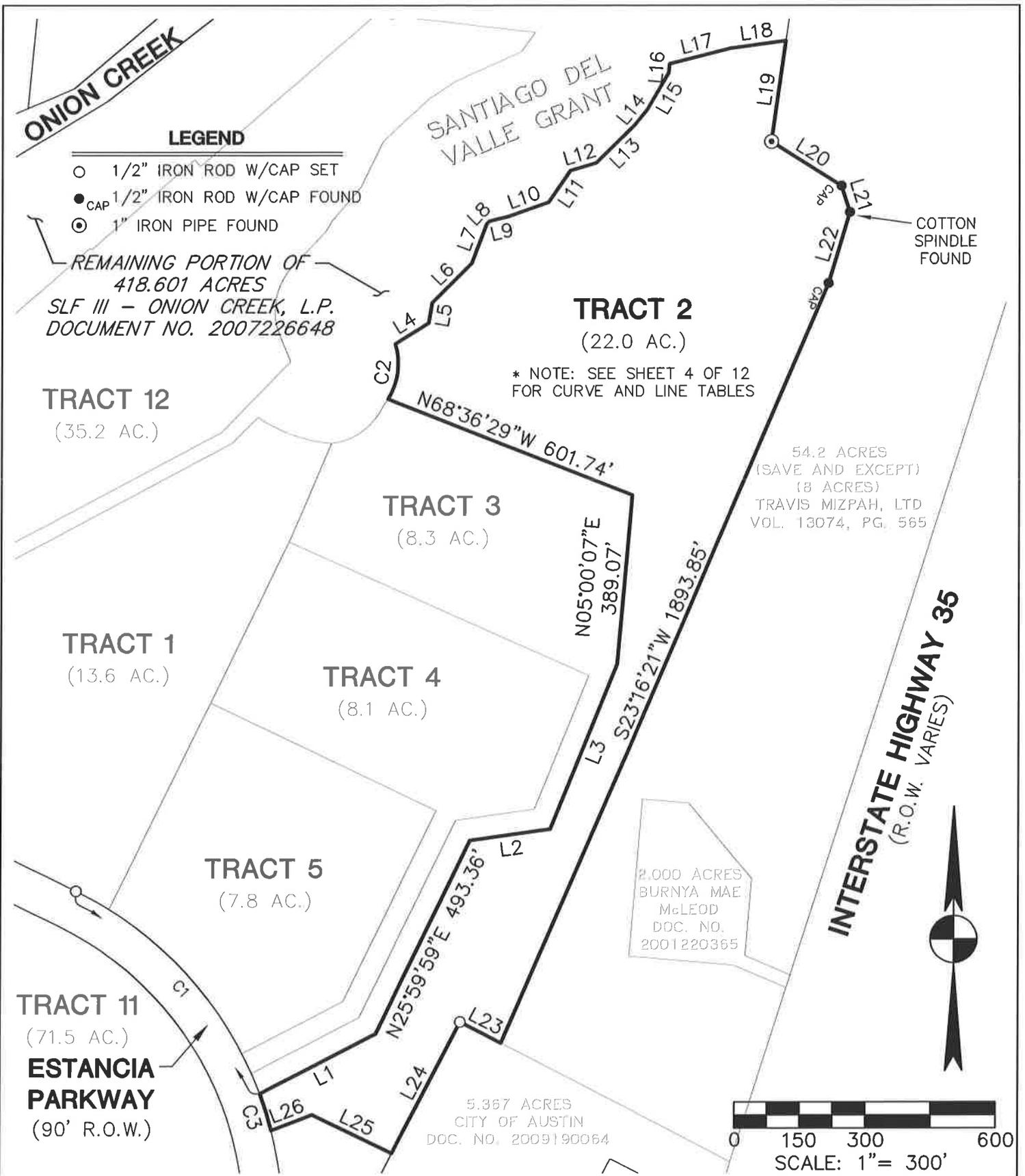
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Austin, Texas 78701  
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**SLF III - ONION CREEK, LP.**

**SHEET 2 OF 15**

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**SLF III - ONION CREEK, LP.**

**SHEET 3 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

### LINE TABLE

NO.	BEARING	DISTANCE
L1	N62°37'32"E	298.28'
L2	N81°59'35"E	184.92'
L3	N21°54'50"E	407.60'
L4	N57°54'36"E	90.04'
L5	N09°50'10"E	47.27'
L6	N45°21'15"E	127.97'
L7	N20°43'17"E	95.86'
L8	N44°41'28"E	8.83'
L9	N76°30'48"E	44.76'
L10	N70°30'51"E	97.20'
L11	N34°28'58"E	87.98'
L12	N73°19'34"E	61.30'
L13	N45°22'14"E	126.01'
L14	N39°13'36"E	43.42'
L15	N30°35'32"E	97.74'
L16	N05°00'12"E	20.83'
L17	N75°47'36"E	145.06'
L18	N82°12'59"E	129.06'
L19	S08°08'29"W	233.90'
L20	S57°50'45"E	189.84'
L21	S17°46'50"E	63.06'
L22	S16°38'57"W	169.38'
L23	N62°38'15"W	105.98'
L24	S27°21'45"W	339.75'
L25	N64°13'21"W	203.71'
L26	S68°46'24"W	99.72'

### CURVE TABLE

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	43°38'41"	845.00'	643.67'	628.22'	S42°24'01"E
C2	49°59'13"	150.00'	130.87'	126.75'	N07°42'28"E
C3	06°01'32"	845.00'	88.86'	88.82'	N17°33'55"W



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#### EXHIBIT

OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF  
 THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD  
 VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY,  
 TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE  
 TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY  
 DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE  
 OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION  
 CREEK, LP.**

**SHEET 4 OF 15**

DATE: 05/30/13

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PROJ. No: R0103662-10008

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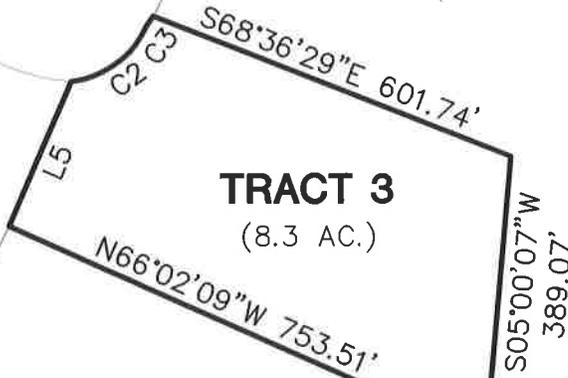
○ 1/2" IRON ROD W/CAP SET

REMAINING PORTION OF  
418.601 ACRES  
SLF III - ONION CREEK, L.P.  
DOCUMENT NO. 2007226648

SANTIAGO DEL  
VALLE GRANT

**TRACT 2**  
(22.0 AC.)

**TRACT 12**  
(35.2 AC.)



**TRACT 3**  
(8.3 AC.)

**TRACT 4**  
(8.1 AC.)

54.2 ACRES  
(SAVE AND EXCEPT)  
(3 ACRES)  
TRAVIS MIZPAH, LTD  
VOL. 13074, PG. 565

**TRACT 1**  
(13.6 AC.)

**TRACT 5**  
(7.8 AC.)

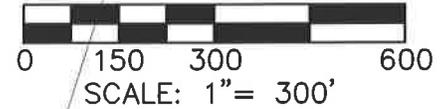
2,000 ACRES  
BURNIA MAE  
McLEOD  
DOC. NO.  
2001220365

**INTERSTATE HIGHWAY 35**  
(R.O.W. VARIES)



**TRACT 11**  
(71.5 AC.)  
**ESTANCIA  
PARKWAY**  
(90' R.O.W.)

5.367 ACRES  
CITY OF AUSTIN  
DOC. NO. 2009190064



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	40°11'53"	845.89'	593.47'	581.37'	S44°06'43"E
C2	59°05'13"	150.00'	154.69'	147.93'	N53°41'17"E
C3	06°39'13"	150.00'	17.42'	17.41'	N36°01'42"E
C4	02°56'07"	980.11'	50.21'	50.21'	N22°09'48"W

**LINE TABLE**

NO.	BEARING	DISTANCE
L1	N62°37'32"E	277.17'
L2	N25°59'59"E	503.40'
L3	N81°59'35"E	182.59'
L4	N21°54'50"E	330.44'
L5	N23°18'38"E	245.48'
L6	S81°59'35"W	184.92'
L7	S25°59'59"W	493.36'
L8	S62°37'32"W	298.28'



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**SLF III - ONION  
CREEK, LP.**

**SHEET 5 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

**TRACT 12**

(35.2 AC.)

REMAINING PORTION OF  
418.601 ACRES  
SLF III - ONION CREEK, L.P.  
DOCUMENT NO. 2007226648

**TRACT 1**

(13.6 AC.)

SANTIAGO DEL  
VALLE GRANT

**TRACT 3**

(8.3 AC.)

**TRACT 4**

(8.1 AC.)

**TRACT 5**

(7.8 AC.)

**TRACT 2**

(22.0 AC.)

**ESTANCIA  
PARKWAY**

(90' R.O.W.)

**TRACT 11**

(71.5 AC.)

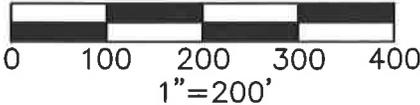
54.2 ACRES  
(SAVE AND EXCEPT)  
(8 ACRES)  
TRAVIS MIZPAH, LTD  
VOL. 13074, PG. 565

5.367 ACRES  
CITY OF AUSTIN  
DOC. NO. 2009190064



**LEGEND**

○ 1/2" IRON ROD W/CAP SET



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	36°50'54"	845.00'	543.44'	534.12'	S45°47'55"E
C2	02°56'17"	975.58'	50.02'	50.02'	N25°47'45"W



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OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION  
CREEK, L.P.**

**SHEET 6 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

**TRACT 12**

(35.2 AC.)

REMAINING PORTION OF  
418.601 ACRES  
SLF III - ONION CREEK, L.P.  
DOCUMENT NO. 2007226648

**TRACT 3**

(8.3 AC.)

**TRACT 1**

(13.6 AC.)

**TRACT 4**

(8.1 AC.)

SANTIAGO DEL  
VALLE GRANT

**TRACT 5**

(7.8 AC.)

**TRACT 2**

(22.0 AC.)

54.2 ACRES  
(SAVE AND EXCEPT)  
(8 ACRES)  
TRAVIS MIZPAH, LTD  
VOL. 13074, PG. 565

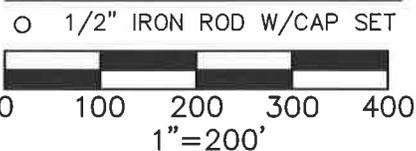
5.367 ACRES  
CITY OF AUSTIN  
DOC. NO. 2009190064

**ESTANCIA  
PARKWAY**  
(90' R.O.W.)

**TRACT 11**

(71.5 AC.)

**LEGEND**



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	05°53'46"	845.00'	86.96'	86.92'	S61°16'28"E
C2	30°57'07"	845.00'	456.48'	450.95'	N42°51'02"W

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**EXHIBIT**

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**SLF III - ONION  
CREEK, LP.**

**SHEET 7 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

**LINE TABLE**

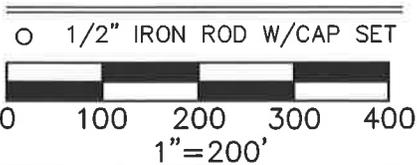
NO.	BEARING	DISTANCE
L1	N64°58'40"W	119.69'
L2	N25°01'20"E	138.16'
L3	N68°46'24"E	99.72'
L4	S64°13'21"E	203.71'
L5	S27°21'45"W	110.25'
L6	S62°38'15"E	98.13'
L7	S07°49'25"W	100.99'

5.367 ACRES  
CITY OF AUSTIN  
DOC. NO. 2009190064

REMAINING PORTION  
OF 418.601 ACRES  
SLF III - ONION  
CREEK, L.P.  
DOCUMENT NO.  
2007226648



**LEGEND**



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	01°52'59"	955.00'	31.39'	31.39'	N83°07'05"W
C2	17°11'55"	955.00'	286.66'	285.59'	N73°34'38"W
C3	90°00'00"	25.00'	39.27'	35.36'	N19°58'40"W
C4	39°34'29"	845.00'	583.65'	572.12'	N05°14'05"E

**TRACT 5**  
(7.8 AC.)

**TRACT 4**  
(8.1 AC.)

**TRACT 3**  
(8.3 AC.)

**TRACT 11**  
(71.5 AC.)

**ESTANCIA  
PARKWAY**  
(90' R.O.W.)

**TRACT 2**  
(22.0 AC.)

**TRACT 6**  
(7.3 AC.)

**TRACT 7**  
(8.8 AC.)

**CAMINO  
VAQUERO  
PARKWAY**  
(90' R.O.W.)

**TRACT 9**  
(13.0 AC.)

TRINIDAD VARCINAS  
SURVEY NO. 535

**TRACT 8**  
(12.3 AC.)

APPROXIMATE SURVEY LINE

**INTERSTATE HIGHWAY 35**  
(PUBLIC ROAD - R.O.W. VARIES)

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**SLF III - ONION  
CREEK, LP.**

**SHEET 8 OF 15**

DATE: 05/30/13

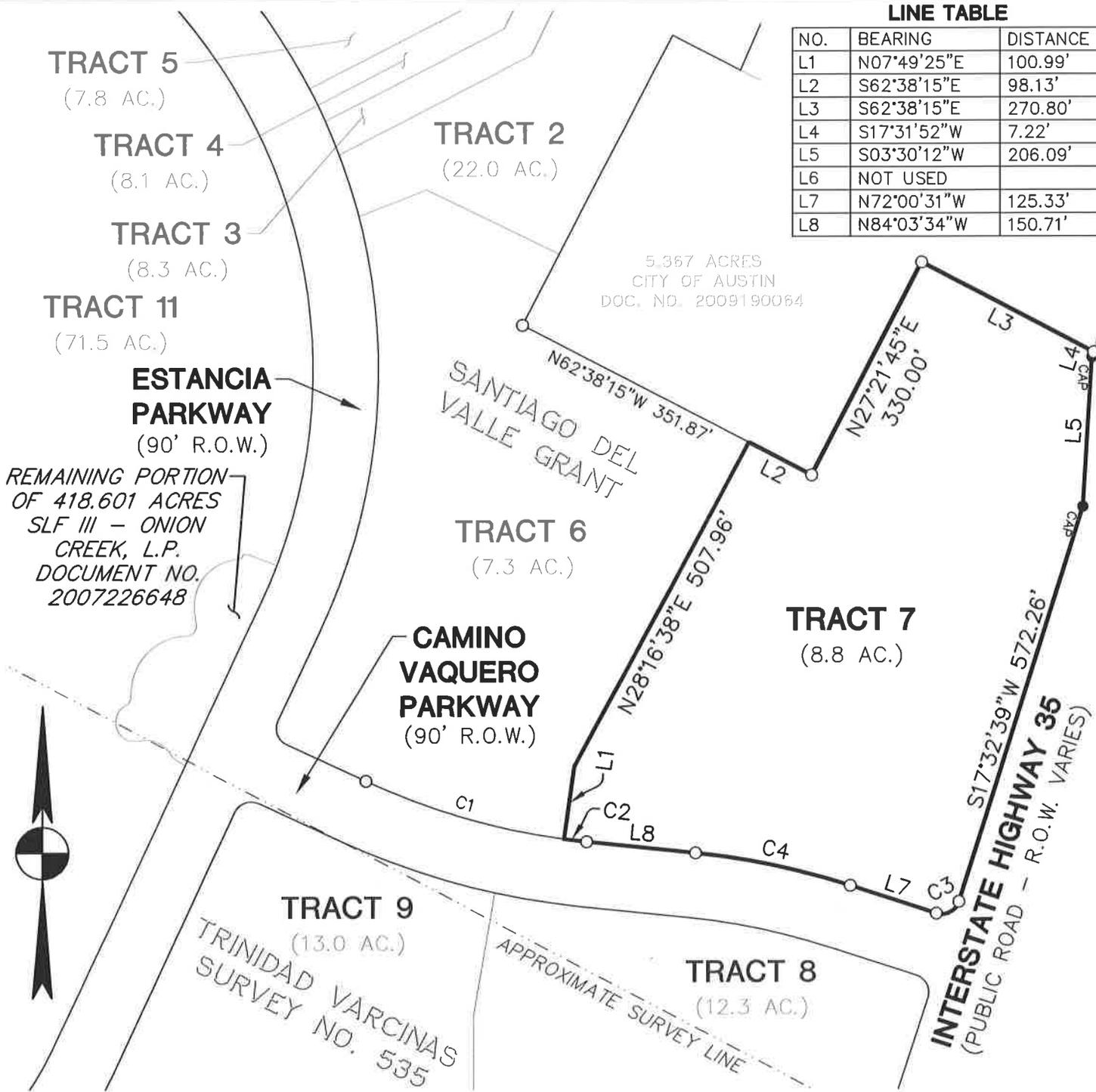
FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

**LINE TABLE**

NO.	BEARING	DISTANCE
L1	N07°49'25"E	100.99'
L2	S62°38'15"E	98.13'
L3	S62°38'15"E	270.80'
L4	S17°31'52"W	7.22'
L5	S03°30'12"W	206.09'
L6	NOT USED	
L7	N72°00'31"W	125.33'
L8	N84°03'34"W	150.71'

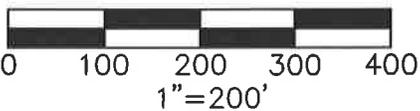


REMAINING PORTION OF 418.601 ACRES SLF III - ONION CREEK, L.P. DOCUMENT NO. 2007226648



**LEGEND**

- 1/2" IRON ROD W/CAP SET
- <sub>CAP</sub> 1/2" IRON ROD W/CAP FOUND



**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	17°11'55"	955.00'	286.66'	285.59'	S73°34'38"E
C2	01°52'59"	955.00'	31.39'	31.39'	N83°07'05"W
C3	90°26'50"	25.00'	39.47'	35.49'	S62°46'04"W
C4	12°03'03"	1045.00'	219.79'	219.39'	N78°02'03"W

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OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION CREEK, LP.**

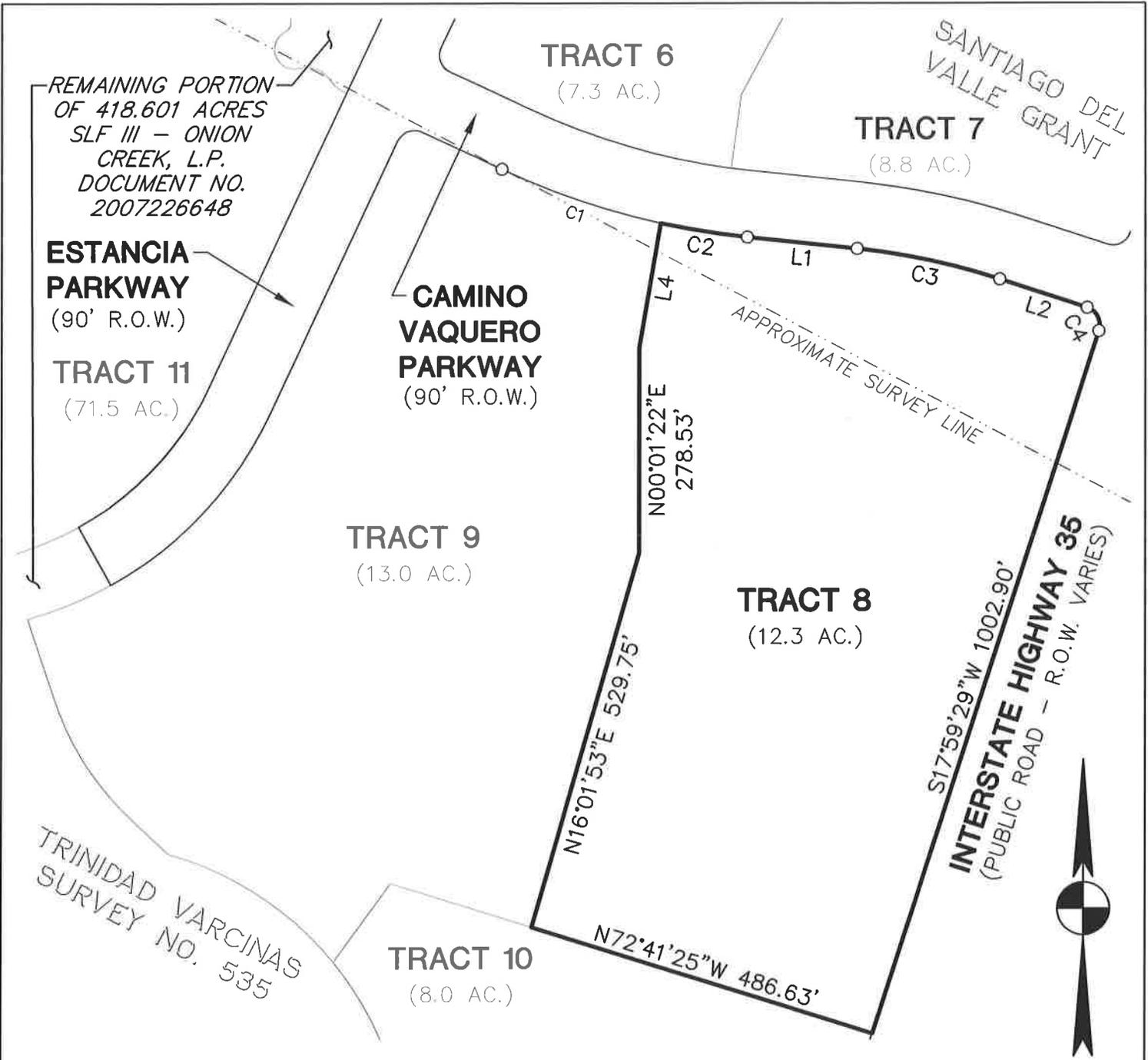
**SHEET 9 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008



REMAINING PORTION  
OF 418.601 ACRES  
SLF III - ONION  
CREEK, L.P.  
DOCUMENT NO.  
2007226648

SANTIAGO DEL  
VALLE GRANT

**ESTANCIA  
PARKWAY**  
(90' R.O.W.)

**CAMINO  
VAQUERO  
PARKWAY**  
(90' R.O.W.)

**TRACT 11**  
(71.5 AC.)

**TRACT 9**  
(13.0 AC.)

**TRACT 8**  
(12.3 AC.)

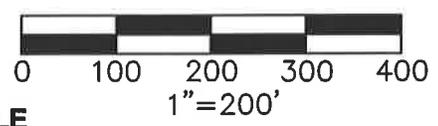
**INTERSTATE HIGHWAY 35**  
(PUBLIC ROAD - R.O.W. VARIES)

TRINIDAD VARCINAS  
SURVEY NO. 535

**TRACT 10**  
(8.0 AC.)

**LEGEND**

○ 1/2" IRON ROD W/CAP SET



**LINE TABLE**

NO.	BEARING	DISTANCE
L1	S84°03'34"E	150.71'
L2	S72°00'31"E	125.61'
L3	NOT USED	
L4	N09°46'39"E	170.36'

**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	12°33'14"	1045.00'	228.97'	228.51'	S71°15'17"E
C2	06°31'40"	1045.00'	119.06'	118.99'	S80°47'44"E
C3	12°03'03"	955.00'	200.86'	200.49'	S78°02'03"E
C4	90°00'00"	25.00'	39.27'	35.36'	S27°00'31"E

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**EXHIBIT**  
OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF  
THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD  
VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY,  
TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE  
TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY  
DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE  
OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION  
CREEK, L.P.**

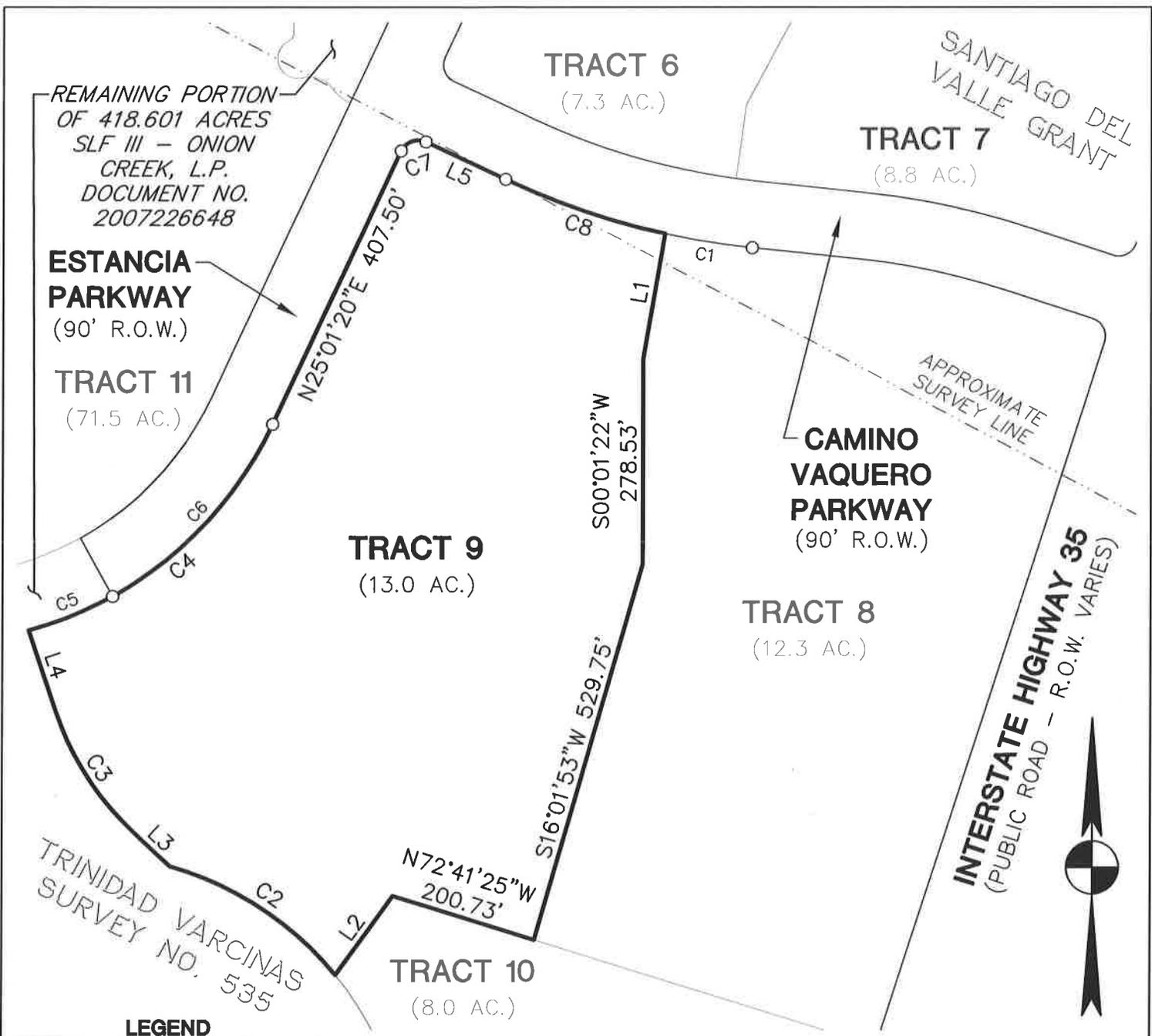
**SHEET 10 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008



REMAINING PORTION  
OF 418.601 ACRES  
SLF III - ONION  
CREEK, L.P.  
DOCUMENT NO.  
2007226648

**ESTANCIA  
PARKWAY**  
(90' R.O.W.)

**TRACT 11**  
(71.5 AC.)

**TRACT 9**  
(13.0 AC.)

**CAMINO  
VAQUERO  
PARKWAY**  
(90' R.O.W.)

**TRACT 8**  
(12.3 AC.)

**TRACT 10**  
(8.0 AC.)

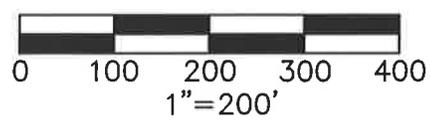
TRINIDAD VARCINAS  
SURVEY NO. 535

**LEGEND**

○ 1/2" IRON ROD W/CAP SET

**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	06°31'40"	1045.00'	119.06'	118.99'	N80°47'44"W
C2	35°12'15"	443.65'	272.59'	268.32'	N56°43'32"W
C3	28°29'10"	395.00'	196.38'	194.37'	N32°42'15"W
C4	49°33'13"	515.00'	445.41'	431.66'	N49°47'56"E
C5	13°36'13"	515.00'	122.27'	121.99'	N67°46'27"E
C6	35°57'01"	515.00'	323.14'	317.86'	N42°59'50"E
C7	90°00'00"	25.00'	39.27'	35.36'	N70°01'20"E
C8	12°33'14"	1045.00'	228.97'	228.51'	S71°15'17"E



**LINE TABLE**

NO.	BEARING	DISTANCE
L1	S09°46'39"W	170.36'
L2	S35°47'08"W	131.87'
L3	N46°56'50"W	68.72'
L4	N18°27'40"W	115.16'
L5	S64°58'40"E	119.69'

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**EXHIBIT**  
OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF  
THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD  
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TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE  
TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY  
DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE  
OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION  
CREEK, L.P.**

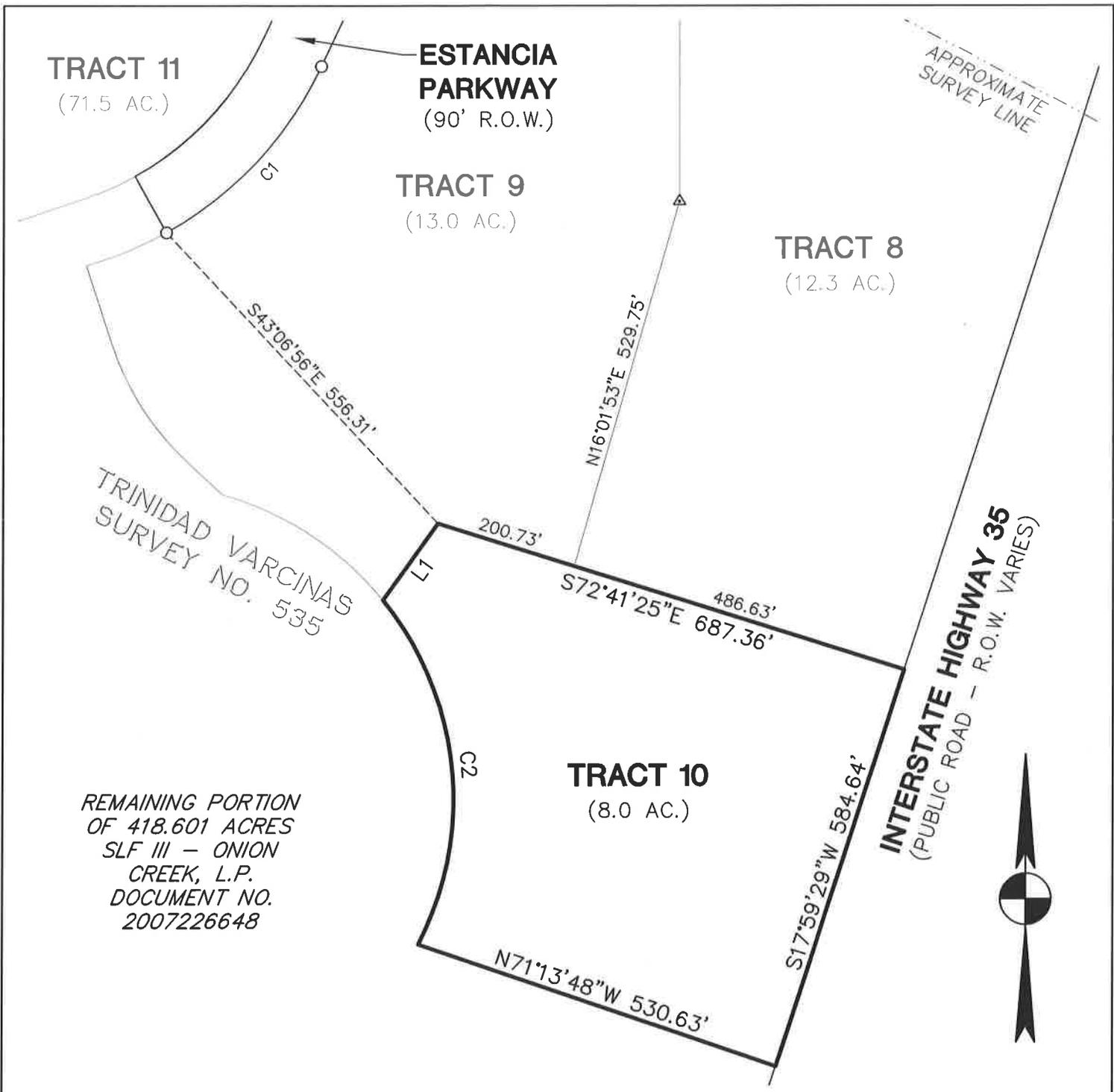
**SHEET 11 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008



REMAINING PORTION  
OF 418.601 ACRES  
SLF III - ONION  
CREEK, L.P.  
DOCUMENT NO.  
2007226648

**LEGEND**

- △ CALCULATED POINT
- 1/2" IRON ROD W/CAP SET

**LINE TABLE**

NO.	BEARING	DISTANCE
L1	N35°47'08"E	131.87'

**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	35°57'01"	515.00'	323.14'	317.86'	N42°59'50"E
C2	66°20'29"	443.65'	513.69'	485.47'	N05°57'10"W



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**EXHIBIT**

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**SLF III - ONION  
CREEK, LP.**

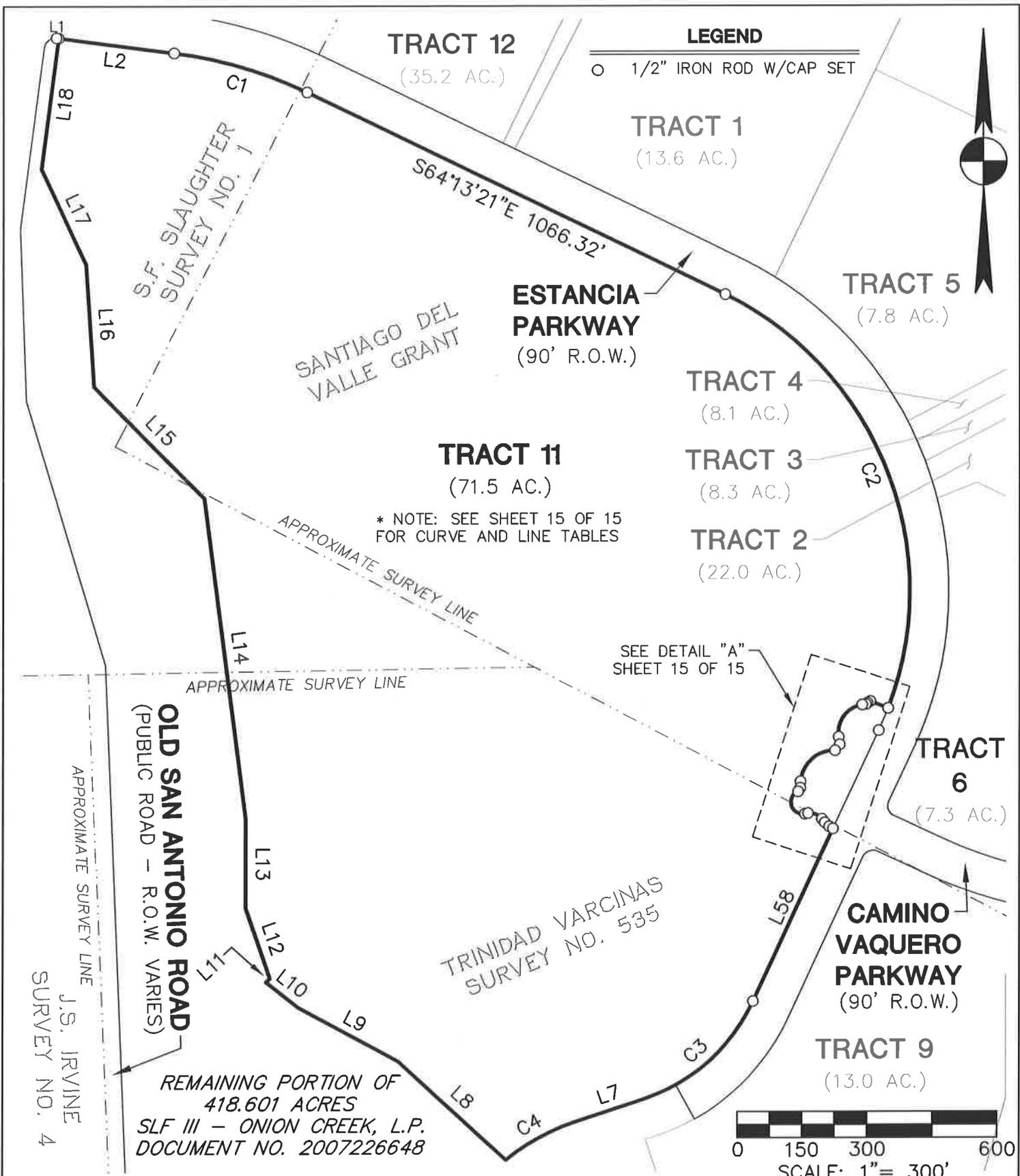
**SHEET 12 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008



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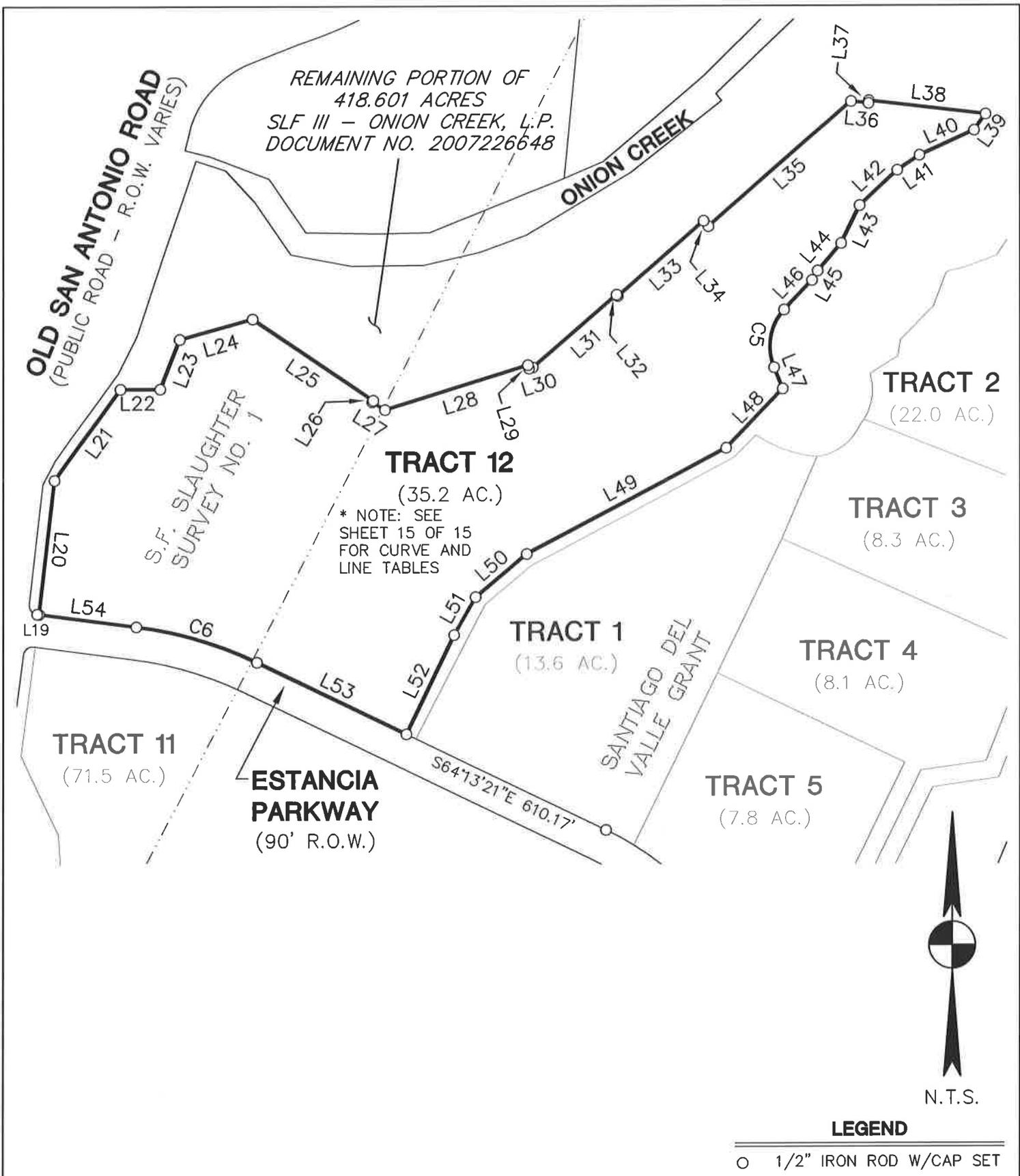
**SLF III - ONION CREEK, LP.**  
**SHEET 13 OF 15**

DATE: 05/30/13

FILE: H:\103662\008\103662008EX2.DWG

DRAWN BY: MLT

PROJ. No: R0103662-10008

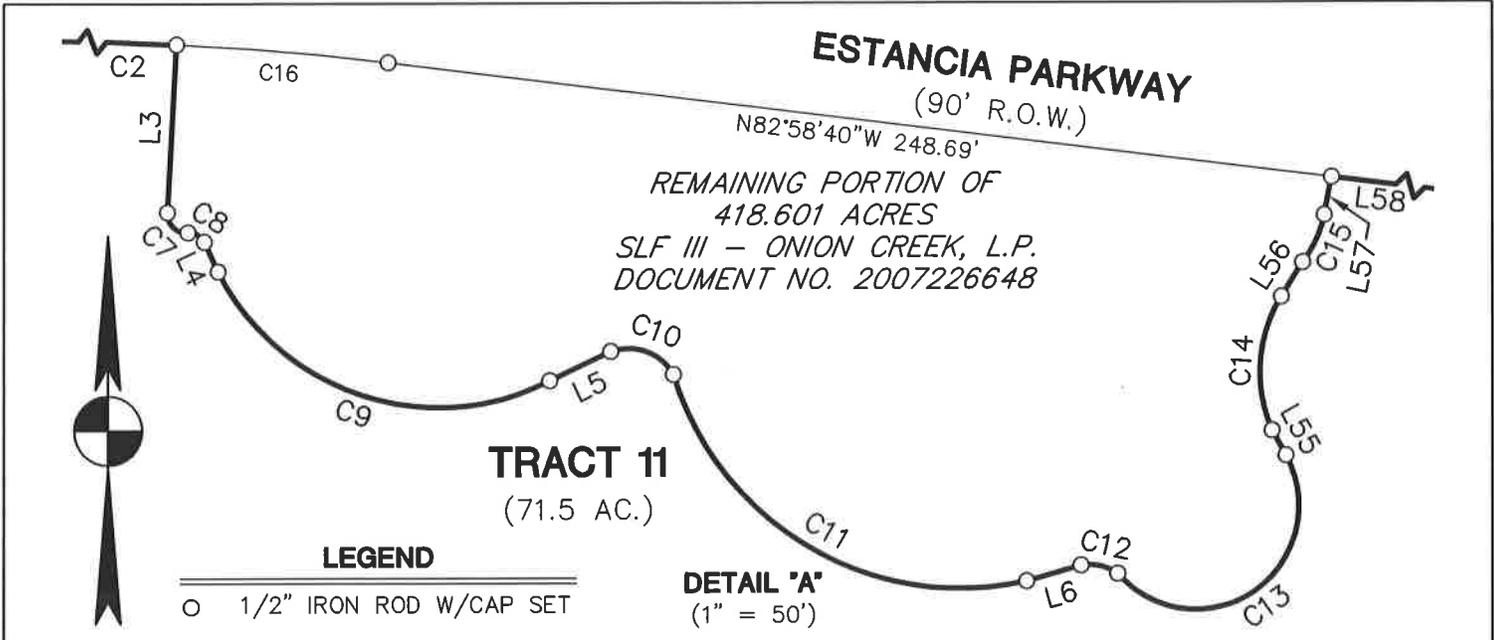


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 OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION CREEK, L.P.**  
**SHEET 14 OF 15**

DATE: 05/30/13      FILE: H:\103662\008\103662008EX2.DWG      DRAWN BY: MLT      PROJ. No: R0103662-10008



**LINE TABLE**

NO.	BEARING	DISTANCE
L1	S82°40'01"E	5.07'
L2	S82°40'01"E	268.40'
L3	N68°47'41"W	43.86'
L4	S82°54'31"W	8.54'
L5	S07°26'54"E	17.65'
L6	S02°10'15"W	14.86'
L7	S71°32'20"W	167.21'
L8	N47°26'37"W	335.13'
L9	N61°39'05"W	259.78'
L10	N52°15'08"W	95.97'
L11	N47°48'28"E	12.65'
L12	N18°51'48"W	170.26'
L13	N00°00'43"W	203.35'
L14	N07°21'50"W	743.34'
L15	N44°41'53"W	359.07'
L16	N03°47'10"W	280.45'
L17	N25°21'28"W	241.06'
L18	N07°29'09"E	303.12'
L19	S82°40'01"E	5.39'
L20	N06°30'36"E	370.87'
L21	N36°04'41"E	309.11'
L22	N89°54'53"E	109.26'
L23	N21°23'15"E	145.87'
L24	N74°28'15"E	208.00'
L25	S55°56'31"E	399.65'
L26	S31°27'21"W	5.00'
L27	S58°32'39"E	40.90'
L28	N72°51'34"E	413.10'
L29	S17°08'26"E	10.00'
L30	N72°51'34"E	10.52'
L31	N49°06'02"E	303.91'
L32	S40°53'58"E	5.00'

**LINE TABLE**

NO.	BEARING	DISTANCE
L33	N49°06'02"E	314.61'
L34	S40°53'58"E	20.00'
L35	N49°06'02"E	523.47'
L36	S83°24'18"E	48.24'
L37	N06°35'42"E	7.50'
L38	S83°21'18"E	326.33'
L39	S35°50'40"W	54.72'
L40	S65°44'30"W	166.16'
L41	S56°27'39"W	74.17'
L42	S47°14'19"W	142.23'
L43	S26°00'56"W	115.65'
L44	S40°47'46"W	99.49'
L45	S30°41'58"W	30.02'

**LINE TABLE**

NO.	BEARING	DISTANCE
L46	S43°50'05"W	111.90'
L47	S22°22'56"E	63.30'
L48	S44°07'01"W	225.77'
L49	S62°09'50"W	621.85'
L50	S50°05'15"W	183.70'
L51	S29°35'55"W	120.00'
L52	S25°46'39"W	303.14'
L53	N64°13'21"W	456.15'
L54	N82°40'01"W	269.51'
L55	N78°44'46"E	7.44'
L56	S39°48'03"E	10.53'
L57	S61°00'28"E	10.07'
L58	S25°01'20"W	436.96'

**CURVE TABLE**

NO.	DELTA	RADIUS	ARC LENGTH	CHORD LENGTH	CHORD BEARING
C1	18°26'39"	989.00'	318.37'	317.00'	S73°26'42"E
C2	85°02'54"	755.00'	1120.70'	1020.61'	S21°41'54"E
C3	46°31'01"	425.00'	345.05'	335.65'	S48°16'50"W
C4	20°21'27"	515.00'	182.98'	182.02'	S61°21'37"W
C5	64°38'44"	150.00'	169.24'	160.41'	S09°56'26"W
C6	18°26'39"	1079.00'	347.34'	345.85'	N73°26'42"W
C7	97°52'48"	5.00'	8.54'	7.54'	S62°15'55"W
C8	69°35'00"	4.31'	5.24'	4.92'	S48°07'01"W
C9	89°58'02"	64.60'	101.44'	91.33'	S36°10'33"W
C10	80°07'08"	13.46'	18.82'	17.33'	S38°28'23"W
C11	85°53'24"	78.48'	117.65'	106.94'	S48°14'53"W
C12	42°55'15"	13.31'	9.97'	9.74'	S30°47'18"W
C13	168°45'06"	26.92'	79.28'	53.58'	S16°52'41"E
C14	56°21'15"	36.93'	36.32'	34.88'	S67°58'41"E
C15	27°23'15"	28.68'	13.71'	13.58'	S47°18'50"E
C16	04°11'47"	755.00'	55.30'	55.28'	S85°04'34"E



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**EXHIBIT**

OF APPROXIMATELY 215.9 ACRES OF LAND OUT OF THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING A PORTION OF THAT CERTAIN 418.601 ACRE TRACT CONVEYED TO SLF III - ONION CREEK, L.P., BY DEED OF RECORD IN DOCUMENT NO. 2007226648, OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**SLF III - ONION CREEK, LP.**

**SHEET 15 OF 15**

H:\103662\008\103662008EX2.dwg Jun 5, 13 11:32 AM by: mtaylor

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[Closing Date]

Fulbright & Jaworski LLP  
2200 Ross Avenue, Suite 2800  
Dallas, Texas 75201-2784  
United States

Tel +1 214 855 8000  
Fax +1 214 855 8200  
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “City of Austin, Texas, Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District)” (the “Bonds”), dated \_\_\_\_\_, 2013, in the principal amount of \$\_\_\_\_\_, we have examined the legality and validity of the issuance thereof by the City of Austin, Texas (the “City”) solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and mature, unless redeemed prior to maturity in accordance with the terms stated on the Bonds, on November 1 in each of the years specified in an Indenture of Trust (the “Indenture”), dated as of June 1, 2013, with U.S. Bank National Association, as trustee (the “Trustee”), approved by the City Council of the City pursuant to an ordinance (the “Ordinance”) adopted by the City Council of the City authorizing the issuance of the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Indenture.

We have acted as Bond Counsel for the City solely to pass upon the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes, and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City or the history or prospects of the collection of Pledged Revenues, and have not assumed any responsibility with respect thereto. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Indenture.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings had in connection with the issuance of the Bonds, including the Indenture, the Ordinance and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

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Page 2 of Legal Opinion of Fulbright & Jaworski LLP  
Re: City of Austin, Texas, Special Assessment Revenue Bonds,  
Series 2013 (Estancia Hill Country Public Improvement District)

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable limited obligations of the City in accordance with their terms payable solely from the Pledged Revenues, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally.

2. Assuming continuing compliance after the date hereof by the City with the provisions of the Indenture and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (ii) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust (FASIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above

APPENDIX D

FORM OF DISCLOSURE AGREEMENT

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**CITY OF AUSTIN, TEXAS**  
**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013**  
**(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)**

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement dated as of June 1, 2013 (this “Disclosure Agreement”) is executed and delivered by and among the City of Austin, Texas (the “Issuer”), U.S. Bank National Association (the “Dissemination Agent”) and SLF III - Onion Creek, L.P. (the “Property Owner”) with respect to the Issuer’s Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District) (the “Bonds”). The Issuer, the Dissemination Agent and the Property Owner covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Dissemination Agent and the Property Owner for the benefit of the Owners (as hereinafter defined) and beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of June 1, 2013 (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Bond Disclosure Report” shall mean any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Disclosure Representative” shall mean the City Treasurer of the Issuer or his or her designee, and the general partner of the Property Owner or his or her designee, or such other officer or employee as the Issuer or the Property Owner, as applicable, may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Trustee, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Fiscal Year” means the calendar year from October 1 through September 30.

“Improvement Area #1” means Improvement Area #1 of the Estancia Hill Country Public Improvement District established by the Issuer and related to the Bonds.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“Owner” means the registered owner of any Bonds.

“Participating Underwriter” shall mean Jefferies LLC and its successors and assigns.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax liability.

“Trustee” shall mean U.S. Bank National Association, or any successor trustee pursuant to the Indenture.

### SECTION 3. Provision of Annual Bond Disclosure Reports.

(a) The Issuer shall cause and hereby direct the Dissemination Agent to, not later than six months after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ending September 30, 2013, provide or cause to be provided to the MSRB, in the electronic or other form required by the MSRB, an Annual Bond Disclosure Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Bond Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement; *provided* that the audited financial statements of the Issuer, if prepared and when available, may be submitted separately from the balance of the Annual Bond Disclosure Report, and later than the date required in this paragraph for the filing of the Annual Bond Disclosure Report if audited financial statements are not available by that date and unaudited financial information is submitted not later than six months after the end of the Issuer’s Fiscal Year. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d). All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(b) The Issuer shall or shall cause the Dissemination Agent to:

(i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Bond Disclosure Report on the date required in subsection (a);

(ii) file the Annual Bond Disclosure Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Issuer or the Dissemination Agent upon receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof; and

(iii) file a report with the Issuer and the Property Owner certifying that the Annual Bond Disclosure Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

SECTION 4. Content of Annual Bond Disclosure Reports. The Annual Bond Disclosure Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent, the following:

(a) If prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If audited financial statements of the Issuer are not available by the date required by Section 3(a), the Issuer shall provide unaudited financial information not later than such date.

(b) Tables setting forth the following information, as of the end of such Fiscal Year:

(i) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding.

(ii) The amounts in the funds and accounts securing the Bonds and a description of the related investments.

(c) Updates to the information in the Service and Assessment Plan (“SAP”) as most recently amended or supplemented.

(d) Listing of any Improvement Area #1 property or property owner representing more than fifteen percent (15%) of the Assessments, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments, all as of the previous October 1.

(e) The total amount of Annual Installments assessed and collected during such Fiscal Year, together with the amount of Assessments prepaid during such Fiscal Year.

(f) The amount of Assessments collected from the property owners during such Fiscal Year.

(g) The amount of Assessments delinquent greater than six months, one year and two years, and, if delinquencies amount to more than five percent (5%) of aggregate amount of Assessments due in any year, a list of property owners whose Assessments are delinquent.

(h) The amount of delinquent Assessments by Fiscal Year: (1) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted); (2) which are currently subject to foreclosure proceeding which have not been concluded; (3) which have been reduced to judgment but not collected; (4) which have been reduced to judgment and collected; and (5) the result of any foreclosure sales of assessed property within Improvement Area #1 if the assessed property represents more than three percent (3%) of the total amount of Assessments.

(i) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year;

(j) Any changes to the methodology for levying the Assessments in Improvement Area #1 since the report of the most recent Fiscal Year;

(k) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer's audited financial statements.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraph.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Modifications to rights of Owners, if material.
4. Optional or unscheduled redemptions or repayments of the Bonds, if material.
5. Defeasances.
6. Rating changes.
7. Unscheduled draws on debt service reserves reflecting financial difficulties.
8. Unscheduled draws on credit enhancements reflecting financial difficulties.
9. Substitution of credit or liquidity providers, or their failure to perform.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
12. Tender offers to any Owners, if material.
13. Bankruptcy, insolvency, receivership or similar event of the Issuer or the Property Owner.
14. The consummation of a merger, consolidation, or acquisition of the Issuer or the Property Owner, or the sale of all or substantially all of the assets of the Issuer or the Property Owner,

other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

15. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.

16. Failure to provide annual audited financial statements or unaudited financial information as required under this Disclosure Agreement.

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event applicable to it, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to immediately file a notice of such occurrence with the MSRB. Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event applicable to it, the Property Owner shall promptly notify the Issuer and the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to immediately file a notice of such occurrence with the MSRB. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event.

Any notice under the preceding paragraph shall be accompanied with the text of the disclosure that the Issuer or the Property Owner, as the case may be, desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event).

In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer or the Property Owner and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer and the Property Owner as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Participating Underwriter, the Issuer, the Property Owner or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a request under subsection (b), the Issuer determines that the Listed Event under number 2, 3, 4, 10, 12, 14 or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly notify the Property Owner, the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB.

SECTION 6. Quarterly Reporting Obligations of the Property Owner.

(a) The Property Owner shall provide, or cause to be provided at its cost and expense, to the Issuer and the Dissemination Agent the information described in this Section 6, and the Dissemination Agent shall, upon receipt from the Property Owner or its designee, promptly provide such information to the MSRB. The Property Owner shall provide, or cause to be provided, the information described in this Section 6 during the period from the delivery of the Bonds until such time as the Property Owner is no longer responsible for the payment of Annual Installments of Assessments equal to at least 20% of the total Annual Installments of Assessments for any year. Such information shall be provided by the Dissemination Agent to the MSRB not later than thirty (30) days after each January 1, April 1, July 1 and October 1 (beginning October 1, 2013). The Dissemination Agent shall (i) notify the Property Owner at least thirty (30) days prior to each such quarterly reporting date that such report is due, and (ii) within fifteen (15) days of its receipt thereof, provide the following information to the MSRB:

(i) Statement with respect to the Property Owner or any affiliate of the Property Owner as to the status of development loans and any permanent financing with respect to any development undertaken by the Property Owner in Improvement Area #1 not financed with Bond proceeds, including loan balance, existence of deeds of trust or other similar encumbrances against the property within Improvement Area #1, existence of any default and remaining term;

(ii) Statement as to available funds to complete Improvement Area #1 development under construction as contemplated (both Bond financed and non-Bond financed development undertaken by the Property Owner or any affiliate of the Property Owner);

(iii) Status of parcel and/or lot sales from the Property Owner to any other party by type and average pricing, as well as anticipated future absorption sales;

(iv) A statement as to material changes, if any, in the form, organization or controlling ownership of the Property Owner;

(v) The status of any governmental approvals (other than customary home building permits required after a delivery of a finished lot) required for completion of Improvement Projects within Improvement Area #1;

(vi) Any information regarding the Improvement Projects within Improvement Area #1 or other information as may be reasonably requested by the Issuer relating to the ability of the Property Owner or any affiliate of the Property Owner to fulfill its obligations under the Indenture or the SAP; and

(vii) Written notification of any significant zoning or land use entitlement changes or any other matter that would have a material adverse impact on land values

within Improvement Area #1, development potential of lands within Improvement Area #1 or the likelihood of the timely payment of the Assessments levied on land or parcels owned by the Property Owner; and

(viii) Any changes to the land use designation for the property in Improvement Area #1 that might negatively impact its development for those purposes identified in the final SAP, as the same may be amended and supplemented from time to time.

(b) Additionally, the Property Owner shall provide or cause to be provided filings as follows:

(i) The number, dollar amount, and property type (e.g., developed lots, undeveloped pads, parcels, raw land) under contract with purchasers and the name of each purchaser;

(ii) For each residential home builder, on a per quarter and running total basis, (A) the number of residential units for which construction has begun, (B) the number of residential units for which construction has been completed, and (C) the number of residential units which have been sold to end users and the average sales price therefor; and

(iii) For each residential home builder, the estimated date of completion for all residential units expected to be constructed in Improvement Area #1.

(c) With respect to the design-engineering and the Project Fund for the Improvement Projects, the Property Owner will establish an accounting and budgeting system that will show:

(i) Total expected costs for design and engineering to be completed after delivery of the Bonds;

(ii) Total expected construction budget;

(iii) Construction budget allocated to progress “Milestones;”

(iv) Forecast construction “Milestones” of progress;

(v) Forecast completion date; and

(vi) Forecast Issuer acceptance date.

The Property Owner shall prepare, within 90 days of the Bond closing, a schedule reflecting the points listed above for each of the Improvement Projects to be funded by the Bond proceeds. Monthly design and construction expenditure progress reports, reflecting the points listed above, will be summarized on a quarterly basis and sent to the Trustee, reflecting the progress and conformance with the overall project budget. These quarterly reports will be filed with the Dissemination Agent. Budget overruns in excess of \$250,000 or delays of greater than 60 days will be highlighted and explained and the Property Owner shall include a plan to remedy the situation.

(d) If the Property Owner sells, assigns or otherwise transfers ownership of real property in Improvement Area #1 to a third party, which results in such third party owning property representing at least twenty percent (20%) of the total Annual Installments of the Assessments first coming due after such transfer of ownership, the Property Owner shall require such third party to comply with the Property Owner's disclosure obligations hereunder with respect to such acquired real property for so long as such third party is the owner of property representing at least twenty percent (20%) of the total of Annual Installments of the Assessments next coming due.

SECTION 7. Event Reporting Obligations of Property Owner. Whenever the Property Owner or an affiliate of the Property Owner obtains actual knowledge of the occurrence of one or more of the following events, the Property Owner shall notify, or cause such affiliate to notify, the Issuer and Dissemination Agent of such occurrences and the Dissemination Agent shall immediately report and file a notice of such event in the manner as provided in Section 5 for the Listed Events specified therein:

(i) Failure to pay any real property taxes or Assessments levied within Improvement Area #1 on a parcel owned by the Property Owner, or an affiliate of the Property Owner;

(ii) Material damage to or destruction of any development or improvements, including the Improvement Projects, within Improvement Area #1;

(iii) Material default by the Property Owner or any affiliate of the Property Owner on any loan with respect to the development or permanent financing of District development undertaken by the Property Owner or any affiliate of the Property Owner;

(iv) Material default by the Property Owner or any affiliate of the Property Owner on any loan secured by property within Improvement Area #1 owned by the Property Owner or any affiliate of the Property Owner;

(v) The bankruptcy filing of the Property Owner or of any affiliate of the Property Owner or any determination that the Property Owner or any affiliate of the Property Owner is unable to pay its debts as they become due;

(vi) The filing of any lawsuit with claim for damage, in excess of \$1,000,000 against the Property Owner or any affiliate of the Property Owner which may adversely affect the completion of Improvement Area #1 development or litigation which would materially adversely affect the financial condition of the Property Owner or any affiliate of the Property Owner; and

(vii) Any change in the legal structure, chief executive officer or controlling ownership of the Property Owner or any affiliate of the Property Owner.

For purposes of Section 6 and 7, the term "affiliate" shall mean an entity that owns property within Improvement Area #1 and is controlled by, controls, or is under common control of the Property Owner.

SECTION 8. Termination of Reporting Obligations. The obligations of the Issuer, the Property Owner and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer or the Property Owner is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(d).

SECTION 9. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be U.S. Bank National Association.

SECTION 10. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer, the Property Owner and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer and the Property Owner), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Bond Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Bond Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting

principles. No amendment which adversely affects the Dissemination Agent may be made without its consent (which consent will not be unreasonably withheld or delayed).

SECTION 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Bond Disclosure Report or notice of occurrence of a Listed Event.

SECTION 12. Default. In the event of a failure of the Issuer or the Property Owner to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer or the Property Owner, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Property Owner to comply with this Disclosure Agreement shall be an action to mandamus or specific performance.

SECTION 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer and the Property Owner agree to hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer and the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking relationship with the Issuer or the Property Owner or any person with whom the Issuer or the Property Owner contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon

any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

The Dissemination Agent may, from time to time, consult with legal counsel of their own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE PROPERTY OWNER, OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE PROPERTY OWNER, OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT IS UNDER NO OBLIGATION NOR IS IT REQUIRED TO BRING SUCH AN ACTION.

SECTION 14. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments.

SECTION 15. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, Property Owner or Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Issuer, Property Owner or Dissemination Agent in other than that person's official capacity.

SECTION 16. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 17. Sovereign Immunity. The Property Owner and the Dissemination Agent agree that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

SECTION 18. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Property Owner, the Dissemination Agent, the Participating Underwriter and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 20. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[remainder of page left blank intentionally]*

CITY OF AUSTIN, TEXAS

By: \_\_\_\_\_  
Elaine Hart, Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,  
(as Dissemination Agent)

By: \_\_\_\_\_  
Authorized Officer

SLF III - ONION CREEK, L.P., a Texas Limited Partnership

By: SLF III Property GP, LLC, a Texas limited liability company, its General Partner

By: Stratford Land Fund III, L.P., a Delaware limited partnership, its Sole and Managing Member

By: Stratford Fund III GP, LLC, a Texas limited liability company, its General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE  
ANNUAL BOND DISCLOSURE REPORT**

Name of Issuer: City of Austin, Texas  
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2013 (Estancia Hill Country Public Improvement District)  
Date of Delivery: \_\_\_\_\_, 20\_\_

NOTICE IS HEREBY GIVEN that the City of Austin, Texas, has not provided an Annual Bond Disclosure Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated June 1, 2013, between the Issuer, SLF III - Onion Creek, L.P., a Texas limited partnership (the "Property Owner"), and \_\_\_\_\_, as dissemination agent. The Issuer anticipates that the Annual Bond Disclosure Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, on behalf of the City of  
Austin, Texas

By: \_\_\_\_\_

Title: \_\_\_\_\_

cc: City of Austin, Texas

**EXHIBIT B**

**CITY OF AUSTIN, TEXAS  
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2013  
(ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT)**

---

**ANNUAL BOND DISCLOSURE REPORT\***

---

Delivery Date: \_\_\_\_\_, 20\_\_

**TRUSTEE**

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Contact Person: \_\_\_\_\_

**BONDS OUTSTANDING**

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

**INVESTMENTS**

Fund/ Account Name	Investment Description	Par Value	Book Value	Market Value

---

\*Excluding Audited Financial Statements of the Issuer

**ASSETS & LIABILITIES OF PLEDGED TRUST ESTATE**

Bonds (Principal Balance) \_\_\_\_\_

Funds and Accounts [list] \_\_\_\_\_

**TOTAL ASSETS** \_\_\_\_\_

**LIABILITIES**

Outstanding Bond Principal \_\_\_\_\_

Outstanding Program Expenses (if any) \_\_\_\_\_

**TOTAL LIABILITIES** \_\_\_\_\_

**EQUITY**

Assets Less Liabilities \_\_\_\_\_

Parity Ratio \_\_\_\_\_

**Form of Accounting**  Cash  Accrual  Modified  
Accrual

**ITEMS REQUIRED BY SECTION 4(c) - (k)**

[Insert a line item for each applicable listing]

## EXHIBIT C

### BASIC TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments Delinquent if not received
March 10	40	<p>Issuer forwards payment to Trustee for all collections received as of the last day of February, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.</p> <p>Issuer and/or Administrator should be aware of actual and specific delinquencies</p>
March 15	45	<p>Issuer should be aware if Reserve Fund needs to be utilized for debt service payment on May 1. <b>If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified.</b></p> <p>Issuer should also be aware if, based on collections, there will be a shortfall for November payment.</p> <p>Issuer and/or Administrator should determine if previously collected surplus funds plus actual collections will be fully adequate for debt service in May and November.</p> <p>At this point, if total delinquencies are under 5% and if there is adequate funding for May and November payment, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. <b>For properties</b></p>

**delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure.**

**If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full May and November payment, the collection-foreclosure procedure will proceed against all delinquent properties.**

May 1

Trustee pays bond interest payments to bondholders.

90

Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

Dissemination Agent to notify MSRB if Reserve Fund utilized for debt service.

**Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.**

May 5

95

**Issuer to notify Dissemination Agent for disclosure to MSRB of all delinquencies.**

**If any property owner with ownership of property responsible for more than \$10,000 of the Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the May or November bond payments, the City Treasurer shall work with City Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Assessments.**

June 15

135

**Preliminary Foreclosure activity commences.**

If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.

July 1	150	If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
July 15	165	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than August 1 (day 180).
<b>August 1</b>	<b>180</b>	<b>Foreclosure action to be filed with the court.</b>
<b>August 15</b>	<b>195</b>	<b>Issuer notifies Dissemination Agent of Foreclosure filing status.</b> Dissemination Agent notifies bondholders.
September 1	210	If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify MSRB and the Issuer that it is appropriate to file action.

A committee of not less than 25% of the bondholders may request a meeting with the City Treasurer to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day 30 if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed 5%, bondholders may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the bondholders may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Assessments.

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APPENDIX E

APPRAISAL OF ESTANCIA HILL COUNTRY

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# Paul Hornsby & Company

APPRAISERS AND CONSULTANTS

AUSTIN • DALLAS/FORT WORTH

Paul Hornsby, MAI, SRA, CRE®  
David J. Englund, MAI, SRA  
Eli Hanslik, MAI  
Lance Lawson, MAI  
Chris Hornsby, MAI  
Dawn Smith, MAI  
Clifford Shaw, State Certified

Catherine A. Thomas, State Certified  
Melany Adler, State Certified  
Joseph McAweeney, State Certified  
Katie Daniewicz, State Certified  
Cindy Schechter, State Certified  
Kimberly Garvey, Research Director  
Terri Bowden, Business Manager  
Kristian Thompson, Administrative Assistant

May 16, 2013

Ronald L. Olderog, MAI, SR/WA  
City of Austin  
PO Box 1088  
Austin, Texas 78767

Re: Appraisal of Estancia Hill Country Phase I, Between South IH-35 and Old San Antonio Road, Travis County, Texas.

---

Project Name:	Estancia Phase I
Appraisal District Parcel:	04-4818-0216 (788256), 413.2337 acres
Property Owner:	SLF III - Onion Creek LP
Property Address:	Between South IH-35 and Old San Antonio Road

---

Dear Mr. Olderog:

Pursuant to your request, we have undertaken an appraisal of the above-referenced property, the conclusions of which are set forth in this self-contained report. This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for a self-contained appraisal report. This report has also been prepared in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. We are not responsible for unauthorized use.

The purpose of the appraisal is to estimate the market value of the fee simple interest in eleven parcels of land under the hypothetical condition that certain roadway and infrastructure has been completed. The client is the City of Austin. The intended use is to assist the City of Austin, underwriters, and investors in the issuance of PID bonds. The intended users are the City of Austin and Jefferies, LLC. This report is not intended for any other use. The effective date of this appraisal is March 16, 2013.

Based on the analysis and data herein, it is our opinion that the market value of the properties, under the noted hypothetical condition, as of March 16, 2013, is as follows:

<b>MARKET VALUE CONCLUSIONS</b>						
<b>Tract No.</b>	<b>Preliminary Plan Use</b>	<b>Acres</b>	<b>Sq Ft or Units</b>	<b>Unit of Measure</b>	<b>Unit Value</b>	<b>Indicated Value</b>
Res	Residential	106.76	953,964	Acre	\$96,500	\$10,300,000
1	Multifamily	13.6	272	Multifamily Unit	\$10,900	\$2,960,000
9	Multifamily	12.9	258	Multifamily Unit	\$10,900	\$2,810,000
2	Commercial	21.9	953,964	Square Foot	\$4.50	\$4,290,000
3	Commercial	8.2	357,192	Square Foot	\$6.30	\$2,250,000
4	Commercial	8.1	352,836	Square Foot	\$6.40	\$2,260,000
5	Commercial	7.7	335,412	Square Foot	\$6.70	\$2,250,000
6	Commercial	7.3	317,988	Square Foot	\$6.90	\$2,190,000
7	Commercial	8.7	378,972	Square Foot	\$6.90	\$2,610,000
8	Commercial	11.8	514,008	Square Foot	\$6.70	\$3,440,000
10	Commercial	7.8	339,768	Square Foot	\$7.10	\$2,410,000
Park	Parkland	Various	NA	NA	NA	NA

This letter of transmittal and the pages which follow constitute our report setting forth the data and analyses utilized in formulating the value opinions. Should you have any questions, or if we can be of further assistance, please contact our office.

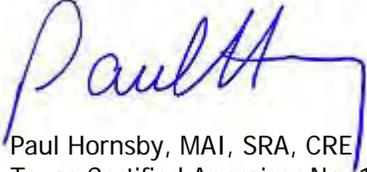
We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have not performed services as an appraiser or in any other capacity involving the subject within the three years prior to acceptance of this assignment.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

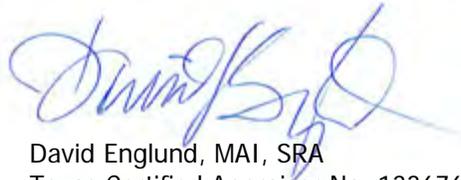


- David Englund made a personal on-site inspection of the property that is the subject of this report. Paul Hornsby inspected from the public right of way.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, Paul Hornsby and David Englund have completed the continuing education program of the Appraisal Institute.

**PAUL HORNSBY & COMPANY,**



Paul Hornsby, MAI, SRA, CRE  
Texas Certified Appraiser No. 1321761-G



David Englund, MAI, SRA  
Texas Certified Appraiser No. 1336764-G

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**HYPOTHETICAL CONDITIONS**

This appraisal is predicated on the following hypothetical conditions. These elements do not yet exist, but are presumed for the purpose of analysis

1. The "Basic Infrastructure" components, including water and wastewater lines to each tract providing sufficient capacity for development, and primary arterial roadway access through the construction of Camino Vaquero Parkway and Estancia Parkway, is completed. Please see page 7 for details.
2. The property is zoned Planned Unit Development (PUD) and a Public Improvement District (PID) exists. Also, the Owner and the City have entered into a Final Annexation and Development Agreement. We note that the completion of the PUD, Final Annexation and Development Agreement, and PID formations are conditions of approval for completion of the PID financing.
3. Rollback taxes have been paid.

Absent these conditions, the value opinions may be different than as set forth herein.

**EXTRAORDINARY ASSUMPTIONS**

1. All infrastructure costs, cash flow, reimbursement agreement, Planned Unit Development (PUD) and other development agreement information supplied to our office are true and correct.
2. The Public Improvement District (PID) bonds will finance the basic infrastructure improvements to be constructed as outlined in Estancia Hill Country Public Improvement District Service and Assessment Plan summarized on page 7. The PID bonds will be special assessment revenue bonds with the debt serviced by special assessments on the real property within the PID. No City taxes will be imposed on the property until the PID bonds are retired so that no undue burden is placed on future landowners.

Absent these assumptions, the value opinions may be different than as set forth herein.

**ORDINARY ASSUMPTIONS**

1. It is assumed that there are no easements or encroachments as of the effective date of this appraisal unless noted within the report.
2. It is assumed that there are no hidden or unapparent conditions of the property, sub-soils, or structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
3. It is assumed that all necessary permits have been obtained and that there has been full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal report.
4. It is assumed that all applicable zoning and use regulations and restrictions are complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
5. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed. I have no knowledge of the existence of such materials on or in the property, and am not qualified to detect such substances. The presence of substances such as asbestos, radon gas, urea-formaldehyde foam insulation, or other potentially hazardous

materials may affect the value of the property. The value estimates are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

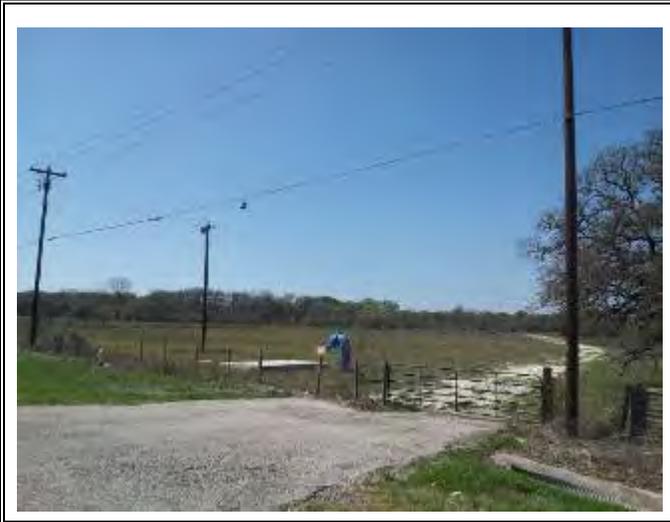
6. Unless otherwise stated in this report, it is assumed that the property is free of any environmental issues, including endangered species or their habitat (i.e., caves) which might preclude development or otherwise affect the value of the property. No responsibility is assumed regarding the presence or absence of such features and the client is urged to retain an expert in these fields, if desired, as the appraiser is not qualified to discover such conditions.

### **LIMITING CONDITIONS**

1. The legal description furnished our firm is assumed to be correct. We assume no responsibility for matters legal in character, nor render any opinion as to the title, which is assumed to be good. The property has been appraised as if under responsible ownership and competent management.
2. We have made no survey and assume no responsibility in connection with such matters therefore, reference to a sketch, plat, diagram, or survey appearing in the report is only for the purpose of assisting the reader to visualize the property. The firm believes that the information contained in this report, although obtained from public record and other reliable sources and, where possible, carefully checked, is reliable, but assumes no responsibility for its accuracy.
3. The construction and condition of the property mentioned in the body of this report are based on observation and no engineering study has been made which could discover any possible latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study is made.
4. We are not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been previously made.
5. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraiser(s) with the exception of its reproduction for inclusion with the Preliminary and Final Official Statement of the PID bond offering.
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author(s), particularly as to valuation and conclusions, the identity of the appraiser or firm with which they are connected, or any reference to the Appraisal Institute, the SRA, CRE or the MAI designation.
7. The appraisers' liability regarding the statements and conclusions reported herein is limited to the fee charged for the assignment.

## **INTRODUCTION**

**SUBJECT PHOTOGRAPHS**



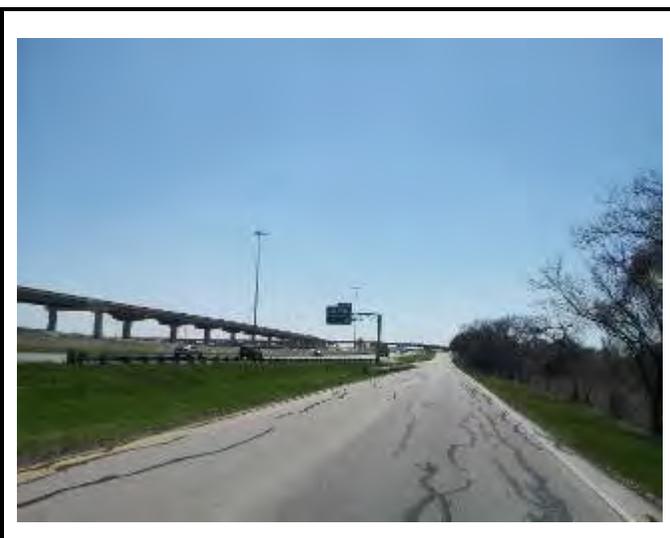
Northwest corner of subject is in the background, this view is across the adjacent land from the IH-35 ROW

Date of Photo: March 16, 2013



South along the subject's east border on IH-35 near the Lennar sign announcing their plans to open in the fall of 2013

Date of Photo: March 16, 2013



IH-35 southbound frontage road as it approaches Puryear and SH-45, the off-ramp in this photo will be flipped to an on-ramp

Date of Photo: March 16, 2013



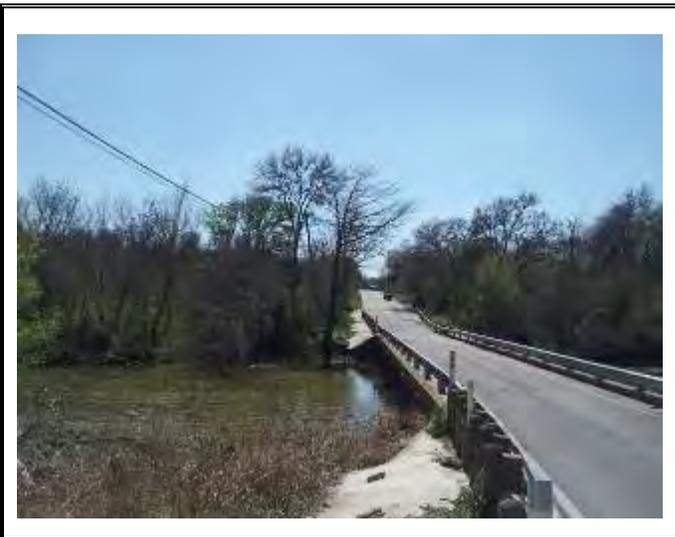
West on Puryear Road, entrance to the right is to the south portion of the land adjacent to IH-35 that will become Phase II, at the end of the road is the land that will become Phase III

Date of Photo: March 16, 2013



North on Old San Antonio Road near the intersection of Field Road, the approximate southwest corner of Phase I is to the right

Date of Photo: March 16, 2013



South on Old San Antonio Road at the bridge over Onion Creek near the subject's northwest corner

Date of Photo: March 16, 2013



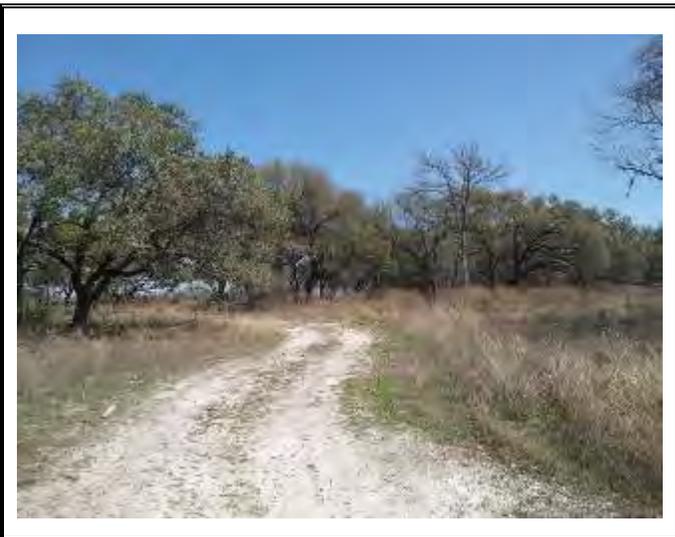
Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



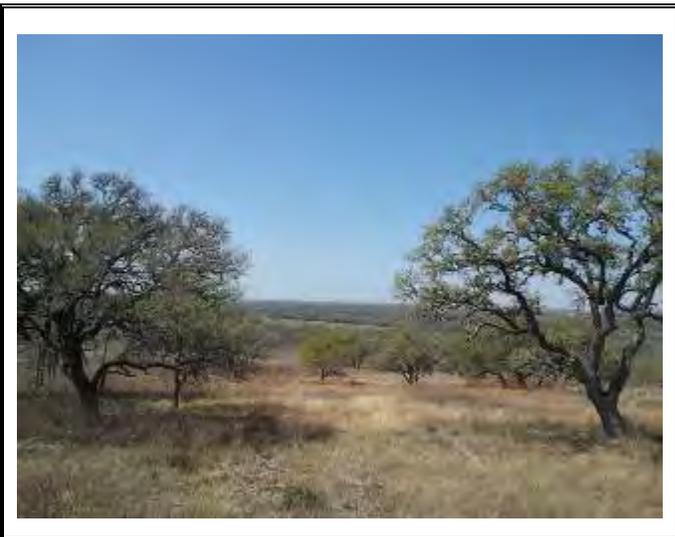
Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013



Interior

Date of Photo: March 16, 2013

## **INTRODUCTION**

Estancia Hill Country is a 600-acre mixed-use development located in far south Austin along the west line of IH-35, north and west of Puryear Road, and on both sides of Old San Antonio Road. The subject of this appraisal is Improvement Area #1, or Phase I, and is comprised of  $\pm 214.76$  acres plus parkland in the northern-most section of the three-phase development. It is bordered by Old San Antonio Road on the west, IH-35 on the east, Phase II on the south, and Onion Creek on the north.

Estancia Hill Country is a master planned community. The tract will be annexed by the City of Austin for limited purposes and subsequently entitled with Planned Unit Development District (PUD) zoning. A Public Improvement District (PID) will be established for the purpose of financing the infrastructure costs through municipal bonds to be paid through assessments to end users – the eventual site owners. A full purpose annexation of the property is planned after the PID bonds are retired.

An Interim Annexation and Development Agreement between the City of Austin and SLF III-Onion Creek was signed by the property owners on January 30, 2013. The agreement outlines the desire to annex the property, have the property zoned PUD, and to create a PID. The term of the agreement is until June 26, 2013, after which the owner acknowledges that if approvals for annexation, zoning, the PID, and the Final Development Agreement are not obtained, the property will be subject to annexation at the discretion of the City Council.

In a January 2013 project summary produced by Stratford Land, Estancia's owner, construction was expected to begin in February 2013 and be completed by the summer of 2013 (at the time of our inspection on March 16, 2013, construction had not yet begun). Infrastructure financed by the PID arrangement includes the following according to the Estancia Hill Country Public Improvement District Service and Assessment Plan, January 31, 2013.

- **Wastewater Line:** The Wastewater Line consists of  $\pm 6,900$  linear feet (LF) of wastewater collection system ranging from 8"-24" in diameter with a depth ranging from 8 feet deep to 50 feet deep. The Wastewater Line also includes a 409 LF bore and will tie into the City's capital improvement project located along Onion Creek. The Property is located parallel to Onion Creek and a portion of Old San Antonio Road. The Wastewater Line will benefit Improvement Area # 1. The Wastewater Line will be constructed to City and County standards and specifications and owned and operated by the City.
- **Water Line:** The Water Line consists of  $\pm 8,900$  linear feet (LF) of water distribution system ranging from 8"-16" in diameter. The Water Line will tie into the City's capital improvement project located along the IH-35 frontage road adjacent to the Property. The Water Line will benefit Improvement Area # 1. The Water Line will be constructed to City and County standards and specifications and owned and operated by the City.
- **Estancia Parkway (Phase I):** Estancia Parkway (Phase I) is a 90 foot parkway consisting of  $\pm 3,900$  LF of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Estancia Parkway provides a link between Old San Antonio Road and Camino Vaquero Parkway. It will eventually connect the Project out to Puryear Parkway in Phase II. The roadway will be constructed to City and County standards and specifications and owned and operated by the County.
- **Camino Vaquero Parkway:** Camino Vaquero Parkway is a 90 foot parkway consisting of  $\pm 1,300$  LF of roadway with retaining walls, turn lanes, curb and gutter systems, and revegetation of all disturbed areas within the right-of-way. Camino Vaquero Parkway provides a link between IH-35 southbound access road and Estancia Parkway. It will eventually connect to a new IH-35 acceleration and deceleration lane into and out of the Project. The roadway will be constructed to City and County standards and specifications and owned and operated by the County.

- Existing Central Pond Improvements: These will include a reconstructed outlet structure to the existing pond located near the center of the Property. This will allow the pond to function as a detention structure for Camino Vaquero Parkway and Estancia Parkway (Phase I). The central pond improvements will be constructed to City and County standards and specifications and owned and operated by the County, but maintained by the Property Owners Association.
- Wet Pond North: Wet Pond North has been designed for fully-developed conditions for Improvement Area # 1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to the Wet Pond North. Flow dissipaters and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berms will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements. Wet Pond North will be constructed to City and County standards and specifications and owned and operated by the County, but maintained by a Property Owners Association.
- Wet Pond West: Wet Pond West has been designed for fully-developed conditions for Improvement Area # 1. The inlet and outlet structures have been designed assuming fully-developed conditions of all development that will eventually drain to Wet Pond West. Flow dissipaters and spreaders will be used to ensure a smooth transition from channel to sheet flow. Temporary rock berms will be utilized at all discharge points to reduce velocities and control erosion until permanent vegetation and controls are established. All storm sewer and drainage conveyance will be contained within proposed drainage easements. The project will be constructed to City and County standards and specifications and owned and operated by the County, but maintained by a Property Owners Association.
- TxDOT Ramp Relocations: The existing ramps to the access road along the frontage of IH-35 prevent access to Camino Vaquero Parkway without exiting IH-35 near Onion Creek Parkway. Per discussions with TxDOT and with their support, the north entrance ramp near Onion Creek will become an exit ramp from IH-35 to the access road. The south exit ramp will become an entrance ramp to IH35 from the access road. Surveying and geotechnical information will be prepared by to assist TxDOT with the design and construction of the ramps. The ramps will be designed to TxDOT standards and specifications and once constructed, will be owned and operated by TxDOT.
- Drainage: This will consist of drainage improvements to support the installation of Camino Vaquero Parkway and Estancia Parkway. Runoff conveyance will consist of box culverts and storm sewer system sized to convey the 100 year storm to the ponds that are proposed to be constructed. The roadway runoff will be routed to one of three ponds located within the development which were designed for detention and water quality purposes. The drainage improvements will be constructed to City and County standards and specifications and owned and operated by the County.
- Entry Monumentation: This shall consist of the construction of an entrance monument at the intersection of IH-35 and Camino Vaquero Parkway and an entrance monument at the intersection of Old San Antonio Road and Estancia Parkway. The entry monumentation will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.
- Hardscape: This shall consist of the installation of hardscaping to include sidewalks, fencing, driveway improvements, parking, lighting, and signage within the PID. The hardscaping will be constructed to City and County standards and specifications. The hardscaping will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.
- Landscaping: This shall consist of the installation of landscaping including plants, shrubs, and trees within Improvement Area # 1. The landscaping will be installed to City and County standards and

specifications. The hardscaping will be located either within the County right-of-way or within an easement granted to the County and will maintained by a Property Owners Association.

- Hike & Bike Trail System: The Hike & Bike Trail System will be located parallel to Old San Antonio Road and Onion Creek and will connect the parks and trail system within Improvement Area # 1 together. The trails will consist of a mixture of improved pathways with several ancillary improvements (benches, playscapes, points of interest, etc.) along or near the pathways. The Hike & Bike Trail System will be constructed to City and County standards and specifications will be owned by a Property Owners Association and covered by an easement granted to the County or City.

The estimated costs for Phase I/Improvement Area #1 are summarized in the table below. The preliminary cost of Phase II was estimated at \$13,490,120 and Phase III at \$6,594,864, a total project cost of \$33 million.

<b>Estancia Hill Country Phase 1 Infrastructure Costs</b>					
	<b>Hard Costs (a)</b>	<b>Soft Costs (a)</b>	<b>Construction Mngmt (b)</b>	<b>Contingency (c)</b>	<b>Total</b>
Offsite Wastewater Line	\$1,439,434	\$279,000	\$57,577	\$143,943	\$1,919,955
Wastewater	\$174,745	\$60,000	\$6,990	\$17,475	\$259,209
Water Line	\$1,150,025	\$60,000	\$46,001	\$115,003	\$1,371,029
Estancia Parkway (Phase 1)	\$1,569,696	\$110,000	\$62,788	\$156,970	\$1,899,453
Camino Vaquero Parkway	\$392,424	\$60,000	\$15,697	\$39,242	\$507,363
Existing Central Pond Improvements	\$122,000	\$40,000	\$4,880	\$12,200	\$179,080
Wet Pond North	\$250,000	\$40,000	\$10,000	\$25,000	\$325,000
Wet Pond West	\$308,000	\$40,000	\$12,320	\$30,800	\$391,120
TxDOT Ramp Flip	-	\$200,000	-	-	\$200,000
Drainage	\$1,861,886	\$110,000	\$74,475	\$186,189	\$2,232,550
Monumentation	\$700,000	\$55,000	\$28,000	\$70,000	\$853,000
Hardscape	\$442,215	\$110,000	\$17,689	\$44,222	\$614,125
Landscape	\$970,206	\$110,000	\$38,808	\$97,021	\$1,216,035
Hike & Bike Trail System	\$345,799	\$45,000	\$13,832	\$34,580	\$439,211
Erosion Control and Misc. Bond Costs	\$840,667	\$20,000	\$33,627	\$84,067	\$978,360
Misc Soft Costs (fees, fiscals, etc)	-	\$1,144,109	-	-	\$1,144,109
<b>Total Authorized Improvements</b>	<b>\$10,567,097</b>	<b>\$2,483,109</b>	<b>\$422,684</b>	<b>\$1,056,712</b>	<b>\$14,529,599</b>

a) Cost estimates provided by Bury+Partners. The figures shown in Table III-A are estimates and may be revised in Annual Service Plan Updates. Some soft costs shown in Table III-A have been completed and will be reimbursed upon issuance of the PID Bonds for Improvement Area #1 pursuant to the PID Financing Agreement.

(b) Construction Management equals 4% of estimated hard costs.

(c) Contingency equals 10% of estimated hard costs.

Source: Stratford Land

In order to fund public infrastructure for development, the City of Austin will issue PID tax-exempt municipal bonds. The table includes the construction budget to build the spine roads as well as extension and installation of water and wastewater facilities to provide sufficient capacity for development. Future sub-development will be undertaken within the tracts or segments designated by the Preliminary Plan, a copy of which is included in this report. The cost of development within the tracts is not included in the master budget.

The PID structure is relatively new to the Austin market and has been used in Dallas and Houston. The City has a PID agreement with Whisper Valley and Indian Hills, two mixed-use developments currently under construction. In the past, Municipal Utility Districts (MUDs) were more commonly established to offset the cost of development. A MUD is under the authority of the Texas Water Code, a PID under the Texas Local Government Code. The PID allows municipalities to more closely dictate development regulations.

A MUD tax is assessed like a local property tax and can be continued indefinitely, whereas a PID assessment is amortized and has a payoff. Both are usually assessed in lieu of a city tax, and in most cases the MUD tax rate in the Austin market is in the 0.9% to 1.0% range compared to the City of Austin's current tax rate of

0.5029%. The PID agreement defines a "maximum annual assessment . . . that does not exceed 125% of such Parcel's anticipated buildout value (as determined by the Feasibility and Market Study Analysis) times the City's tax rate in the fiscal year the assessment is determined." This will keep the assessment in the range of the city's tax rates. Owners, including buyers of future divisions of lots and tracts, are assessed and billed in a manner similar to a property tax through annual payments. The PID bonds are to be secured by a property assessment lien to end users, and the PID has the right of foreclosure if a property owner fails to make scheduled payments.

For the end user, this structure should be transparent and provide neither a benefit nor a burden. For the developer, this arrangement mitigates substantial early risk as the municipality becomes a financial partner at the most uncertain stage of the development.

The value conclusion is stated as of the current date under the hypothetical condition that the initial phases of infrastructure are complete as of the current date. In addition, the value estimate recognizes the ultimate level of entitlements and their contribution, including PUD zoning and the PID agreement. The individual tracts or parcels are valued individually as if each is sold independent of the others. The individual value does not recognize the effect of supply and demand and the time necessary to sell the individual parcels, nor does it represent bulk value as if the entire site is sold to a single purchaser in one transaction.

**EFFECTIVE DATE OF VALUE**

March 16, 2013

**PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to estimate the market value of the fee simple interest in eleven parcels of land under the hypothetical condition that certain roadway and infrastructure has been completed.

**CLIENT, INTENDED USE AND USERS OF THE APPRAISAL**

The client is the City of Austin. The intended use is to assist the City of Austin, underwriters, and investors in the issuance of PID bonds. The intended users are the City of Austin and Jefferies, LLC. This report is not intended for any other use.

**PROPERTY RIGHTS APPRAISED**

The property rights appraised are the fee simple interest in the property. Fee simple interest is an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.<sup>1</sup>

**DEFINITION OF MARKET VALUE**

Market Value is the price which the property would bring when it is offered for sale by one who desires, but is not obligated to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future.<sup>2</sup>

**LEGAL DESCRIPTION**

The following legal description was obtained from public records and is assumed to be correct. The larger parcel is described as two tracts containing 418.601 and 180.577 acres, a total of 599.178 acres. The subject, Phase I, is a ±214.760-acre tract plus parkland that is located within the 418.601-acre tract segment.

Tract 1 (Phase I and II): being all of that certain 418.601 acre tract of land out of the S.F. Slaughter Survey No. 1, The Santiago Del Valle Grant and the Trinidad Varcinas Survey No. 535, situated in Travis County, Texas, being the same 418.03 acre tract (Tract A1-A2) of land conveyed to Harriet "Hatsy" Heep Shaffer by Partition Deed of Record In Document No. 2000089761 of the Official Public Records of Travis County, Texas; and, Tract 2 (Phase III): being 180.577 acre tract of land out of the J.S. Irvine Survey No. 4 and the S.V.R. Eggleston Survey No. 3 situated in Travis County, Texas, being most of that same certain 181.31 acre tract (Tract C) of land conveyed to Harriet "Hatsy" Heep Shaffer by Partition Deed of Record In Document No. 2000089761 of the Official Public Records of Travis County, Texas.

**OWNER OF RECORD AND HISTORY**

According to the Travis County Deed Records, ownership of the subject property is vested in SLF III – Onion Creek, L.P., care of The Stratford Company, 5949 Sherry Lane, Dallas, Texas. This party purchased the property from Harriet "Hatsy" Heep Shaffer and David Ellsworth Shaffer on December 19, 2007 as outlined in

<sup>1</sup> *The Appraisal of Real Estate, 13<sup>th</sup> Edition*, (Chicago: Appraisal Institute, 2008) p. 111.

<sup>2</sup> City of Austin vs. Cannizzo, et al., 267 S.W.2d 808,815 [1954]



a Special Warranty Deed filed in Document No. 2007226648 in the Official Public Records of Travis County, Texas. The acquisition price was \$48,000,000 per the buyer.

The acquisition price of \$48,000,000 for 599.178 acres is approximately \$80,000 per acre, or \$1.84 per square foot. There is no evidence of development activity at the site as of the effective date of the appraisal. The owner stated that approximately \$2 million has been spent in the entitlement process since the purchase.

Tract 2, the land that will comprise Phase III of Estancia Hill County, was transferred in 18 separate transactions of ±10-acre tracts on May 9, 2009. The sales were recorded in Warranty Deeds filed in Document Nos. 2009078591 through 2009078609 of the Official Public Records of Travis County, Texas. SLF III – Onion Creek, L.P. was the grantor, and each transaction involved a different grantee. S. Randall Hearne, CFO of Stratford Land, is listed as the party responsible for property taxes in each of the tax records. The transactions represent internal transfers and are not market sale transactions; consequently, there is no sales price and the transactions are irrelevant to our analysis.

In 2009, SLF III – Onion Creek, L.P. donated a 5.3673-acre tract to the City of Austin, attention Austin Water Utility, for a water tower site. The transaction was filed in Document No. 2009190064. The tract is a flag-shaped lot at the north boundary of Tract 1F of the Preliminary Plan on page 42.

There is a pending offer pertaining to the residential section and a Letter of Intent (LOI) for one of the multifamily sections. Lennar Homes of Texas Land and Construction, Ltd. submitted an offer dated May 14, 2012 for approximately 100 acres, later refined to the 106.76-acre residential area designated at Tracts 5D, 7D, 6F, and 6D in Improvement Area #1 (Phase I). The price was originally tied to \$475 per front foot of the total home sites as approved in the Site Plan, but no less than \$9,639,875. A \$100,000 deposit was promised at the time of the offer.

There have been six amendments to the pending offer including changes to deadlines, a restricted covenant requirement for adult-oriented businesses, maximum PID assessments of \$1,190 for 50 front foot lots and \$1,420 for 60 front foot lots, and recognition of annexation and formation of a PID. The sixth and final amendment dated March 7, 2013, outlines certain easements, a community wall, and legally describes the residential site as containing two tracts of 71.529 and 35.176 acres, a total of 106.705 acres. In addition, the purchase price was modified to \$10,022,500, \$93,879 per acre, with no reference to front feet or any other controlling factor. Storm water and detention conveyances were added, the maximum PID assessments were raised to \$1,217 for 50 front foot lots and \$1,645 for 60 front foot lots with a 2% per annum increase, and acknowledgement is made of a lot plan that contains 205 fifty-front-foot and 180 sixty-front-foot lots. The master plan indicates that 386 lots are planned for the residential section, but Lennar's representative stated that the most recent plan is for 385 lots. The offer represents a land acquisition cost for Lennar of \$26,032 per lot.

The Letter of Intent is for the multifamily tract designated as Tract 9. It is dated March 4, 2013, and was submitted by Carroll Capital Investments, LLC, represented by Roy E. Carroll, II, Manager. The price is \$3,700,000 for 312 units, or \$11,859 per unit. The site is estimated at 16 acres in the LOI, but the master plan shows the site will contain 12.9 acres, which was confirmed by Stratford Land. The master plan indicates that 20 units per acre are to be built on the site. The size is subject to change as the multifamily and commercial sections are somewhat interchangeable, and any changes would alter our value estimates by shifting the unit value from one land type to another. However, the base value of these two types is similar, and the overall value would not be measurably impacted by relatively small exchanges of a few acres from one type to another.

This information is included to satisfy the requirements of USPAP. It is not intended as a guarantee to the chain of title, and a title search should be performed by a title company should a definitive abstract be desired.

**AD VALOREM TAXES**

The subject is part of a 418.601-acre tract (413.2337-acre per tax records) under Travis Central Appraisal District (TCAD) ID No. 788256. This parcel ID includes all of Phase I and Phase II. The development's remaining  $\pm 181$  acres are located in Phase III and are identified by 18 separate tax ID numbers with  $\pm 10$  acres each. The taxing entities and their 2012 rate of assessment that relate to the Phase I and II tract are the Austin Independent School District (1.242, applied to 73% of the Phase I and II site as shown in the image to the left), the Hays Consolidated School District (1.4613, applied to 27% of the Phase I and II site), Travis County (0.5001), the Travis County Healthcare District (0.078946), the Travis County ESD No. 5 (0.1), and Austin Community College (0.0951).

The Travis Central Appraisal District reflects a land value of \$5,165,421 for the 413.2337 acres assessed under this tax ID, or \$12,500 per acre. There is no improvement assessment. The property has an agricultural exemption of \$5,070,873, resulting in an assessed value of \$94,548.

The subject currently benefits from an agricultural valuation. This is the application of a lower tax rate granted by the local taxing authority on improved or unimproved property which is devoted to, or available for, the production of crops and other products of the soil, e.g., fruits, timber, pasture, and buildings for livestock. The exemption will not be available to the property once development occurs. At that point, the subject will be subject to roll-back taxes, a five year retroactive tax on the use-change portion, but all sales of development land are assumed to be treated equally.

**SCOPE OF WORK**

To complete the assignment, a number of steps were undertaken. The most salient of these are listed below.

- David Englund made an onsite inspection of the property on March 16, 2013. The inspection included walking and/or driving portions of the interior and perimeter of the site. Paul Hornsby performed an off-site inspection for this assignment, and has previously inspected on site.
- The neighborhood was inspected from numerous roads, and trends in residential and commercial development were noted.
- We reviewed documents specific to the subject including surveys, deed records, tax plats, flood plain maps, topographical maps, and aerial maps.
- Design plans for the proposed road and utility extensions, consisting of preliminary drawings, construction agreements, and budgets, were reviewed.
- A highest and best use analysis was performed to determine the physically possible uses, legally permissible uses, financial feasibility, and maximally productive use of the property.
- The three traditional valuation techniques were considered to estimate the value of the subject. The Sales Comparison Approach (land only) was utilized. The Income Capitalization Approach, Cost Approach, and Sales Comparison Approach (improved) were not used as the subjects are individual lots with no improvements.
- Sales were confirmed by research of county deed records, conversations with various real estate brokers, Co-Star Group, LoopNet (internet based real estate sales data, by subscription), and the Austin Multiple Listing Service. The time frame for our data search was from 2008 through the effective date. The

geographic area of research included Travis and Williamson Counties. The sales were inspected from perimeter roadways, and data were confirmed with parties directly involved with the transactions (buyer, seller, or brokers) or associates having special knowledge of the transactions.

- Additional steps taken to gather, confirm, and analyze relevant data are detailed in individual sections of the report. A study of overall market conditions by property type, competing subdivisions, vacant lot inventories, and local development trends was performed by researching local publications and through conversations with developers, brokers, and participants in the market. Sources for additional data include general market and industry reports published by residential and commercial market research sources, the Austin MLS system, Texas A&M Real Estate Research Center, the local newspaper, and business publications.

**MARKET AND SITE DESCRIPTION AND ANALYSES**

**AUSTIN AREA ANALYSIS**

As of year-end 2012, the Austin MSA has begun showing signs of recovery from the recent economic inertia. However, strong underlying fundamentals are tempered by the national economic contraction and global economics. Softness continues to be evident in the industrial, retail, office, and land development markets. However, some markets are showing signs of recovery including the single family and multi-family sectors. Developers are acquiring lots and new single family construction is in swing. The multi-family market has high occupancies, and like the single family market, developers are in site acquisition and development mode with development financing becoming available for selected projects. The retail and office markets have also bottomed and are in the early stages of an upward trend.

**POPULATION**

The Austin MSA includes Travis, Hays, Williamson, Caldwell, and Bastrop Counties. The MSA ranks as the 35th largest in the United States according to the U.S. Census Bureau. The remarkable rates of population growth in the Austin area are due to large in-migration as well as the youthful make-up of Austin's citizens. The tables below provide a brief summary of recent population trends for the Austin MSA:<sup>3</sup>

Austin MSA Population Trends				
	Census Population		Change, 2000 to 2010	
	2010	2000	Number of Residents	Percent
Bastrop County	74,171	57,733	16,438	28.47%
Caldwell County	38,066	32,194	5,872	18.24%
Hays County	157,107	97,589	59,518	60.99%
Travis County	1,024,266	812,280	211,986	26.10%
Williamson County	422,679	249,967	172,712	69.09%
MSA Total	1,716,289	1,249,763	466,526	37.33%

<sup>3</sup>U.S. Census Bureau, <http://www.census.gov/>

According to Census 2010 figures, the Austin MSA was the eighth fastest growing area in the nation. From 2000 to 2010, the Austin MSA experienced a 37.33% growth rate, largely attributed to influx from other cities. Since the mid 1990's, 70% of the total population increase was due to in-migration. The table below is a list of the top ten fastest growing Metropolitan Statistical Areas in the nation over the last decade.<sup>4</sup>

U.S. Metropolitan Areas Ranked by Percent Population Change					
Rank	Metropolitan Statistical Area	Census Population		Change	
		2010	2000	Number	Percent
1	Palm Coast, FL	95,696	49,832	45,864	92.04%
2	St George, UT	138,115	90,354	47,761	52.86%
3	Las Vegas-Paradise, NV	1,951,269	1,375,765	575,504	41.83%
4	Raleigh-Cary, NC	1,130,490	797,071	333,419	41.83%
5	Cape Coral-Fort Myers, FL	618,754	440,888	177,866	40.34%
6	Provo-Orem, UT	526,810	376,774	150,036	39.82%
7	Greeley, CO	252,825	180,926	71,899	39.74%
8	<b>Austin-Round Rock-San Marcos, TX</b>	<b>1,716,289</b>	<b>1,249,763</b>	<b>466,526</b>	<b>37.33%</b>
9	Myrtle Beach-North Myrtle Beach-Conway, SC	269,291	196,629	72,662	36.95%
10	Bend, OR	157,733	115,367	42,366	36.72%

Austin area population histories and projections from the Real Estate Center at Texas A&M University are summarized below.<sup>5</sup>

Austin Area Population Histories and Projections						
Year	City of Austin	Annualized Growth Rate	Travis County	Annualized Growth Rate	Austin-Round Rock-San Marcos MSA	Annualized Growth Rate
1940	87,930		111,053		214,603	
1950	132,459	5.50%	160,980	3.80%	256,645	1.80%
1960	186,545	3.20%	212,136	2.80%	301,261	1.60%
1970	251,808	3.20%	295,516	3.40%	398,938	2.80%
1980	345,890	1.30%	419,573	3.60%	585,051	3.90%
1990	465,622	-0.20%	576,407	3.20%	846,227	3.80%
2000	656,562	4.30%	812,280	3.50%	1,249,763	4.00%
2005	700,407	1.20%	893,295	2.20%	1,464,563	3.20%
2010	785,850	1.53%	1,033,553	2.50%	1,752,938	2.75%
2011	807,540	2.76%	1,059,392	2.50%	1,801,144	2.75%
2012	821,672	1.75%	1,085,877	2.50%	1,850,675	2.75%
2013	836,051	1.75%	1,113,024	2.50%	1,901,569	2.75%
2014	852,772	2.00%	1,143,632	2.75%	1,958,616	3.00%
2015	867,696	1.75%	1,175,082	2.75%	2,017,374	3.00%
2020	943,998	1.50%	1,355,637	2.75%	2,355,760	3.00%
2025	1,016,954	1.50%	1,552,575	2.75%	2,730,972	3.00%
2030	1,095,459	1.50%	1,756,596	2.50%	3,127,709	2.75%
2035	1,165,754	1.25%	1,963,309	2.25%	3,538,716	2.50%
2040	1,225,219	1.00%	2,167,651	2.00%	4,003,732	2.50%

<sup>4</sup> U.S. Census Bureau, <http://www.census.gov/main/www/cen2000.html>

<sup>5</sup> Real Estate Center at Texas A&M University <http://recenter.tamu.edu/mreports/2011/AustinRRock.pdf>

**EMPLOYMENT**

The following charts show employment statistics and changes in the Austin MSA. While employment in the Austin MSA and Texas have not been` affected as much as the national economy, the slow-down is evident in most market sectors.

Changes From Previous Year						
	2007	2008	2009	2010	2011	2012
Total Civilian Employment	1.0%	0.4%	0.3%	1.3%	4.9%	4.6%
Non-agriculatural employment	4.2%	1.6%	-3.1%	1.5%	3.7%	4.3%

	Year End 2011	3rd Q 2012	4th Q 2012	Trailing Year Change	YTD Increase	Quarterly Increase
Total Civilian Employment	882,100	903,700	922,600	4.6%	4.6%	2.1%
Non-agricultural employment	799,300	818,200	833,900	4.3%	4.3%	1.9%
Unemployment	6.1%	6.4%	5.0%			

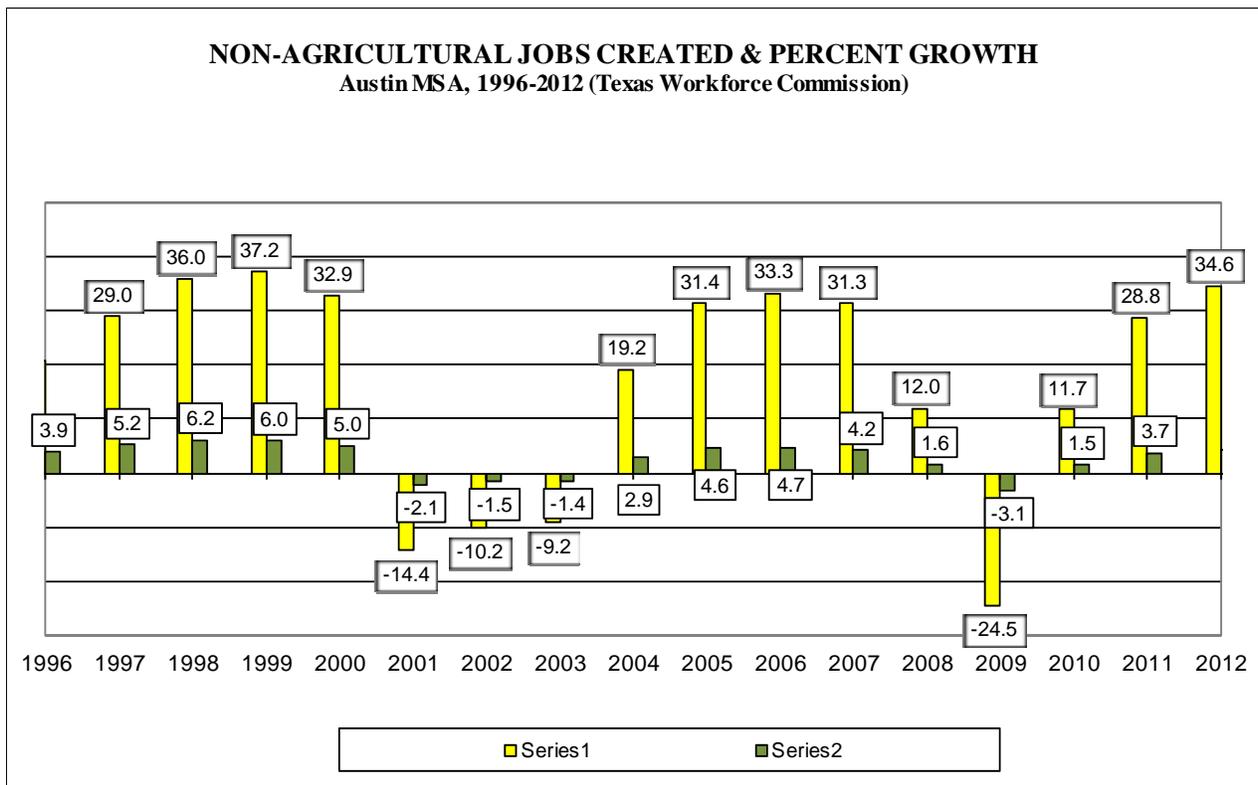
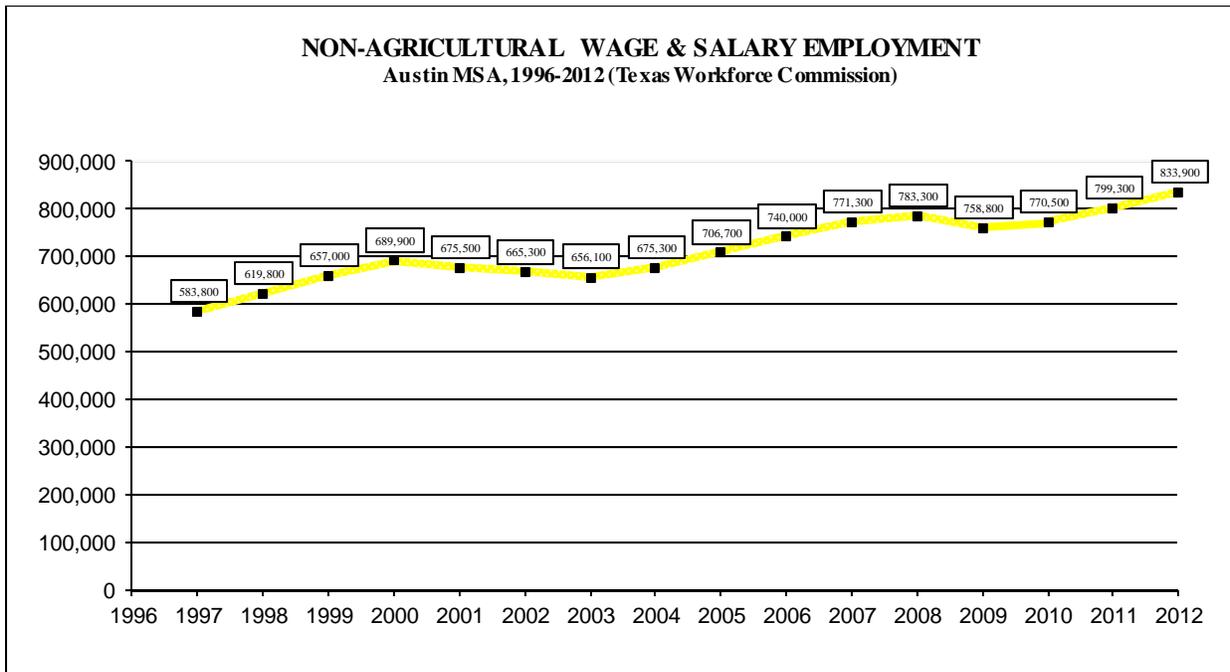
Employment trends are summarized below.6

Civilian Labor Force & Unemployment Rate					
Austin MSA 1991 - 2011					
Year	TLF	Emp	% Chg Emp	Unemp	% Unemp
1992	531,483	511,054	-	20,429	3.8%
1993	558,605	540,552	5.8%	18,053	3.2%
1994	597,126	580,458	7.4%	16,668	2.8%
1995	624,269	607,487	4.7%	16,782	2.7%
1996	639,320	620,329	2.1%	18,991	3.0%
1997	658,460	641,180	3.4%	17,280	2.6%
1998	691,908	676,526	5.5%	15,382	2.2%
1999	718,053	703,917	4.0%	14,136	2.0%
2000	755,177	743,072	5.6%	12,105	1.6%
2001	759,100	723,900	-2.6%	35,200	4.6%
2002	772,800	734,400	1.5%	38,400	5.0%
2003	770,800	733,900	-0.1%	36,900	4.8%
2004	779,800	748,600	2.0%	31,200	4.0%
2005	814,100	782,700	4.6%	31,400	3.9%
2006	843,900	816,100	4.3%	27,800	3.3%
2007	855,000	824,200	1.0%	30,800	3.6%
2008	873,100	827,600	0.4%	45,500	5.2%
2009	892,700	830,000	0.3%	62,700	7.0%
2010	902,600	840,500	1.3%	62,100	6.9%
2011	939,200	882,100	4.9%	57,100	6.1%
2012	971,200	922,600	4.6%	48,600	5.0%

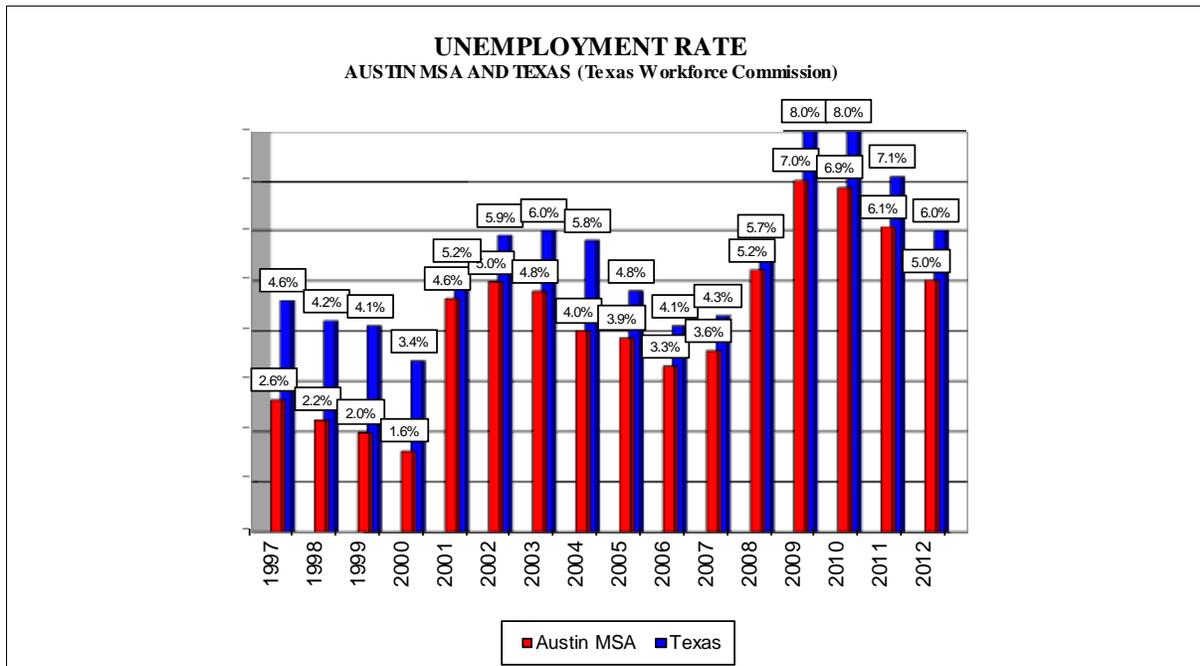
TLF: Total Civilian Labor Force; Emp: Total Employment; % Chg Emp: Percent Change in Total Employment; Unemp: Total Number Unemployed; % Unemp: Unemployment Rate.

6 Texas Workforce Commission, www.twc.state.tx.us





The local unemployment rate, as compared with that of the state, is represented in the following graph.



**MAJOR EMPLOYERS**

The major employers in Austin are primarily in the government, education and high-tech sectors. Following is a table showing some of Austin's major employers, as provided by the Austin Chamber of Commerce.

Major Employers		
Company	Business Focus	Employees
State of Texas	State Government	65,491
Dell Computer Corporation	Computer Systems	17,000
University of Texas at Austin	Higher Education, Research and Public Service	14,104
Austin Independent School District	Public Education	10,610
City of Austin	City Government	10,000
Seton Health Care Network	Health Care	6,743
IBM Corporation	Electronic circuit cards, hardware and software for personal systems and advanced workstations	6,300
St. David's Healthcare Partnership	Health Care	6,219
Round Rock Independent School District	Public Education	5,175
Freescale Conductor	Embedded processing solutions	5,000
IRS/ Austin Center	Regional processing center for federal income tax returns	4,500

**SUMMARY**

With a trailing year 4.3% non-agricultural employment growth, Austin continues to fare better than most cities in the nation. The national economy appears to have bottomed, and the only significant impediment to a full rebound is the prospect of European economic collapse. As in most up-cycles, single and multi-family development will lead the recovery, with the retail, office and industrial markets reflecting more modest improvement.

**NEIGHBORHOOD ANALYSIS**



Estancia Hill Country is a 600-acre mixed-use development located in far south Austin along the west line of IH-35 north and west of its intersection with Puryear Road and on both the east and west sides of Old San Antonio Road. The subject is Improvement Area #1 or Phase I and is comprised of ±214.76 acres plus parkland in the northern-most section of the development. It is bordered by Old San Antonio Road on the west, IH-35 on the east, Phase II on the south, and Onion Creek on the north.

**LINKAGES**

Primary access to the area is provided by IH-35, a north-south arterial extended through the middle of Austin, and SH-45 and SH-130, part of the new Austin toll road system. SH-130 is located approximately seven miles to the east and is accessed via SH-45. The toll road in this area was completed in 2007 to 2008 and connects Georgetown at IH-35 on its north end to Seguin at IH-10 at its south end. This is a major arterial intended to bypass Austin in a north-south direction.



## DEMOGRAPHIC DATA

Category	Population			Number Households			Median HH Income		
	5 miles	10 miles	20 miles	5 miles	10	20	5 miles	10	20
2000 Census	52,235	280,503	758,215	18,357	108,151	292,074			
2010 Census	88,911	363,742	942,413	33,054	141,945	361,854			
2012 Estimate	96,199	381,297	987,540	35,860	148,993	379,913	\$59,582	\$51,433	\$50,755
2017 Projected	113,214	432,742	1,115,867	42,276	168,968	430,342	\$65,283	\$58,049	\$58,109

	Population			Number Households			Median HH Income		
	5 miles	10 miles	20 miles	5 miles	10	20	5 miles	10	20
2000-2010 ROC	5.46%	2.63%	2.20%	6.06%	2.76%	2.17%			
2010-2012 ROC	3.56%	2.11%	2.10%	3.68%	2.18%	2.19%			
2012-2017 ROC	3.31%	2.56%	2.47%	3.35%	2.55%	2.52%	1.84%	2.45%	2.74%

Source: Site to do Business, 2013, STDBonline.com.

In a 20-mile radius, the current population is 987,540. In 2010, the Census count in the area was 942,413. The rate of change since 2010 was 2.11% annually. The five-year projection for the population in the area is 1,115,867 representing a change of 2.47% annually from 2012 to 2017. Currently, the population is 50.7% male and 49.3% female.

In the 5-mile radius, the growth of south Austin and the north Hays County markets is evident as the 6.06% increase was almost three times the larger 20-mile area's 2.17%. In the last two years, the household count in the 20-mile area has changed from 361,854 to 379,913, a rate of change of 2.19% annually. The five year projection of households is 430,342, a change of 2.52% annually from the current year total. Average household size is currently 2.52, the same as in 2010. The number of families in the current year is 211,294 in the specified area.

Current median household income is \$50,755 in the 20-mile area, compared to \$50,157 for all U.S. households. Median household income is projected to be \$58,109 in five years, compared to \$56,895 for all U.S. households. Current average household income is \$75,107 in this area, compared to \$68,162 for all U.S. households. Average household income is projected to be \$85,789 in five years, compared to \$77,137 for all U.S. households. Current per capita income is \$29,980 in the area, compared to the U.S. per capita income of \$26,409. The per capita income is projected to be \$34,078 in five years, compared to \$29,882 for all U.S. households.

## CONCLUSION

Development is not as feasible without a mechanism to build infrastructure. This can be accomplished by purchasing land in an area within the city where the infrastructure is the responsibility of the municipality, or by establishing one of the bond financing methods available under Texas law. The most common is a Municipal Utility District (MUD), but the subject will be one of the new Public Infrastructure Districts (PID) in the Austin market. Whisper Valley and Indian Hills are other projects being built under a PID program. The main difference between a PID and a MUD is that the project developer, and any subsequent developer of the individual parcels, is reimbursed upon completion of qualifying components as opposed to waiting to collect proceeds over the sellout period and beyond. An additional benefit is that a PID allows reimbursement for roads and parkland improvements usually not included in MUD reimbursements.

This neighborhood has realized growth during the Austin market's expansion over the past twenty years, but mostly in the past 10 years. Most of the significant growth in the south Austin IH-35 corridor has occurred immediately north of the subject in the Southpark Meadows and Slaughter Lane areas. Others in Austin fringe areas that have exhibited above average growth in recent years are the Pflugerville, Round Rock, Buda and Kyle submarkets. Continued growth in the subject's area is supported by the completion of the toll roads and the construction of hospital facilities just south in Kyle.

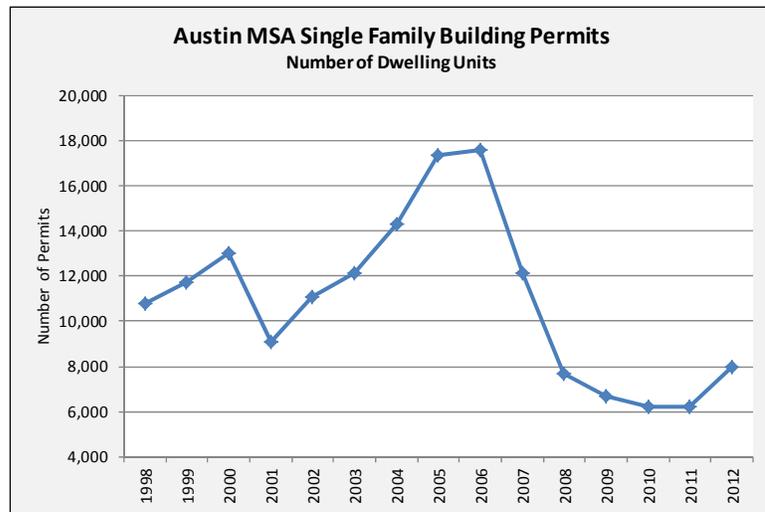
Large-scale mixed-use development is dependent first on the strength of the residential market. For the subject, the multifamily and office markets have direct impact because they are included in the initial phase, and the retail market will follow. An analysis of these markets follows.

**RESIDENTIAL MARKET ANALYSIS**

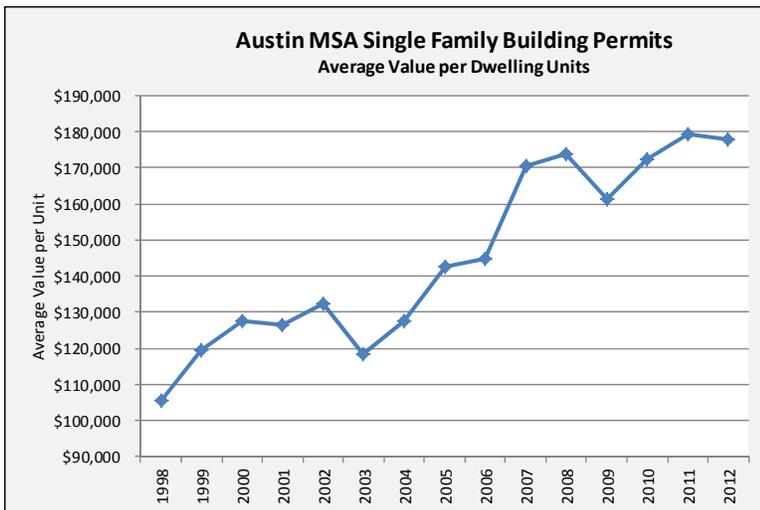
Supply and demand in the submarket directly affects value, as well as potential exposure time and marketing period. In this section we summarize the trend of the residential market. The Austin-area residential market avoided the deep losses experienced nationwide. Currently, it is again one of the hottest residential real estate markets in the country. The average and median prices are at historical highs. Inventories have fallen and multiple offers and 24-hour listing-to-contract scenarios are typical. Permit activity is rising, but remains well below the levels seen from 1998 to 2007 when the Austin market experienced its last period of rapid expansion.

**Permit Activity**

Single family permit activity, which includes condominium units, in the Austin-San Marcos MSA area over the past 15 years is as follows. The source of all data in the charts in this section is the Real Estate Center at Texas A&M University and the Austin MLS system, and the data is through the end of 2012. The chart below shows the trend of permit activity in the Austin MSA since 1998.



The number of permits issued reached peak levels in 2005 and 2006, and then fell precipitously in 2007 and 2008. The decline continued at a slower pace in 2009 and 2010 in Austin while the statewide number leveled during the same period. In 2008, 7,710 permits were issued, down from 12,120 in 2007. In 2009, 2010, and 2011, less than 6,700 permits were issued in each year. The last time this level was evident was in 1994 when 6,250 permits were issued. At that time, the 6,000 level ranked high in Austin's history. In 2012, the count was 7,970, an increase of 27.9% over 2011.



The average value of the permits dropped 7.2% in 2009, the first decline since 2003. However, in 2010 the average value increased 6.9% to nearly wipe out the previous year's loss. In 2011, the average value increased by 3.9. The quick reversal was not continued in 2012 when the average value dropped slightly.

This is somewhat indicative of higher priced homes being more dominant during the lower activity periods as opposed to an indication of a change in



price. The trend toward higher priced home is especially plausible in view of the higher qualifying standards that resulted from the subprime debacle. However, the average and median price is also rising, so an upward trend and a rapid recovery compared to the nation is evident. The next chart shows the value of the permits.

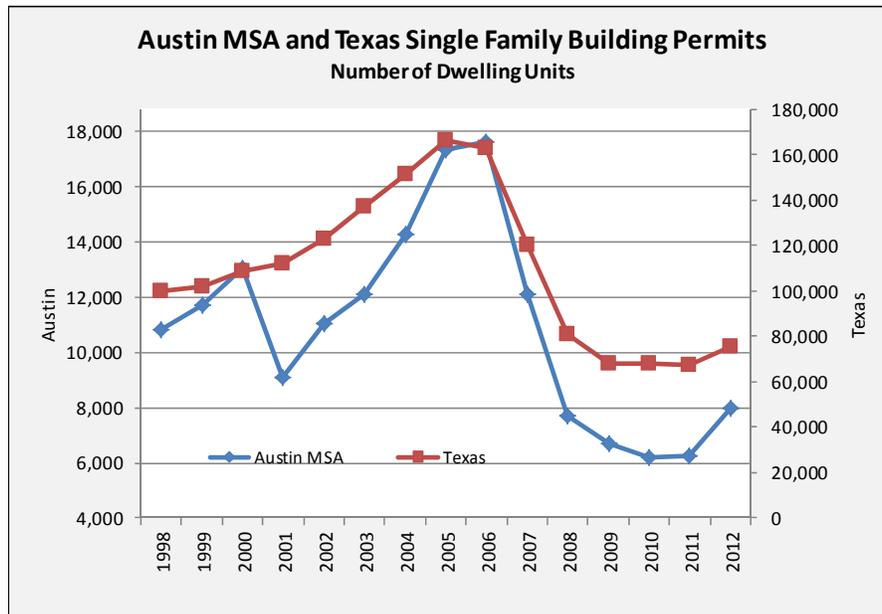
### Economic Overview – State and Region

The 2012 statewide permit activity exceeded the 2011 level by 12.2% compared to the 27.9% increase posted in the Austin market. In 2011, permits issued in the state of Texas fell 1.3% from 2010, and from 2006 to 2011 the volume declined each year. Between 1998 and 2005, permit activity increased every year with 10% to 12% increases in 2002 through 2005 during the heated period leading up to the subprime crisis. These data from 1998 through the end of 2012 are shown in the next table.

<b>SINGLE FAMILY PERMIT HISTORY</b>				
Austin MSA Compared to the State of Texas				
Year	Austin MSA	Change	Texas	Change
1998	10,805		99,912	
1999	11,704	8.3%	101,928	2.0%
2000	13,045	11.5%	108,782	6.7%
2001	9,115	-30.1%	111,915	2.9%
2002	11,072	21.5%	122,913	9.8%
2003	12,116	9.4%	137,493	11.9%
2004	14,309	18.1%	151,384	10.1%
2005	17,346	21.2%	166,203	9.8%
2006	17,615	1.6%	163,032	-1.9%
2007	12,120	-31.2%	120,366	-26.2%
2008	7,710	-36.4%	81,107	-32.6%
2009	6,678	-13.4%	68,230	-15.9%
2010	6,200	-7.2%	68,170	-0.1%
2011	6,231	0.5%	67,254	-1.3%
2012	7,970	27.9%	75,452	12.2%

*Source: Real Estate Center at Texas A&M University and Austin Board of Realtors*

In the next chart, the relationship of permit activity between the Austin MSA (numbers in the left axis) and the state of Texas (numbers in the right axis) is compared. The Austin market experienced a drop in the 2000 to 2001 period because of the tech bust, which did not affect the entire state. From that time forward, the trend or direction is very similar.



A lengthy history of sales volume, price, and monthly inventory in the Austin area is as follows.

AUSTIN MLS RESIDENTIAL CHANGE HISTORY								
Year	Volume	Change	Average Price	Change	Median Price	Change	Total Listings	Months Inventory
1990	7,159		\$87,600		\$73,000		5,071	9.1
1991	7,581	5.9%	\$93,800	7.1%	\$76,400	4.7%	4,209	6.8
1992	8,503	12.2%	\$104,300	11.2%	\$83,700	9.6%	3,676	5.6
1993	9,926	16.7%	\$114,800	10.1%	\$91,600	9.4%	3,516	4.6
1994	10,571	6.5%	\$120,400	4.9%	\$96,000	4.8%	4,302	4.9
1995	11,459	8.4%	\$125,700	4.4%	\$100,500	4.7%	4,436	4.9
1996	12,597	9.9%	\$132,800	5.6%	\$108,700	8.2%	5,787	5.6
1997	12,439	-1.3%	\$141,700	6.7%	\$112,600	3.6%	6,005	6.0
1998	15,583	25.3%	\$149,800	5.7%	\$117,900	4.7%	4,976	4.2
1999	18,135	16.4%	\$163,400	9.1%	\$126,600	7.4%	3,948	2.8
2000	18,621	2.7%	\$191,200	17.0%	\$144,500	14.1%	3,658	2.4
2001	18,392	-1.2%	\$193,400	1.2%	\$150,600	4.2%	7,164	4.7
2002	18,716	1.8%	\$197,500	2.1%	\$154,500	2.6%	8,831	5.6
2003	19,793	5.8%	\$197,000	-0.3%	\$154,800	0.2%	10,340	6.6
2004	22,567	14.0%	\$198,900	1.0%	\$154,100	-0.5%	10,394	5.9
2005	26,905	19.2%	\$210,400	5.8%	\$161,300	4.7%	8,965	4.3
2006	30,284	12.6%	\$229,900	9.3%	\$172,200	6.8%	8,695	3.6
2007	28,048	-7.4%	\$246,400	7.2%	\$184,200	7.0%	9,833	4.0
2008	22,404	-20.1%	\$243,800	-1.1%	\$188,200	2.2%	11,585	5.5
2009	20,747	-7.4%	\$237,300	-2.7%	\$186,000	-1.2%	10,803	6.4
2010	19,835	-4.4%	\$246,900	4.0%	\$189,400	1.8%	11,579	6.6
2011	21,208	6.9%	\$251,600	1.9%	\$190,900	0.8%	9,734	5.8
2012	25,490	20.2%	\$265,900	5.7%	\$203,200	6.4%	7,686	4.0
Compound Annually		5.9%		5.2%		4.8%	Average	5.2

*Source: Real Estate Center at Texas A&M University and Austin Board of Realtors*

The 2011 sales volume shows a reversal of the declining direction that began in 2007, and volume continued to increase in 2012. In 2007, the sales volume in the MLS area decreased for only the second time in the



most recent 10 years. The last volume decrease, in 1997, was slight and was a pause in the rapidly expanding Austin market after the declines of the late 1980s. The 2000 to 2002 era was a correction period from the tech bust, and the periods between 2003 and 2006 were record-setting upswings. Although the 2007 pace lagged the 2006 record, 2007 was still above the 2005 pace and higher than any previous year.

The average price rose in the 2010, 2011, and 2012 after dropping slightly in 2008 and 2009, but the median price only dropped in 2009. The 2012 average price increases of 5.7% and the median price increase of 6.4% reflect complete recovery from the subprime years. Supply, as shown in the column labeled *Months Inventory*, increased in 2007, but only to a normal level compared to most years since 1998. It jumped in 2009 and 2010 to the highest inventory level since 2003, the end of the tech bust. In 2012, it dropped back to the lowest levels exceeded only in 1999, 2000, and 2006, all periods of significant activity. The multi-year average of 5.2 months inventory is well below the critical point of nine months that private mortgage insurers perceive as a market in transitioning to higher risk.

Mortgage interest rates continued to hover at historical lows. Employment in the Austin area is increasing, and residential subdivision development is gaining traction. The lack of activity in the mid-2000s created a supply shortage that has turned into an appreciating market while the national markets are also beginning to see a turn from previous declines. The data indicates that the local housing market is strong, and the impact on sales in the subject project will be positive.

The Austin residential market has been noticeably superior to national markets, and its strength is not recent or sporadic. The continuation of residential market stability can be expected based on Austin's long history of steady and consistent development. The subject is in its beginning stages, and although competition exists, homebuilders are finding lot inventories to be short of demand. Austin publications are touting a robust residential market as evidenced by the following recently published comments.

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#### AUSTIN HOUSING IN THE NEWS

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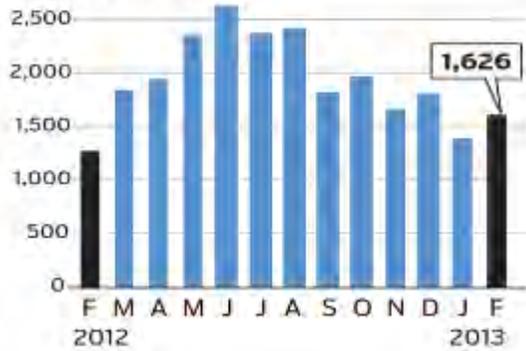
Publication	Title
<b>Austin Business Journal (2-1-2013)</b>	<b><i>Going Up</i></b>
"The Central Texas housing market is so hot, builders wish they had more lots to buy; housing supply now 3 months"	
<b>Community Impact Austin (2-14-2013)</b>	<b><i>Housing Starts on the Rise Throughout City</i></b>
"We're seeing a definite shift [in the market]," said Vaike O'Grady, marketing director for Newland Communities in Teravista, a master planned community in Round Rock. "The amount of inventory that's on the ground and available for people to purchase is at a low that we haven't seen in years."	
<b>Austin American Statesman (3-20-2013)</b>	<b><i>Austin-area home sales up 26% in February</i></b>
"All our listings are disappearing before they even have a chance to hit the market," said Christina Gulla, an agent with JB Goodwin Realtors. "Due largely to an increase in job opportunities in Austin, people are moving here at a quick rate; the housing inventory is just striving to keep up with the increasing demand."	

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Market data indicates that there is good demand for new lots. The limited development activity during the down-cycle has resulted in pent-up demand that is now being satisfied by several new projects, but demand persists as the Austin market continues to grow. Recent activity is depicted in the statistics published in the Austin newspaper showing residential sales activity through February 2013.

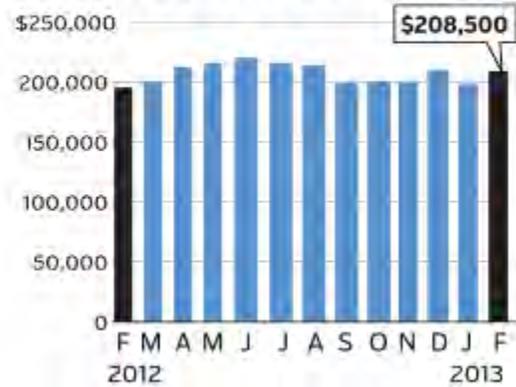
### Austin-area sales of existing homes

February home sales rose 26 percent from the same month last year.



### Median home sale price

The median sale price was up 7 percent from Feb. 2012.



Source: Austin Board of Realtors

The subject is well located between two recent growth areas, the north Hays County submarket and the south Austin/Southpark Meadows area. A huge section of land in this area is undeveloped because it was owned by one family until the early to mid-2000s, and when it was sold, the economic downturn of 2007 to 2010 prevented its development until now. This is a popular and growing area with a history of absorption of both residential and commercial properties, and additional residential development is supported by market activity.

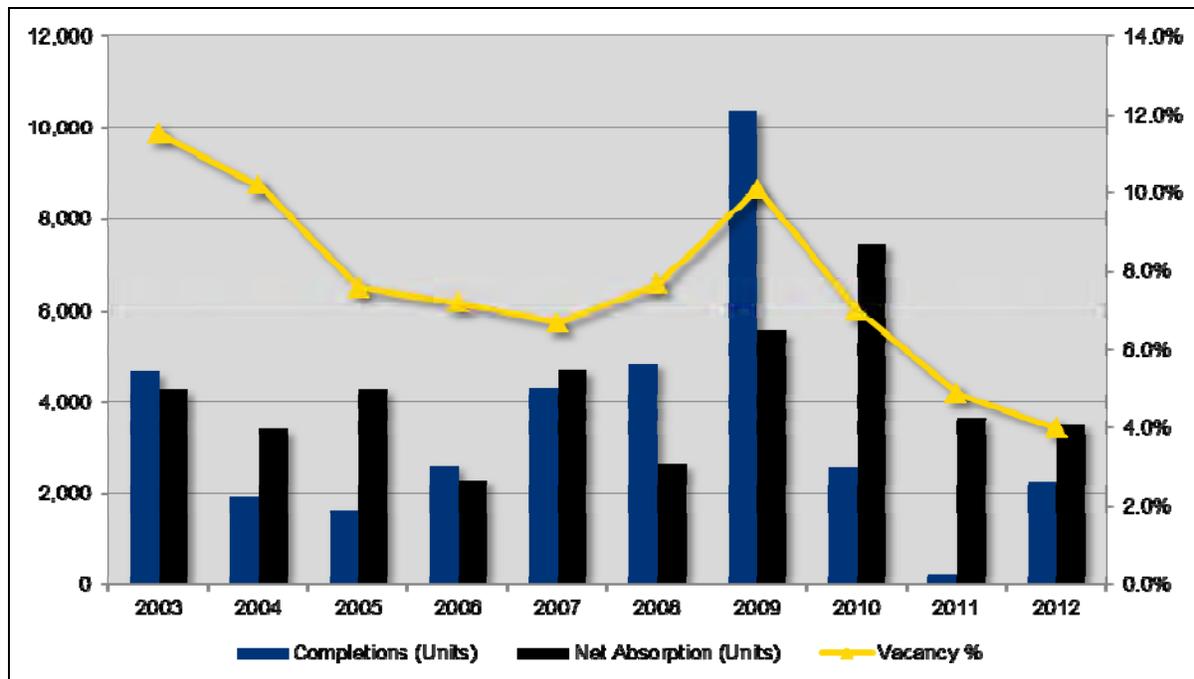
**MULTIFAMILY MARKET ANALYSIS**

Eventually, Estancia Hill Country will have nearly 1,700 high density residential units including townhouses and garden style apartments in projects containing 112 to 436 units. Phase I will contain 568 of those units in 300-unit and 268-unit projects. The following table summarizes the Austin metropolitan multifamily market based on REIS data.

**METRO TRENDS - AUSTIN APARTMENT MARKET**

Year	Period (Qtr.)	Inventory (Units)	Completions (Units)	Vacancy %	Net Absorption (Units)	Asking Rental Rate	Effective Rental Rate	Annual Eff. Rent Growth
2003	Annual	136,069	4,660	11.5%	4,287	\$769	\$686	
2004	Annual	137,887	1,902	10.2%	3,405	\$758	\$669	-2.5%
2005	Annual	138,626	1,629	7.6%	4,287	\$769	\$685	2.4%
2006	Annual	140,568	2,609	7.2%	2,295	\$791	\$710	3.6%
2007	Annual	144,803	4,309	6.7%	4,704	\$835	\$754	6.2%
2008	Annual	149,243	4,836	7.7%	2,646	\$870	\$783	3.8%
2009	Annual	159,500	10,377	10.1%	5,560	\$871	\$781	-0.3%
2010	Annual	162,081	2,581	7.0%	7,453	\$885	\$801	2.6%
2011	Annual	162,337	256	4.9%	3,671	\$913	\$830	3.6%
2012	Annual	164,609	2,272	4.0%	3,512	\$941	\$862	3.9%
10 Year Average		149,572	3,543	7.7%	4,182	\$840	\$756	2.6%

Source: Reis, Inc.



The current vacancy rate is extremely low. Austin continued to grow and create jobs during the economic downturn while construction slowed after the 2009 peak. Demand persisted and no supply was available, resulting in falling vacancy and rapidly rising rental rates. While the current vacancy rate is unsustainable with

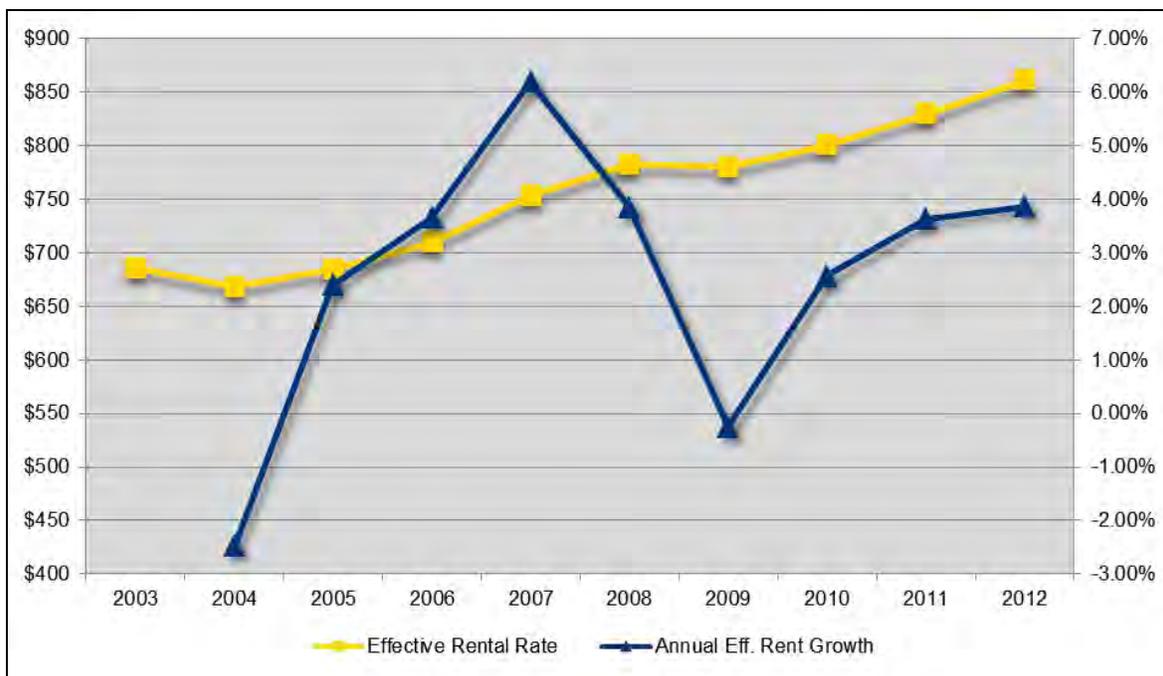
several new projects on the horizon, over the long term, a sub-10% vacancy rate can be expected as evidenced by the 10-year average of 7.7%.

According to a 2013 report by MPF Research, Austin's apartment construction rate leads the nation. MPF reported that Austin had 12,470 units under construction at the end of 2012, more than delivered in any year according to the table of REIS data on the previous page. The new units will expand the current inventory by 6.7% according to the study, well above the next closest contender as shown in the MPF table to the right. They report that double digit expansion will be attained in three submarket hotspots, Cedar Park at 28.1%, South Austin at 18.0% (the subject's submarket), and Downtown/University at 11.3%. The only two submarkets with no multifamily construction at the end of 2012 were the Arboretum and Far West Austin areas, both of which have had significant growth in previous expansion cycles.

Projected Inventory Growth Leaders		
Rank	Metro	Rate*
1	Austin	6.7%
2	Charleston	4.3%
3	Raleigh/Durham	4.2%
4	Charlotte	4.0%
4	San Jose	4.0%
6	Salt Lake City	3.7%
7	Dallas	3.6%
7	Little Rock	3.6%
9	Nashville	3.4%
10	Washington, DC	3.2%

\*Expansion rate upon completion of projects currently under way

The average effective rental rate increased for the last three years. Rents are expected to continue to increase in the near future as the multifamily market has been resilient and the supply and demand imbalance continues.



In summary, the multifamily goal of 1,700 units is long term with developer estimates of units in Phase I being completed by 2016, Phase II by 2018, and Phase III by 2020. Historical development and absorption data supports this time frame, but near-term, there is significant immediate demand for additional units.

**OFFICE MARKET ANALYSIS**

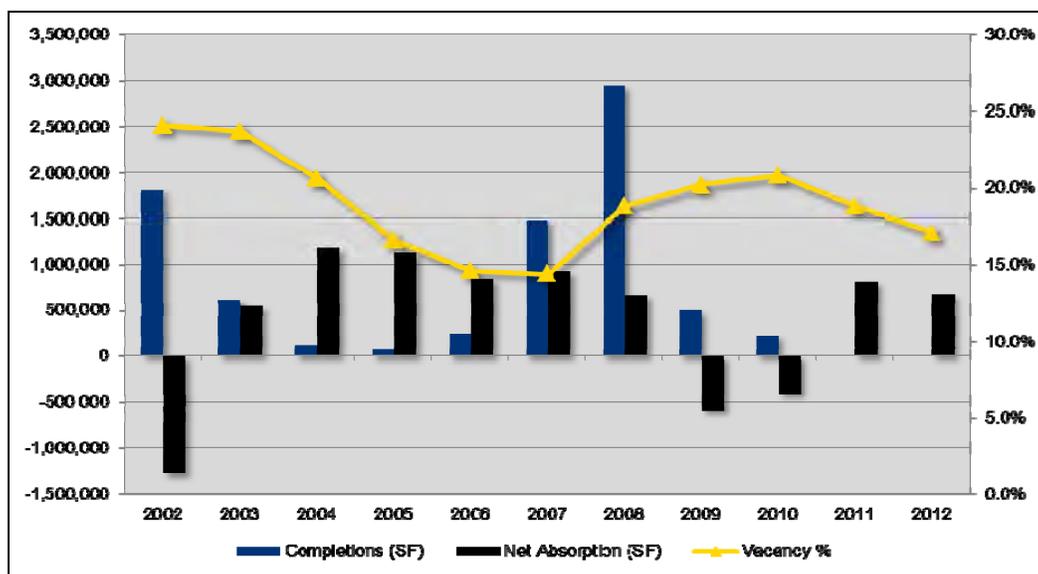
The need for office properties in outlying locations transitions as the city expands. Besides the Austin CBD, there are only a few submarkets where substantial office demand exists. One is the south and southwest submarkets south of downtown, along Mopac Expressway, and along Southwest Parkway. The other is the central, north and northwest submarkets along IH-35, Mopac Expressway, US-183, and Loop 360. These areas, along with the CBD, account for 83% of the Austin office space. The common thread in these submarkets is access - all on and near the main Austin arterials. The subject is in the IH-35 corridor, but outside the dense population areas. However, the cities of Kyle and Buda to the immediate south of the subject are growing, and office demand in the area will follow residential growth in both south Travis and north Hays Counties. Based on data published by real estate research firm REIS, the 10 year statistics of the Austin metro office market is as follows.

**METRO TRENDS - AUSTIN OFFICE MARKET**

Year	Period (Qtr.)	Inventory (SF)	Completions (SF)	Vacancy %	Net Absorption (SF)	Asking Rental Rate	Effective Rental Rate	Annual Eff. Rent Growth
2002	Annual	36,296,000	1,819,000	24.1%	-1,262,000	\$21.86	\$18.75	
2003	Annual	36,808,000	621,000	23.7%	543,000	\$19.72	\$16.50	-12.0%
2004	Annual	36,857,000	123,000	20.6%	1,181,000	\$19.32	\$16.11	-2.4%
2005	Annual	36,427,000	73,000	16.6%	1,131,000	\$20.09	\$16.93	5.1%
2006	Annual	36,594,000	257,000	14.6%	845,000	\$22.15	\$19.11	12.9%
2007	Annual	37,596,000	1,483,000	14.4%	932,000	\$25.40	\$22.00	15.1%
2008	Annual	40,463,000	2,947,000	18.8%	677,000	\$26.35	\$22.34	1.5%
2009	Annual	40,432,000	498,000	20.2%	-582,000	\$25.68	\$20.97	-6.1%
2010	Annual	40,247,000	236,000	20.8%	-404,000	\$25.20	\$20.38	-2.8%
2011	Annual	40,247,000	0	18.8%	813,000	\$25.66	\$20.80	2.1%
2012	Annual	40,247,000	0	17.1%	679,000	\$26.09	\$21.16	1.7%
11 Year Average		38,383,091	732,455	19.1%	413,909	\$23.41	\$19.55	1.5%

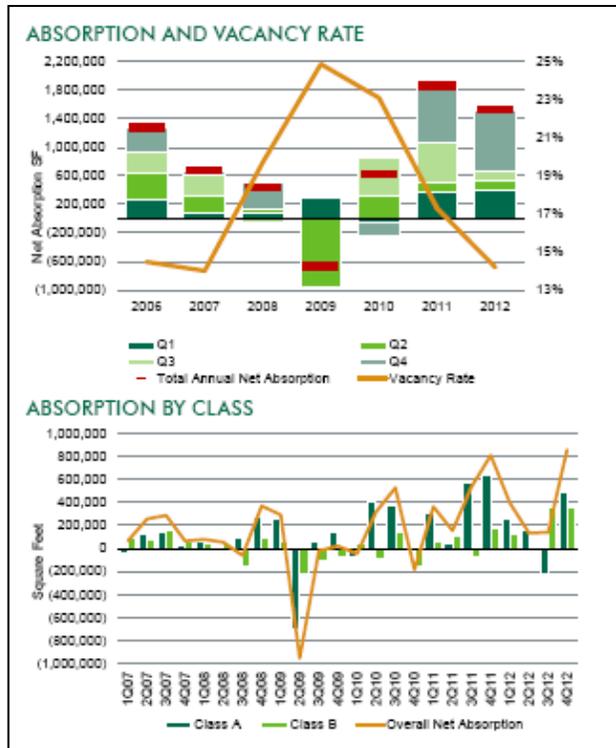
Source: Reis, Inc.

The relationship between completions, net absorption, and vacancy is depicted in the next chart.

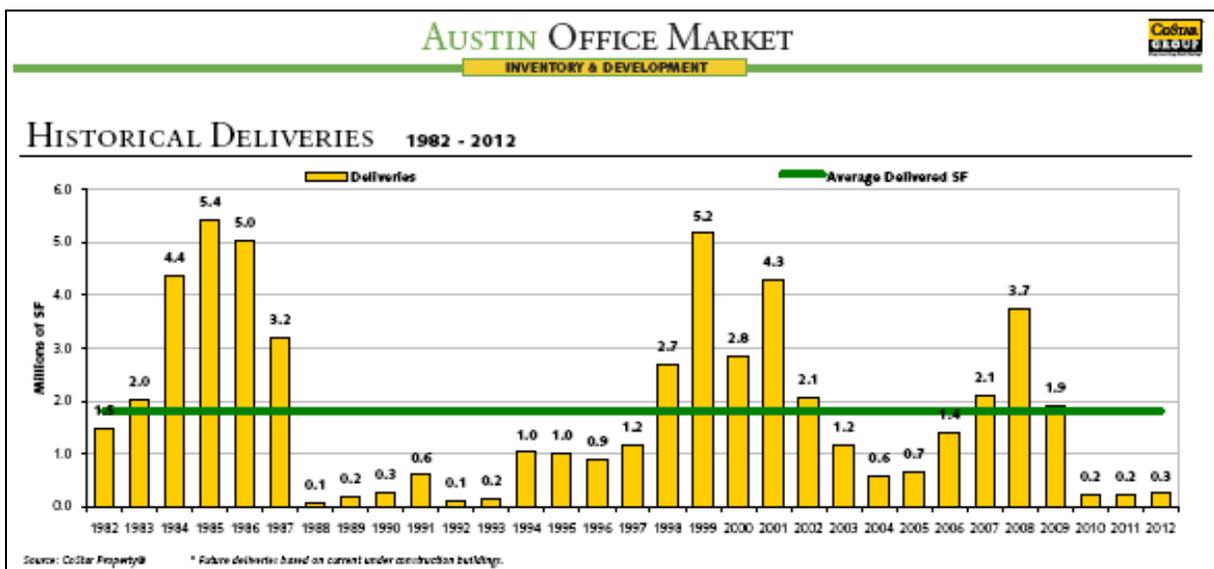


CB Richard Ellis Research (CBRE) reports a similar upswing in recent absorption. Their data includes sublet space in its absorption estimates, which is not included in REIS data, and they report higher absorption levels accordingly. CBRE also provides statistics based on dissected submarkets and building classes. The subject is the South submarket, which contains mostly Class B product, the most likely Class to be built in Estancia. The vacancy for this product type and Class is 20.9%, up from 15.9% the previous quarter, which often indicates movement of one major tenant. Last quarter's vacancy in the South submarket is more similar to a 14.2% vacancy in the overall suburban market reported in the 4<sup>th</sup> quarter of 2012 by CBRE.

Offices in outlying locations are usually limited to medical services and neighborhood services such as insurance. As subdivided by CBRE data, the subject's South submarket contains 4.3% of the Austin office space. However, it is very near the dividing line of the Southwest submarket where another 21.2% of the office inventory is located. New developments cause shifts in trends, and the two submarkets can compete.



New construction had been nearly non-existent over the past few years while awaiting absorption of the excess space delivered coincident with the downturn of the mid-2000s. The CoStar Group chart below shows the history of inventory delivered in the Austin office market. Unlike most market reports that include only larger buildings, CoStar includes all properties in its database, which results in a larger dataset. The economic cycles of the past 20 years are evident in this data; the end of the S&L crisis in the early 1990s, the tech boom and bust in the late 1990s and early 2000s, and the discovery of the subprime debacle in 2007 resulting in the financial collapse in late 2008. Based on current economic indicators, the next trend for new construction is upward.



There are four tracts totaling 71.30 acres in Estancia Phase I that are scheduled to be developed with office space. The current plan indicates that the offices will contain approximately 289,000 square feet of rentable space. One will be a garden-variety office area, one with surface parking, and two with structured parking garages. However, these tracts are likely to contain a mixture of office and retail space as is common to new developments in the Austin market. The ground floors of office buildings are often either retail storefronts or offices that welcome customer traffic such as dentists, insurance offices, etc., a hybrid office/retail operation that can be found in either. Consequently, the retail market is also studied.

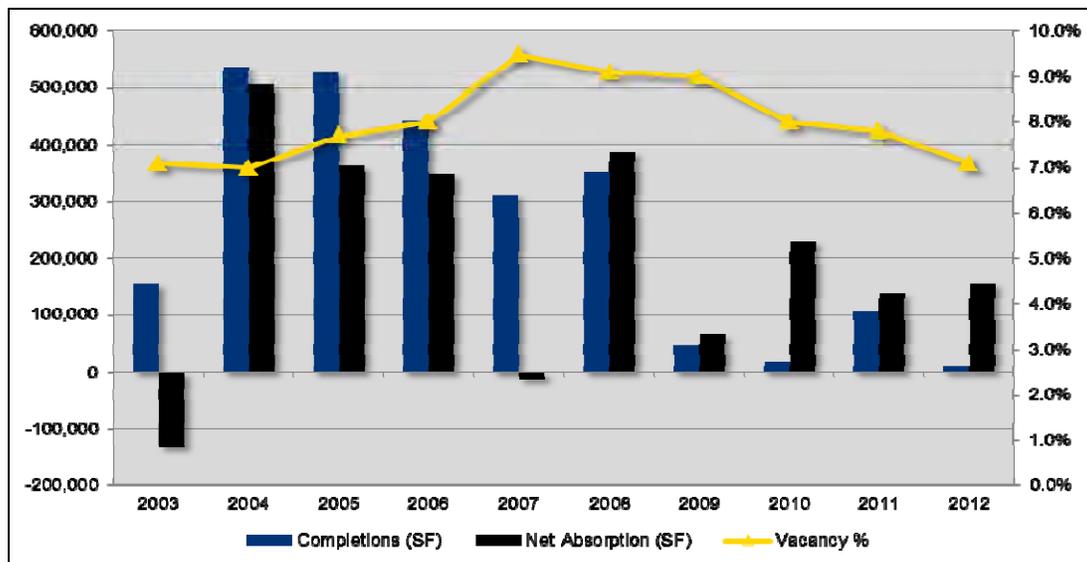
**RETAIL MARKET ANALYSIS**

Retail components are projected later in the Estancia development plan with 43 acres dedicated to shopping facilities beginning in Phase II. As noted in the previously section, retail development might also be a small part of Phase I within the development of office properties. A snapshot of the retail market is presented accordingly. REIS data summarizes the 2012 year-end Austin retail picture in the table and chart below.

**METRO TRENDS - AUSTIN RETAIL MARKET**

Year	Period (Qtr.)	Inventory (SF)	Completions (SF)	Vacancy %	Net Absorption (SF)	Asking Rental Rate	Effective Rental Rate	Annual Eff. Rent Growth
2003	Annual	18,046,000	156,000	7.1%	-132,000	\$17.41	\$15.90	
2004	Annual	18,584,000	538,000	7.0%	506,000	\$17.95	\$16.39	3.1%
2005	Annual	19,111,000	527,000	7.7%	364,000	\$18.50	\$16.84	2.7%
2006	Annual	19,553,000	442,000	8.0%	349,000	\$19.14	\$17.35	3.0%
2007	Annual	19,865,000	312,000	9.5%	-12,000	\$19.88	\$17.99	3.7%
2008	Annual	20,217,000	352,000	9.1%	388,000	\$20.61	\$18.71	4.0%
2009	Annual	20,266,000	49,000	9.0%	66,000	\$20.56	\$18.55	-0.9%
2010	Annual	20,286,000	20,000	8.0%	231,000	\$20.20	\$18.22	-1.8%
2011	Annual	20,392,000	106,000	7.8%	139,000	\$20.10	\$18.15	-0.4%
2012	Annual	20,403,000	11,000	7.1%	157,000	\$20.29	\$18.34	1.0%
10 Year Average		19,672,300	251,300	8.0%	205,600	\$19.46	\$17.64	1.6%

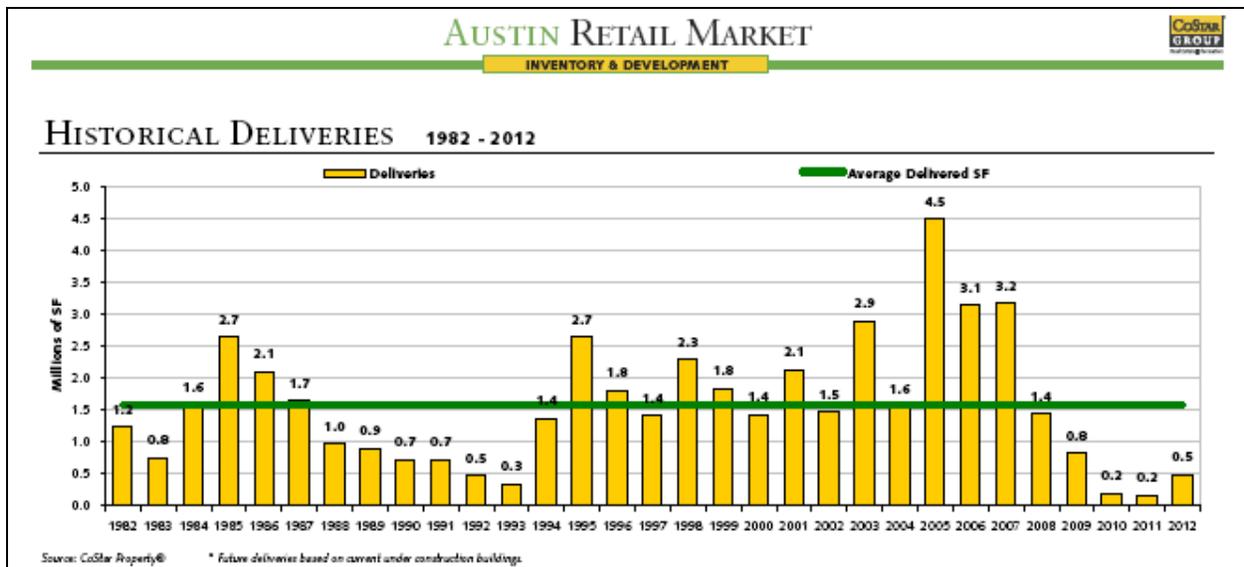
Source: Reis, Inc.



The retail market has been the steadiest of the commercial real estate groups with high occupancy in spite of continuous new inventory. Rental rates increased every year since 2002 before falling slightly from 2009 to 2011, but then turning upward in 2012. The steady rate of 300,000 to 500,000 square feet of new inventory every year fell in 2009 with only 49,000 square feet of new space followed by only 20,000 square feet of new completions in 2010. The 2011 and 2012 periods also saw reduced construction, although absorption continued, causing vacancy to fall steadily during the downturn period beginning in 2007. This kept rental rates steady while other property groups were struggling.

REIS, the source of the metropolitan data in the table and chart on the previous page, divides the Austin retail market into three submarkets, the central and downtown area, Round Rock and Williamson County, and the south Austin submarket. It includes retail properties in complexes with 5,000 or more square feet in community or neighborhood shopping centers. Excluded are free-standing, mixed use, outlet center, power center, and regional properties. Also excluded is most of the area east of IH-35 from about SR-71 on the south to Round Rock on the north because there is little or no investment grade retail development in this area other than directly adjacent to IH-35. As development in the east and south Austin markets progress, this should change.

The outlook for retail space continues to be optimistic for the Austin market as population growth persists and well planned projects lease in a short time. The CoStar inventory and development chart below shows a trend similar to the office trend whereby new construction has slowed considerably and fallen below the average delivered space over the periods.



The Capitol Market Research December 2012 report is referenced for a broader geographic view of the market, although it only includes properties in excess of 10,000 square feet. Like the REIS report, CMR excludes free standing properties, but it includes the east Austin market as well as far-south Austin including parts of north Hays County, two areas not found in the REIS data. In the CMR report, the total size of their defined Austin market is 40,839,470 square feet. The December 2012 vacancy for these properties is 8.2% compared to the 7.1% vacancy reported for the properties in REIS data. The average effective rent was \$20.17 compared to the REIS effective rent of \$18.34. The discrepancies are insignificant, and the trends in the two sources are parallel.

The relevant statistic for the purpose of estimating absorption is the same in the two sources as REIS reports 2012 net absorption to be 157,000 square feet and Capitol Market Research reports 137,424 square feet taken in the same period. Historic absorption in the 10-year period summarized in the REIS table shows an average annual absorption of just over 250,000 square feet.

Capitol Market Research reports that five centers are currently under construction in the Austin market. Two are located in the Northwest submarket, one in the Northeast, and two in the CBD and Central submarkets. The five new facilities will add 318,600 square feet to inventory. However, there is 4,758,034 square feet of planned retail development including a million square feet in Kyle, a suburban market just south of the subject in Hays County. These plans are in the early stages with no projected completion date. In south Austin, a 64,000 square foot retail center was announced for the Southwest submarket, but none in the subject's area.

The subject is located in the South Central submarket in the CMR report, which is the area south of Ben White (Highway 71) along IH-35 to the subject's location at the Hays County line. This submarket has 5,978,572 square feet of retail space, or 15% of the total market. Less than 40% of the current inventory existed before 1997 with the biggest push occurring from 2005 to 2008 when 2.5 million square feet was added, mostly in the Southpark Meadows developments at IH-35 and Slaughter Lane less than two miles north of the subject. No space was built in 2009 and 2010, 62,540 square feet was added in 2011, and none was reported in 2012. The 10 year average of new space is 270,411 square feet per year. Compared to the market-wide annual absorption of 205,600 over the 10-year period in the REIS data, this indicates a level of rapid growth for this submarket.

The growth in the south central Austin market was prompted by several new residential subdivisions in the early to mid-2000s, but mostly by the construction of a Cabela's outdoor store, a Wal-Mart Super Center, and an HEB grocery-anchored center built in north Hays County just south of the subject. These facilities created the rapid expansion in the south suburban communities of Buda and Kyle, then even more residential construction, then a hospital. The SH-130 toll road branches to IH-35 via SH-45, which connects to IH-35 at the Hays County/Travis County line very near these retail centers and directly east of Estancia. The south central Austin market was the logical place for substantial retail development because it could benefit from the growth in both markets.

The North Central/Pflugerville submarket of the CMR report is another area that has seen new and rapid growth in the last 20 years during Austin's expansion period. This submarket currently has 9.3% of the overall market size. In the past 12 years, 54% of the total submarket was built. This is a rate of 176,270 square feet per year, once again in a submarket located along the interstate and SH-130 that already had substantial infrastructure and drew from both the adjacent Austin market and the expanding Round Rock market to its north. The subject is not as close to denser Austin perimeter, but it is expected to perform at a similar level because of the substantial growth on the other side in north Hays County.

The Round Rock market grew exponentially in the 1990s because of Dell Computer. The submarket has 11.3% of the market's retail space. There has been no new retail construction in Round Rock since 2009, but from 2000 to 2009, 2,482,565 square feet was added. This is 248,257 square feet per year, once again similar to the other fast growing markets. This submarket is also located on both IH-35 and SH-130 and is connected by the north branch of SH-45. It had the one-time experience of a phenomenal growth company in Dell Computer, and is a superior setting compared to the subject. However, it is an example of the rapid growth possibilities in outer Austin markets.

The subject is located on IH-35 across from the new toll road like the North Central/Pflugerville and Round Rock submarkets. The Pflugerville and Round Rock residential markets began to grow in the 1990s, and the bulk of the retail development was 10 years later. The south market experienced residential and retail growth contemporaneously in the 2000s. The retail component of Estancia is not a substantial portion as the 43 acres of retail-only development is about 7% of the 600-acre development. Because of the extensive nearby retail development in the recent past, most major brands are already represented within a few miles. Retail development in Estancia Hill Country is expected to be well received but limited to smaller centers and local shops and services.

**SITE DESCRIPTION AND ANALYSIS**



**AERIAL IMAGE**

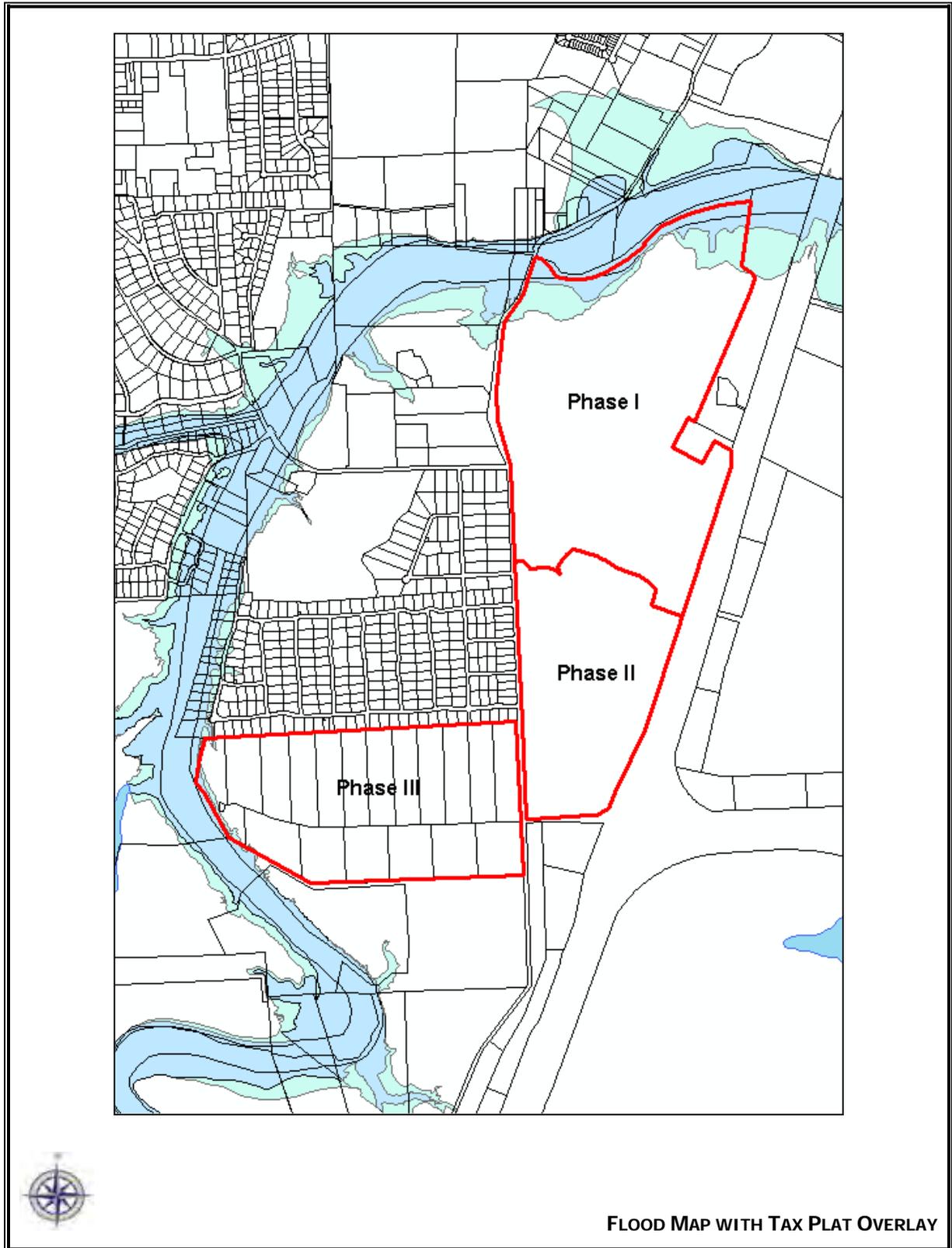
**SUBJECT IS PHASE I**

Source: Google Earth



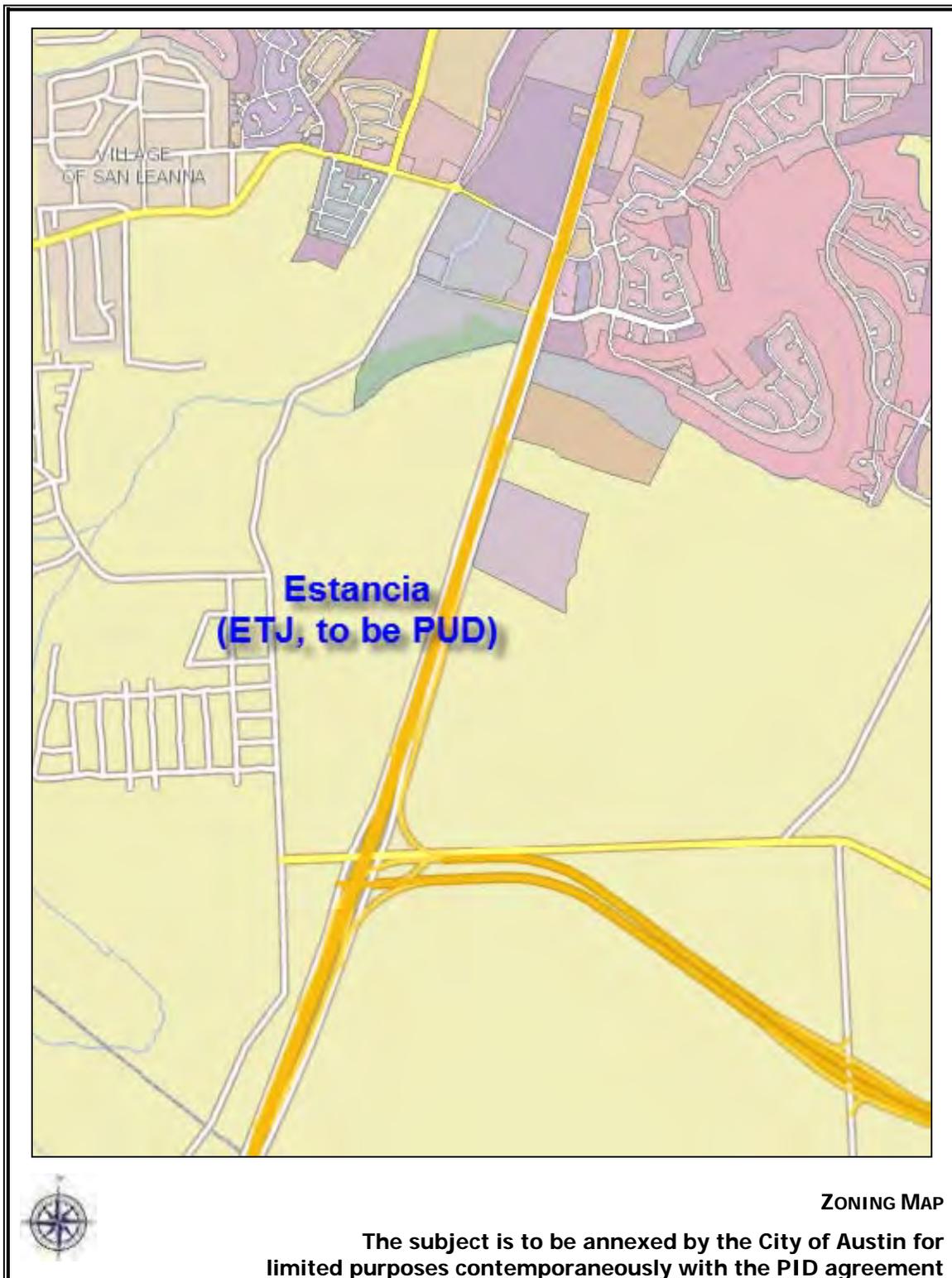


Source: ArcView GIS

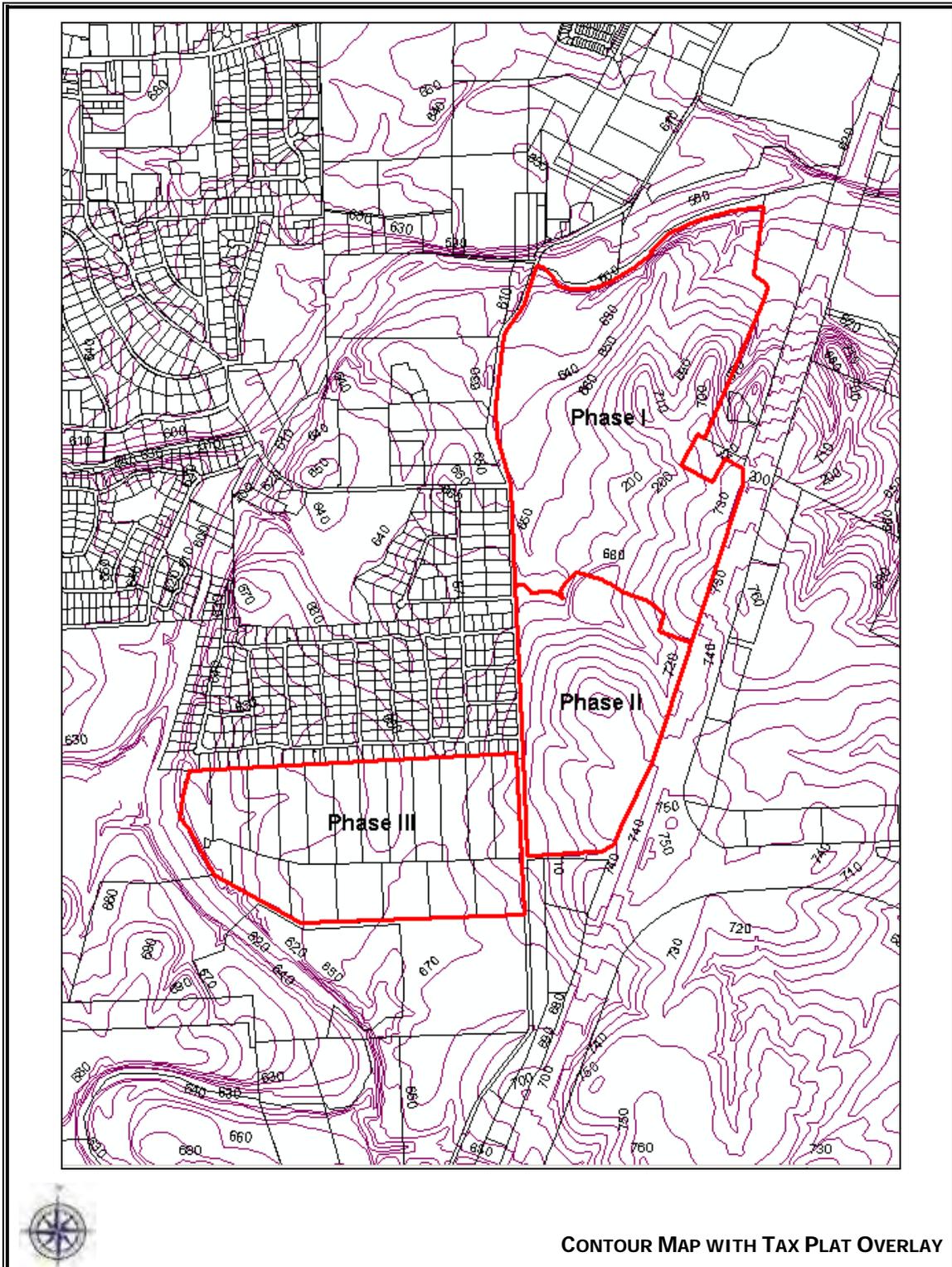


Source: ArcView GIS





Source: City of Austin GIS



ArcView GIS





**SITE ANALYSIS**

**Location:** The site is located in far south Austin along the west line of IH-35, north and west of Puryear Road, and both sides of Old San Antonio Road, Austin, Travis County, Texas. Phase I, the subject, is located between the IH-35 southbound frontage road and Old San Antonio Road, south of Onion Creek, and north of Phase II.

**Site area:** Phase I contains ±214.76 acres or ±9,354,946 SF (plus parkland). The individual tract sizes based on the preliminary plan on page 42 are as follows.

<b>Tract</b>	<b>Acres</b>
Res	106.76
1	13.60
9	12.90
2	21.90
3	8.20
4	8.10
5	7.70
6	7.30
7	8.70
8	11.80
10	7.80
Park	Various

**Access/Visibility and Frontage:** The site has frontage on the IH-35 southbound frontage road on the east and Old San Antonio Road on the west. Visibility from these roads is good. Puryear Road connects the IH-35 frontage road and Old San Antonio Road, but Phase I does not front Puryear Road (Phase II has frontage on Puryear and it terminates at the west border of Phase III).

**Flood Plain:** According to FEMA map 48453C0595H for Travis County, Texas, as of September 26, 2008, the area near Onion Creek at the north side on the site is located in the flood plain (Zone AE). The low-lying areas of the site are designated for parkland and have no impact on overall usability of individual tracts.

**Shape:** The larger Phase I tract and the individual tracts are irregular in shape. Since each tract is large enough to be configured in a variety of ways, site utility based on shape and dimension is not an issue. A site plan showing the preliminary layout of the project is located herein.

**Subsoil Conditions and Drainage:** An engineering study to determine the soil and subsoil conditions was not provided. The soil and subsoil conditions are assumed to be typical of those found in this area. We are not qualified to render an opinion as to the quality of the soils or feasibility for development. Upon inspection of the subject and surrounding improvements, soil conditions appear adequate to support development of the subject with adequate



engineering. The opinions of value stated herein are contingent upon the soils providing a stable base for improvements.

Topography:

The site is sloping and rolling with elevations rising to approximately 740 feet above mean sea level (MSL) near the IH-35 frontage road, dropping to about 600 feet near the north side of the site near Onion Creek. The topography does not result in any particular development limitations and is an appealing feature for residential and mixed use development.

Environmental and Toxic Waste:

We were not provided an environmental site assessment, and we did not observe evidence of recognized environmental conditions such as hazardous waste and/or toxic materials. We have no knowledge of the existence of any such substances on the property; however, we are not qualified to detect hazardous waste and/or toxic materials. An expert in these fields should be consulted for opinions on these matters. The appraisal is predicated on the assumption that no environmental hazards or special resources exist within or on the subject.

Watersheds:

Onion Creek

Utilities:

The City of Austin will supply water service to the site in an agreement with the developer. The proposed water line consists of  $\pm 8,900$  linear feet (LF) of water distribution system ranging from 8 inches to 16 inches in diameter. The line will tie into the City's capital improvement project located along the IH-35 frontage road adjacent to the property. It will be constructed to City and County standards and specifications and owned and operated by the City

Sewer will also be provided by the City of Austin. The wastewater line consists of  $\pm 6,900$  linear feet (LF) of wastewater collection system ranging from 8 inches to 24 inches in diameter with a depth ranging from 8 feet deep to 50 feet deep. The line also includes a 409 LF bore and will tie into the City's capital improvement project located along Onion Creek. It will be constructed to City and County standards and specifications and owned and operated by the City.

Electrical and gas service is available to the site. Redundant electrical service is available to the south portion of Estancia Hill Country, but not at Phase I.

Political Boundaries:

City of Austin, Travis County, State of Texas

Zoning:

The site is in process of being zoned PUD, Planned Unit Development District, by the City of Austin. This zoning is intended for development and uses to conform to the limitations and conditions set forth in the pending City of Austin ordinance and in the Preliminary Plan. The uses include various forms of detached and attached residential, multifamily, and commercial improvements, along with supporting parkland and common areas

Projects such as the subject are approved based on their intention to be

developed as a viable community rather than as discrete parcels of land. The development standards define the relationship of commercial and residential development and set a framework for review, approval, and ongoing code enforcement for subsequent land development.

## School District

Austin ISD

## Public Services:

The site will be within the jurisdiction of the City of Austin after a limited purpose annexation is completed. Police, emergency and fire protection are currently under the jurisdiction of the Travis County ESD No. 5 and the Travis County Sheriff's Department, which will remain after annexation.

## Land Use Restrictions:

We were not provided a title policy. A search of the Travis County Deed Records did not reveal any adverse restrictions. We are not aware of any known deed restrictions, either public or private, that would limit the utilization of the tracts; however, this statement should not be taken as a guarantee or warranty that no such restrictions exist. Deed and title examination by a competent attorney is recommended should any questions arise regarding restrictions. We have assumed no adverse restrictions exist.

## Easements/Encumbrances:

Public records and our inspection did not indicate any adverse easements. The following list of permitted encumbrances was taken from the 2007 deed. The reference to "Tracts" corresponds to the legal description on pages 12 and 13, not to the tracts segmented within each phase in the Preliminary Plan.

1. Covenants recorded in Volume 11606, Page 234 of the Real Property Records of Travis County, Texas, as noted on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tracts 1 and 2)

2. 10 foot waterline easement granted to Creedmoor-Maha Water Supply Corp. by instrument dated September 24, 1991, recorded under Document No. 2000152775 of the Official Public Records of Travis County, Texas, as shown on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tract 1)

3. Electric and telephone easement granted to Texas Power & Light Company by instrument dated September 4, 1935, recorded in Volume 534, Page 128 of the Deed Records of Travis County, Texas, as noted on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tract 2)

4. Electric and telephone easement granted to Texas Power & Light Company by instrument dated November 27, 1936, recorded in Volume 554, Page 426 of the Deed Records of Travis County, Texas, as noted on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tracts 1 and 2)

5. Electric easement granted to Texas Power and Light Company by

instrument dated May 18, 1937, recorded in Volume 568, Page 68 of the Deed Records of Travis County, Texas, as noted on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tract 2)

6. The terms, conditions and stipulations set out in that certain Partition Agreement dated June 9, 2000, recorded under Document No. 2000089760 of the Official Public Records of Travis County, Texas, as noted on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tracts 1 and 2)

7. 15 foot permanent waterline easements (Phase I and Phase II) and 50 foot temporary easement as to Phase II vested to Creedmoor-Maha Water Supply Corporation in Agreed Judgment dated February 16, 2006, in Cause No. 2530, County Court at Law No. 2, Travis County, Texas, as shown on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tract 1)

8. Overhead electric line traversing subject property as shown on survey dated October 11, 2007, last revised December 10, 2007, prepared by John T. Bilnoski, Registered Professional Land Surveyor No. 4998. (Tract 1 and 2)

Encroachments: Encroachments were not noted and it is assumed that the sites are free and clear of the same.

Adjacent Properties: North: Onion Creek, then a multifamily development built in 2008 followed by one finished in 2013

South: Vacant land

East: Interstate 35, then mostly vacant land

West: Residential development of homes built in the 1980s, but most of the adjacent land to the west is vacant

## **HIGHEST AND BEST USE ANALYSIS**

### **Physically Possible**

The physical characteristics of the parent tract and site segments do not appear to impose any unusual restrictions on residential or commercial development. Overall, the physical characteristics of the land and the availability of utilities results in functional utility suitable for a variety of uses allowed by zoning.

### **Legally Permissible**

The subject's location, accessibility, and physical characteristics were discussed in the *Market Area Analysis* and *Site Description and Analysis*. The only permitted uses under the development agreement and PUD ordinance, and the only uses that are consistent with prevailing and future land use patterns in the area, are a combination of single family residential, multifamily, and commercial uses in a mixed use, master planned community. To our knowledge, there are no other legal restrictions such as easements or deed restrictions that would limit the use of the property as proposed. Given prevailing land use patterns in the area, only mixed use is given further consideration in determining the highest and best use of the site.

### **Financially Feasible**

Based on the residential market analysis, there is demand for additional single family development at the current time. Multifamily development is also in high demand as outlined in the multifamily market analysis. Because of a slowdown in new construction over the past three years and the resulting drop in residential lot inventory, there is a shortage of residential lots compared to historical levels. A more extreme condition exists for multifamily properties. Commercial development is in demand but to a lesser degree, but the addition of residential development will create the need for supporting commercial development, especially neighborhood commercial uses.

The PID agreement with the City of Austin will significantly offset the cost of infrastructure development. The development of residential, multifamily, and commercial lots should be at a competitive price due to the offset in costs for roads, utilities, and the some of the subdivision amenities.

### **Maximally Productive**

There is no reasonably probable use of the parent site that would generate a higher residual land value than a mixed use, master planned community. The best use of the individual subjects is in accordance with the preliminary plan for single family, multi-family and commercial use

## **VALUATION OF THE PROPERTY**

## **SALES COMPARISON APPROACH**

### **Site Valuation Overview**

The Sales Comparison Approach is utilized to estimate the value of the individual sites or tracts. In valuing property with this approach, land sales are gathered, and the most comparable are used for comparison. Since properties are not identical, the comparable sales must be adjusted to the subject for differences in transactional impact and physical characteristics.

We researched the market area for tracts that sold recently or were under contract. Additionally, real estate brokers and property owners in the area were contacted for information pertaining to sites which would be in direct competition with the subject tracts if they were offered for sale in the open market. Those data which were considered most similar to the subject are presented on the following pages.

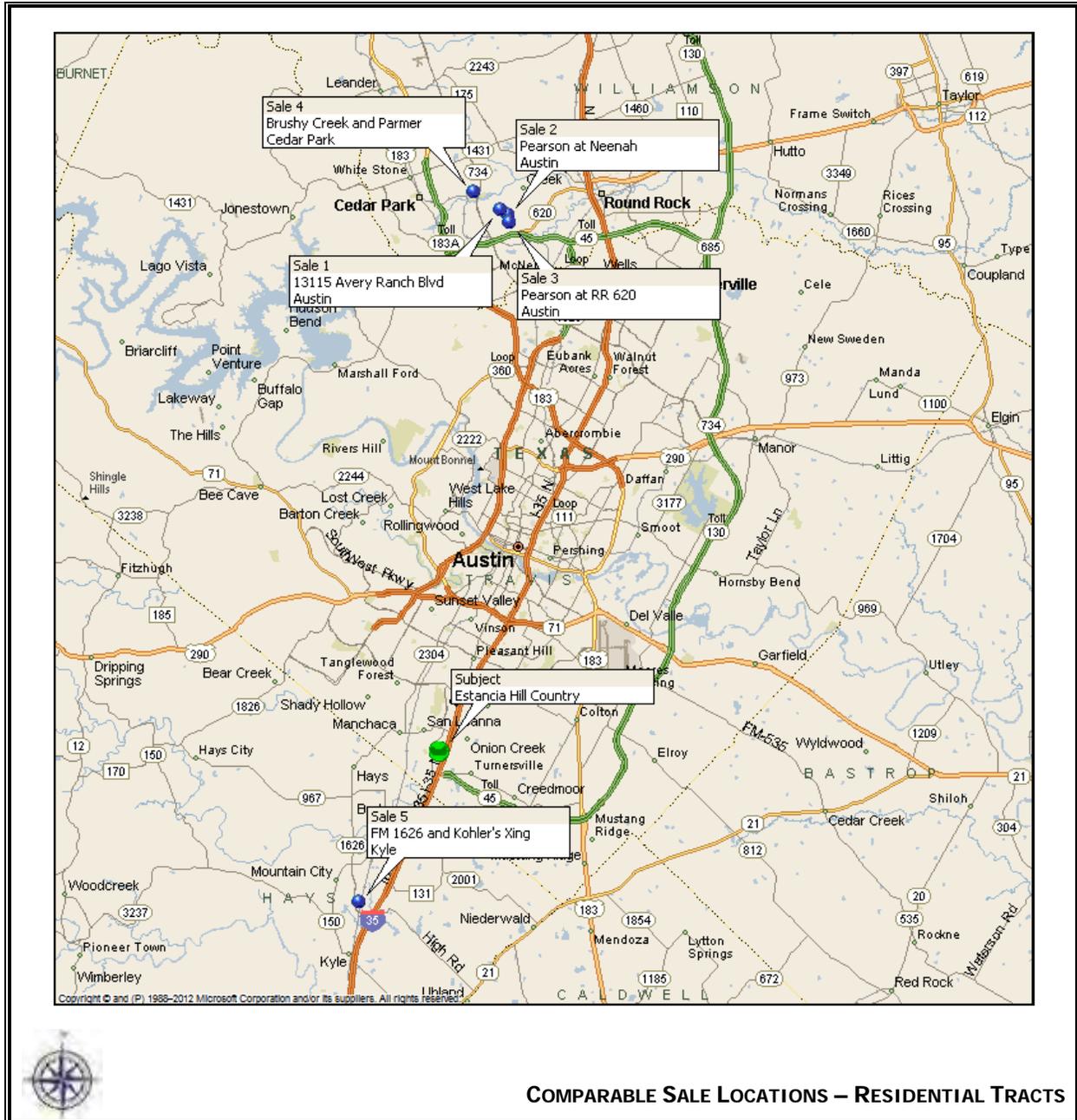
For the purpose of valuation, the site is divided into saleable tracts or parcels as outlined in the map on page 42. These parcels are available to be sold individually upon completion of development. Each will have road access and utilities available once the initial development phase is completed. Per the client's instructions, we have appraised the market value of each parcel independently. The results are individual market values that do not consider holding periods or carrying costs required to market numerous parcels, or units, in one location. Instead, we assume that each parcel would be the first and/or only unit sold in the current market.

The sales comparison approach develops an indication of value by researching, verifying, and analyzing sales of similar properties. All tracts in this analysis are available for development as soon as the spine roads are completed.

Each section includes a map showing the location of the comparable sales, a summary of the sales, and an adjustment grid. Similar tracts are combined within the same analysis, and each is valued separately through this process.

**VALUATION OF THE RESIDENTIAL TRACT**

A section is designated for single family detached residential development. The site is currently under contract with Lennar Homes, who has a large sign along IH-35 announcing their plan to be coming in the fall of 2013. If the developer's infrastructure schedule is successful, this time period will be achieved. The tracts contain a total of 106.76 acres that will be developed as one. The residential site is located west of the commercial and multifamily area away from the interstate highway. It is adjacent to Onion Creek on the north and Old San Antonio Road on the east. This section of the development contains rolling topography and areas of tree cover, as well as high points that have distant views. Locations of the comparable sales used in this analysis are shown in the map below.



**COMPARABLE SALE LOCATIONS – RESIDENTIAL TRACTS**

## Land Sale No. 1

**Property Identification**

<b>Record ID</b>	466
<b>Property Type</b>	Residential
<b>Property Name</b>	Pearson Place at Avery Ranch Site
<b>Address</b>	13115 Avery Ranch Boulevard, Round Rock, Williamson County, Texas 78717
<b>Location</b>	South line of Avery Ranch Blvd. opposite Double Eagle Drive
<b>Tax ID</b>	R498117 (192.587 ac); R498118 (1.256 ac); R329413 (1.72 ac)
<b>Map Reference</b>	404-H
<b>MSA</b>	Austin-Round Rock-San Marcos
<b>Market Type</b>	Residential

**Sale Data**

<b>Grantor</b>	Ivalene Pearson Banks, Jeffrey Banks, et al
<b>Grantee</b>	Pearson Place at Avery Ranch, Ltd., a Texas limited partnership
<b>Sale Date</b>	August 15, 2008
<b>Deed Book/Page</b>	2008067179
<b>Financing</b>	Cash to seller
<b>Date of Inspection</b>	Oct. 09
<b>Verification</b>	Grantee, Bob Wunsch, Waterstone Development; (512) 381-1280, October 13, 2009; Joe England, seller's brother-in-law, (512) 658-3192, October 13, 2009; Other sources: Austin American Statesman, Confirmed by SGM

<b>Sale Price</b>	\$12,675,000
<b>Adjusted Price</b>	\$12,675,000

**Land Sale No. 1 (Cont.)****Land Data**

<b>Zoning</b>	None, 2-mile ETJ
<b>Topography</b>	Basically level to moderately sloping
<b>Utilities</b>	All available with extension
<b>Shape</b>	Basically rectangular
<b>Flood Info</b>	None
<b>Improvements</b>	None
<b>Current/Intended Use</b>	Master planned residential community

**Land Size Information**

<b>Gross Land Size</b>	194.307 Acres or 8,464,013 SF
<b>Front Footage</b>	1375 feet Avery Ranch Boulevard

**Indicators**

<b>Sale Price/Gross Acre</b>	\$65,232
<b>Sale Price/Gross SF</b>	\$1.50

**Legal Description**

194.307 acres of land, surveyed by Landesign Services, Inc., out of the Rachel Saul Survey, Abstract No. 551, Williamson County, Texas, and being a portion of a 295.73 acre tract conveyed to Ivalene Pearson Banks, Jeffrey Banks, Ivalene Pearson Banks as Trustee for Kyle Jeffrey Banks and Brian Elam Banks in Volume 1844, Page 392, Official Public Records, Williamson County, Texas.

**Remarks**

This infill tract was purchased by Waterstone Development group (Bob Wunch) to be improved with Pearson Place at Avery Ranch, a master-planned community comprised of 428 residential units, 60 acres of multi-family, and an amenity center.

The property has indirect access to SH 45 via Avery Ranch Boulevard and Parmer Lane and is surrounded by other communities, retail and infrastructure. It is southerly contiguous to one of the area's most successful communities, Avery Ranch, which was the #1 selling master planned community in the Austin area from 2001 to 2005. Waterstone Development Group was the co-developer of Avery Ranch.

The site had a 14'-wide wastewater easement along the west boundary, a 6,472 SF slope easement along the north boundary, and is bisected by a 2.488 acre drainage easement at the northwest corner. Utilities are located at the north border of the site; however, water lines must be extended to the south portion, and a sewer lift station will be required to support the planned development.

Waterstone Development broke ground on the 1st phase of 120 lots in mid-2009. The 392-lot inventory was sold to builders Standard Pacific, David Weekley, and Streetman Homes by July 2009. Home prices are expected to range from \$280,000 to \$500,000.

Land Sale No. 2



**Property Identification**

**Record ID** 1828  
**Property Type** Investment  
**Property Name** RRISD Elementary School  
**Address** Pearson Ranch Road, Austin, Williamson County, Texas 78717  
**Location** At west termini of Neenah Ave and Jade Drive  
**Tax ID** R329313  
**MSA** Austin-Round Rock-San Marcos

**Sale Data**

**Grantor** Claretta England, Joe Mason England, Dale Ray England and Joe England  
**Grantee** Round Rock Independent School District  
**Sale Date** November 04, 2009  
**Deed Book/Page** 2009080906  
**Financing** Cash to seller

**Verification** Joe F England (Grantor); 512-255-2798, August 03, 2010; Confirmed by SGM

**Sale Price** \$4,890,450  
**Cash Equivalent** \$4,890,450

**Land Data**

**Zoning** ETJ  
**Topography** Rolling  
**Utilities** All to site  
**Shape** Irregular  
**Flood Info** Zone X

**Land Size Information**

**Gross Land Size** 65.206 Acres or 2,840,373 SF

**Land Sale No. 2 (Cont.)****Indicators**

<b>Sale Price/Gross Acre</b>	\$75,000
<b>Sale Price/Gross SF</b>	\$1.72

**Legal Description**

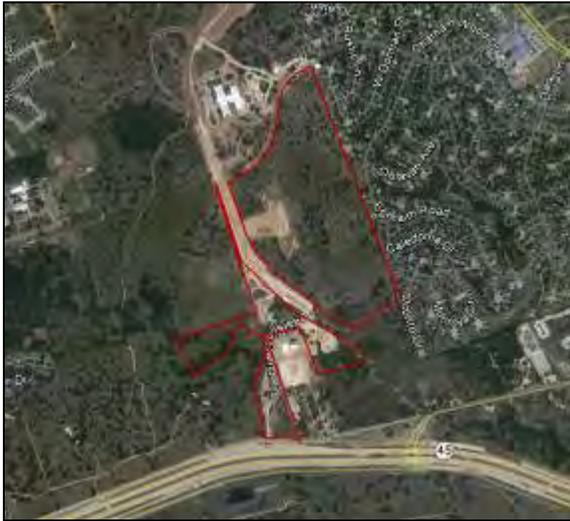
Tract 1-A: Being 60.419 acres, more or less, situated in the James Shelton Survey, Abstract No. 552, in Williamson County, Texas, being a part of a 390.22 acre tract of land described in Partition Deed Recorded in Volume 637, page 535, of the Deed Records of Williamson County, Texas. Tract 1-B: Being 4.787 acres, more or less, situated in the James Shelton Survey, Abstract No. 552, and the Rachel Saul Survey, Abstract No. 551 in Williamson County, Texas, being a part of a 390.22 acre tract of land described in Partition Deed Recorded in Volume 637, page 535, of the Deed Records of Williamson County, Texas.

**Remarks**

This property was acquired to build a school and facilities for the Round Rock Independent School District. The sale occurred in conjunction with the donation of several other tracts of land for roads as recorded in Williamson County Deed Records 2009080907. This transaction is for two tracts of land on opposite sides of the land donated for the northern portion of the proposed Pearson Ranch Road. According to the seller, the donation did not influence the sales price. Given the land donations were to the same grantee of this transaction, the two tracts were considered contiguous in calculating the price paid; therefore, no adjustments for non-contiguity or irregular shape of the smaller tract caused by the donation is applicable. A post-closing agreement, recorded contemporaneously with this deed, indicated that the grantee had entered into an agreement to purchase additional land south of this tract from the grantor.

At the time of sale, the property was assessed under tax ID R329313 as part of a larger 315.55 acre parent tract. After the transaction, the property was given tax IDs: R511424, R511423, and R511426.

Land Sale No. 3



**Property Identification**

**Record ID** 1834  
**Property Type** Commercial  
**Property Name** Pearson Ranch Residential  
**Address** 15000 FM 620 (SH 45 Service Road), Austin, Williamson County, Texas 78717  
**Location** N/L RR 620/SH45, west of Pearson Ranch Rd  
**Tax ID** R329313, R324294, R324293 and R324296  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** Claretta England, Joe F England, et al.  
**Grantee** Round Rock ISD  
**Sale Date** January 29, 2011  
**Deed Book/Page** 2011007022  
**Financing** Cash to seller  
**Verification** Joe F England, seller; January 01, 2012; Confirmed by CSS

**Sale Price** \$8,426,284  
**Cash Equivalent** \$8,426,284

**Land Data**

**Zoning** 100' along RR 620 is zoned DR rest is in Austin 2-mi ETJ  
**Topography** Rolling  
**Utilities** All to site  
**Shape** Irregular  
**Flood Info** Approximately 3% in the flood plain

**Land Sale No. 3 (Cont.)****Land Size Information**

**Gross Land Size** 105.771 Acres or 4,607,385 SF  
**Front Footage** 425 ft FM 620/SH 45

**Indicators**

**Sale Price/Gross Acre** \$79,665  
**Sale Price/Gross SF** \$1.83

**Legal Description**

Being: Tract 1-D: 84.512 acres, Tract 1-E: 4.995 acres, Tract 3: 5.192 acres, Tract 4: 2.151 acres, Tract 5: 3.914 acres, and, Tract 6: 5.007 acres, all in the James Shelton Survey, Abstract No. 552, in Williamson County, Texas, and being out of a 390.22 acre tract of land described in a partition deed recorded in Volume 637, Page 535, of the Deed Records of Williamson County, Texas.

**Remarks**

This transaction had six identified tracts. Tracts 1-D, 1-E, 3, 5 and 6 were purchased for \$77,250/acre. Tract 4 was 2.151 acres and was purchased for \$4.50/SF, due to his location on SH 45/RR 620 and higher commercial potential. This transaction occurred contemporaneously with the donation of 10.145 acres of land (as recorded in Deed 2011007023) for construction of the southern leg of Pearson Ranch Road which bisects the property. The donation reportedly did not influence the price paid in this transaction and given the land donation was also to the grantee of this transaction, the two halves were considered contiguous in calculating the price paid in this transaction. This transaction was negotiated as part of a post-closing agreement recorded in Document 2009080905.

This property is located adjacent to other RR ISD land and provides an additional ingress/egress to that area. The portion of the property located within the city of Austin was subsequently rezoned to GR-CO. RR ISD plans to utilize the portion along RR 620/SH 45 as a transportation facility. At the time of sale this property was assessed as part of tax IDs: R329313, R324294, R324293 and R324296. However, after annexation the property was given tax IDs: R509273, R509276, R509275, R511425, R509280, R509281, R509277, R509278, and R509277.

Land Sale No. 4



Land Sale No. 4 (Cont.)

**Property Identification**

<b>Record ID</b>	2248
<b>Property Type</b>	Residential
<b>Property Name</b>	Reserve at Brushy Creek Subdivision
<b>Address</b>	W/L of Breakaway Rd, N of Brushy Creek Rd, Leander, Williamson County, Texas 78641
<b>Location</b>	Breakaway Rd
<b>Tax ID</b>	R031982
<b>Longitude, Latitude</b>	W-97.77909, N30.51107
<b>MSA</b>	Austin-Round Rock-San Marcos

**Sale Data**

<b>Grantor</b>	Wilson Land & Cattle Company
<b>Grantee</b>	Reserve MSCB Two, Ltd
<b>Sale Date</b>	December 27, 2011
<b>Deed Book/Page</b>	2011088401
<b>Property Rights</b>	Fee Simple
<b>Financing</b>	Cash to Seller

**Verification**                      Garrett Martin, buyer; 512-686-4986, February 19, 2013;  
Confirmed by DJE

<b>Sale Price</b>	\$2,940,000
<b>Cash Equivalent</b>	\$2,940,000

**Land Sale No. 4 (Cont.)****Land Data**

<b>Zoning</b>	SF-2, Single Family Residential
<b>Utilities</b>	Water & Wastewater
<b>Shape</b>	Basically rectangular
<b>Flood Info</b>	Zone X

**Land Size Information**

<b>Gross Land Size</b>	32.380 Acres or 1,410,473 SF
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**Indicators**

<b>Sale Price/Gross Acre</b>	\$90,797
<b>Sale Price/Gross SF</b>	\$2.08

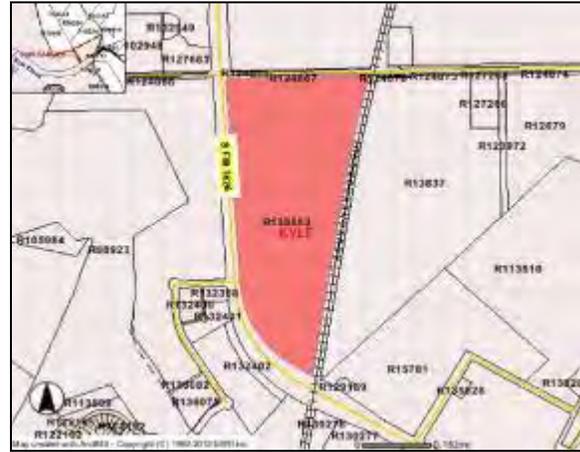
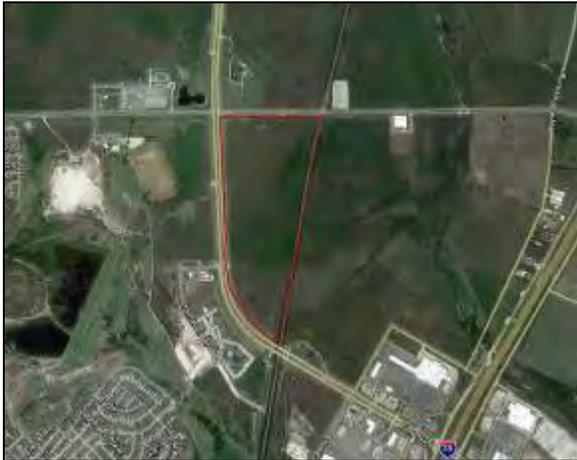
**Legal Description**

32.38 acres in the S. Damon Survey, Abstract 170, in Williamson County, Texas, being a portion of an 80 acre tract described in Volume 550, Page 147 of the Deed Records of Williamson County, Texas, conveyed in a Warranty Deed to Wilson Land and Cattle Company dated December 1, 1977, and recorded in Volume 693, Page 293 of the Deed Records of Williamson County, Texas.

**Remarks**

Milestone Community Builders purchased this tract on the north side of Brushy Creek just west of Parmer Lane for the development of The Reserve at Brushy Creek. Milestone is both the developer and the home builder. As of February 2012, Phase 1 was completed with 41 residential lots and home building had begun. Also completed was a 3.23-acre detention pond that will serve the development. Phase 2 was to be started within a few months and will contain 65 residential lots. Remaining are two commercial tracts containing 4.75 and 4.38 acres on Brushy Creek.

Land Sale No. 5



**Property Identification**

**Record ID** 2189  
**Property Type** Residential  
**Property Name** ACC Plum Creek Kyle  
**Address** SEC of Kyle Pkwy (FM 1626) & Kohler's Crossing (CR 171), Kyle, Hays County, Texas  
**Location** SEC FM 1626 & CR 171  
**Tax ID** R135553  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** Mountain Plum Ltd & Plum Creek Development Partners  
**Grantee** Austin Community College District  
**Sale Date** January 21, 2011  
**Deed Book/Page** 2011001848  
**Property Rights** Fee simple  
**Marketing Time** DOM: 842  
**Conditions of Sale** Typical  
**Financing** Cash to Seller

**Verification** Publicly disclosed, Austin Business Journal; June 30, 2010; Other sources: Gerald Teel, appraiser, CoStar, Confirmed by DJE

**Sale Price** \$9,840,000 publicly disclosed

**Land Sale No. 5 (Cont.)****Land Data**

<b>Zoning</b>	PUD, PUD
<b>Topography</b>	Basically level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	Not in the flood plain

**Land Size Information**

<b>Gross Land Size</b>	96.115 Acres or 4,186,769 SF
<b>Front Footage</b>	4085 ft Kyle Parkway;1624 ft Kohler's Crossing

**Indicators**

<b>Sale Price/Gross Acre</b>	\$102,377
<b>Sale Price/Gross SF</b>	\$2.35

**Legal Description**

96.115 acres out of the John Cooper Survey No. 13, A-100, the Jesse Day Survey No. 162, A-152, and the Jesse Day Survey No. 159, Hays County, TX.

**Remarks**

The site is located in a residential area and is to be developed with a branch of Austin Community College known as the North Hays Campus, set to open in the Fall of 2013. The east boundary is formed by a rail line with vacant land to the east of the rail line, a residential subdivision with minimal development and a banking facility to the west, multifamily and retail to the south, and agricultural land to the north. The site is within the Plum Creek Conservation District and the Plum Creek Underground Water District. The site was zoned PUD (Planned Unit Development) at the time of sale.

**RESIDENTIAL TRACT MARKET ANALYSIS**

Lennar plans to develop 385 home sites, about 3.6 homes per acre, typical of single family detached developments in the Austin market. The table below summarizes the transactions that are most comparable to the subject.

<b>LAND SALES SUMMARY</b>								
No.	Property Location	Sale Date	Zoning	Size (Acres)	Utilities	Intended Use	Sale Price	Price per Acre
1	13115 Avery Ranch, Austin	8/15/2008	ETJ	194.307	With extension	SFR Subdivision	\$12,675,000	\$65,232
2	Peason Ranch near Neenah, Austin	11/4/2009	ETJ	65.206	All to site	Elementary School	\$4,890,450	\$75,000
3	Pearson Ranch, RR 620, Austin	1/29/2011	ETJ	105.771	All to site	ISD Maintenance	\$8,426,284	\$79,665
4	Brushy Creek near Parmer, Cedar Park	12/27/2011	ETJ	32.380	All to site	SFR Subdivision	\$2,940,000	\$90,797
5	FM 1626 and Kohler's Crossing, Kyle	1/21/2011	PUD	96.116	All to site	Junior Coll Campus	\$9,840,000	\$102,376
	Estancia Residential Tract	NA	PUD	106.76	All to site	Residential	NA	NA

***Conditions of Sale/Financing***

The sales reflected cash-to-seller transactions or those where the financing terms were reported to be at market. As such, no adjustments for cash equivalency were necessary.

In analyzing and comparing the market data to the subject property, each comparable was adjusted for dissimilar characteristics. Adjustments were applied as follows.

***Conditions of Sale/Financing***

The sales reflected cash-to-seller transactions or those where the financing terms were reported to be at market. As such, no adjustments for cash equivalency were necessary.

***Market Conditions***

The transactions occurred between August 2008 and December 2011. According to area brokers and our analysis of the land sales in this submarket, the area experienced increasing land prices through year end 2007. In most cases, land pricing was relatively flat in 2008 and 2009 when very few transactions occurred. The residential market began an upturn after bottoming in 2009. Recognizing this trend, an adjustment of 5% per year is applied in 2010, 2011, and 2012.

***Location/Access***

The subject is located west of the southbound IH-35 frontage road north of its intersection at Puryear Road in far-south Austin. The area primarily consists of single family development with multifamily and commercial development along the arterials. The area surrounding the subject is mostly vacant land with older residential development or small acreage residential sites in the immediate area, and newer residential development to the north and to the south in the Buda and Kyle submarkets. The sales are located in similar suburban settings in areas that have had recent growth like the subject's submarket.

Access to the subject will be via a southbound IH-35 exit just north of the site, which is currently an entrance that will be flipped. An exit ramp near the middle of Estancia will also be flipped to provide ingress to IH-35 southbound. Northbound access to IH-35 is attainable by the Puryear Road overpass connecting the northbound frontage road.

Sale 1 is located in north Austin off Avery Ranch Boulevard. It was purchased for residential construction. It is superior because of the mature development in proximity and its association with an established, successful development. It is adjusted downward.

Sale 2 is located on Pearson Ranch Road, but at the time of sale, Pearson Ranch Road did not exist, but its construction was imminent as the land was donated and funds were budgeted. The location is superior, but access is inferior, and the adjustment is offset to zero. Like Sale 2, Sale 3 is located on Pearson Ranch Road, but a small section extends to RR 620. It is superior overall and a downward adjustment is applied.

Sale 4 is located in Cedar Park in an area that has had substantial growth in the past few years with the extension and improvement of nearby Parmer Lane and the construction of the SH 130 toll road a few miles to the west. Its location will allow for small areas of commercial construction, but it has inferior access compared to the subject. It is similar overall and no adjustment is applied.

Sale 5 is located west of Kyle in Hays County about a mile from IH-35. Although purchased for school construction, like Sale 2 this site would be suited for residential development with fringe commercial development. Sale 5 has a greater commercial or multifamily potential than the other sales and the subject's residential tract, and is adjusted downward.

### ***Size/Density***

Typically, there is an inverse relationship between price and size as larger properties generally sell for less per unit than smaller tracts. The sales are adjusted for differences at a rate of 10% per size doubling.

### ***Flood, Topography, Parkland***

Neither the subject nor the sales have significant flood plain, and none were adjusted for flood considerations. The subject is located in an area of rolling terrain, and the sales are located in areas that are generally level. A small upward adjustment is applied for topography.

The subject is part of a master-planned community and will have parks within the development available to all residents. This allows a higher density within each tract in the development. The surrounding parks and green space adds parkland without the use of land within the development that could be used for home sites. Additionally, typical neighborhood parks are not as extensive or immediately available as within a master-planned community. Sale 1 is located in a master planned community and is similar. An upward adjustment is applied to the other sales for parkland within the Estancia development.

### ***Utilities/Infrastructure***

The subject's utilities, spine road, and basic infrastructure are presumed to be in place according to a hypothetical condition. Consequently, in the adjustment grid, the subject is viewed as having access and all utilities available to the site. The sales also have utilities and roads at the perimeter, and no adjustments are applied. Sales 2 and 3 lacked proximate infrastructure at the time of closing, but construction was the responsibility of the city/county and was imminent. No adjustments are warranted.

### ***Zoning/Entitlements***

The subject is presumed to be through the zoning and entitlement process on the date of valuation. All but Sale 5 were located in ETJ areas or were not specifically zoned or entitled, and upward adjustments were applied to each. Sale 5 was zoned PUD at the time of its sale and is not adjusted.

**Other Characteristics (PID)**

The sales are located in areas with public infrastructure at their perimeter. Therefore, the subject's PID approval and subsequent infrastructure construction will place it in a similar condition. As this analysis presumes completion of infrastructure items, no adjustments are warranted.

**Market Value Conclusion – Residential Tract****ADJUSTMENT GRID - Estancia Residential Tract**

	<b>Subject</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	8/15/2008	11/4/2009	1/29/2011	12/27/2011	1/21/2011
Zoning	PUD	ETJ	ETJ	ETJ	ETJ	PUD
Sales Price	NA	\$12,675,000	\$4,890,450	\$8,426,284	\$2,940,000	\$9,840,000
Size (acres)	106.760	194.307	65.206	105.771	32.380	96.116
Price per Acre		\$65,232	\$75,000	\$79,665	\$90,797	\$102,376
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		+16%	+16%	+11%	+6%	+11%
Adjusted \$/AC		\$75,669	\$87,000	\$88,428	\$96,245	\$113,637
Location/Access		-10%	0%	-5%	0%	-15%
Size		+10%	-5%	0%	-15%	0%
Flood/Topography/Parkland		+5%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		+5%	0%	0%	0%	0%
Zoning/Entitlements		+5%	+5%	+5%	+5%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+15%	+10%	+10%	-0%	-5%
Indicated Unit Value		\$87,019	\$95,700	\$97,271	\$96,245	\$107,955

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$87,019 per acre to \$107,955 per acre with a mean and median of \$96,838 per acre and \$96,245 per acre, respectively. Eliminating the low and high outlier, a tighter range is exhibited by three sales with a mean of \$96,405 and a median of \$96,245 per acre. Both methods produce a similar result, and a unit value of \$96,500 per unit is reconciled.

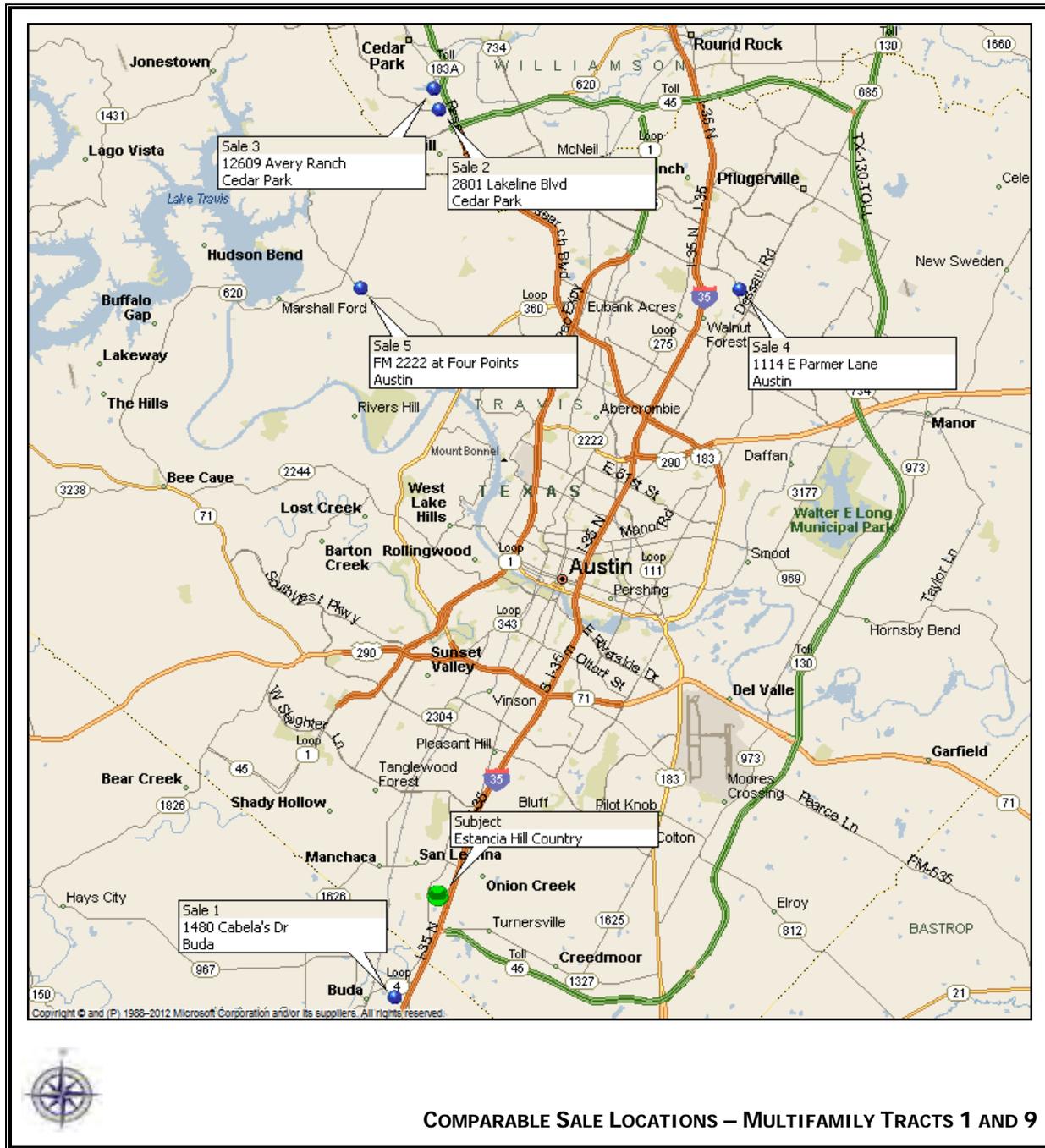
Acres	Value per Acre	Market Value
106.76	\$96,500	\$10,302,340
	Rounded	\$10,300,000

The value estimate is \$2.22 per square foot based on the tract size of 106.76 acres. A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 9 to 12 months.

**VALUATION OF MULTIFAMILY TRACT 1**

Tracts 1 and 9 were determined to be best suited for multifamily development in the highest and best use analysis. The two multifamily tracts are not contiguous and are not likely to be developed as a single project. A separate analysis of each is presented, but with common comparable sales.

This analysis pertains to Tract 1, which contains 13.6 acres. Based on a 20-unit per acre ratio, the tract will yield 272 units. The location map of the sales used in this analysis is shown below.



Land Sale No. 1



**Property Identification**

<b>Record ID</b>	2253
<b>Property Type</b>	Multi-family
<b>Property Name</b>	Silverado Cabela's Apts
<b>Address</b>	1480 Cabela's Dr, Buda, Hays County, Texas 78610
<b>Location</b>	WS Cabela's south of Old San Antonio
<b>Tax ID</b>	R137864
<b>Longitude, Latitude</b>	W-97.82951, N30.08199
<b>TxDOT HBU</b>	Multi-family
<b>MSA</b>	Austin-Round Rock-San Marcos
<b>Market Type</b>	Suburban

**Sale Data**

<b>Grantor</b>	Silverado Buda Development, LC
<b>Grantee</b>	Silverado Crossing, LLC
<b>Sale Date</b>	June 04, 2012
<b>Deed Book/Page</b>	201212014826
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash to seller
<b>Date of Inspection</b>	3/18/2013

**Verification** Eric DeJenerett; 512-482-5504, March 18, 2013; Other sources: Deed, Confirmed by DJE

<b>Sale Price</b>	\$2,950,000
<b>Cash Equivalent</b>	\$2,950,000

**Land Sale No. 1 (Cont.)****Land Data**

<b>Zoning</b>	FZ2, Mixed Use
<b>Topography</b>	Generally level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	Not in the flood plain
<b>Current/Intended Use</b>	Multi-family

**Land Size Information**

<b>Gross Land Size</b>	18.27 Acres or 795,885 SF
<b>Front Footage</b>	Cabela's Dr

**Indicators**

<b>Sale Price/Gross Acre</b>	\$161,458
<b>Sale Price/Gross SF</b>	\$3.71

**Legal Description**

18.468 acres of land out of that certain 51.506 acres of land in the S.V.R. Eggleston Survey, Abstract No. 5 in Hays County, Texas.

**Remarks**

The site is located behind Cabela's. It was purchased for the development of Silverado Crossing, a 300-unit Class A apartment community. Construction began in early 2012 and is expected to be completed in mid-2013.

Land Sale No. 2



**Property Identification**

**Record ID** 1943  
**Property Type** Multi-family  
**Property Name** Lakeline East Apartment Land  
**Address** 2801 S Lakeline Boulevard , Cedar Park, Texas 78717  
**Tax ID** R345706  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** 183 BLW , L.P  
**Grantee** NAP Lakeline, L.P.  
**Sale Date** February 11, 2011  
**Deed Book/Page** 2011010277  
**Property Rights** Fee Simple  
**Financing** Cash to seller  
**Verification** Michael Pacillio- North American Properties ; 512-721-2744 #5270, June 28, 2012; Confirmed by JM, also John Lewis, buyer

**Sale Price** \$7,500,000  
**Cash Equivalent** \$7,500,000

**Land Data**

**Zoning** CH, Commercial Highway  
**Topography** Fairly level  
**Utilities** All to site  
**Shape** Irregular  
**Flood Info** Not in flood plain

**Land Sale No. 2 (Cont.)****Land Size Information**

<b>Gross Land Size</b>	46.690 Acres or 2,033,816 SF
<b>Planned Units</b>	680
<b>Front Footage</b>	South Lakeline Boulevard
<b>Actual/Planned Building SF</b>	11,029

**Indicators**

<b>Sale Price/Gross Acre</b>	\$160,634
<b>Sale Price/Gross SF</b>	\$3.69
<b>Sale Price/Planned Unit</b>	\$11,029

**Legal Description**

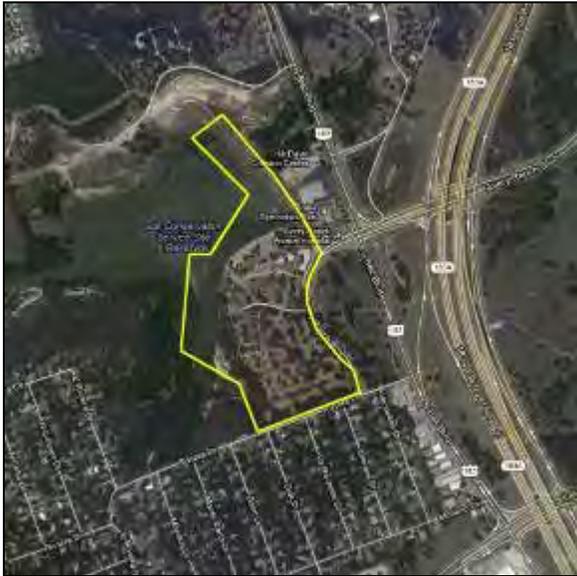
Tract 1: being all of that certain tract or parcel of land containing 46.687 acres of land more or less, situated in the Rachel Saul Survey, Abstract No.551, in Williamson County, Texas.

Tract 2; Access rights appurtenant to Tract 1 as created and defined by anti-barrier agreement dated June 6, 1986 recorded in Volume 1371, Page 205 of the Official Records of Williamson County, Texas, and Supplement to Amendment to Anti-Barrier Agreement recorded in Volume 1651, page 604, Official Records of Williamson County, Texas

**Remarks**

This is the site of the new Lakeline East luxury apartments which are being developed in two phases of 340 units each. It is along the northern property line of the Lakeline Regional Mall in Cedar Park.

Land Sale No. 3



**Property Identification**

**Record ID** 1945  
**Property Type** Multi-family  
**Property Name** Muir Lake Apartment Land  
**Address** 12600 Avery Ranch Boulevard , Cedar Park, Williamson County, Texas 78613  
**Location** NWC Of Avery Ranch Blvd and Riviera Drive  
**Tax ID** R439085,zR439090, R439086, R439087, R451709  
**MSA** Austin-Round Rock-San Marcos

**Sale Data**

**Grantor** Riviera Springs LLC  
**Grantee** John Larry Peel  
**Sale Date** December 13, 2011  
**Deed Book/Page** 2011085309  
**Property Rights** Fee Simple  
**Financing** Cash to seller

**Verification**

David Bynum, Larry Peel & Co; 512-327-3333, June 28, 2012;  
 Other sources: Kent Taylor 512-708-0800, Confirmed by DJE

**Land Sale No. 3 (Cont.)**

<b>Sale Price</b>	\$3,600,000
<b>Cash Equivalent</b>	\$3,600,000

**Land Data**

<b>Zoning</b>	Planned Development, PD
<b>Topography</b>	Slight grade change over site
<b>Utilities</b>	All Available
<b>Shape</b>	irregular
<b>Flood Info</b>	46.71% of site in flood plain

**Land Size Information**

<b>Gross Land Size</b>	40.570 Acres or 1,767,229 SF
<b>Useable Land Size</b>	18.950 Acres or 825,462 SF , 46.71%
<b>Unusable Land Size</b>	21.620 Acres or 941,767 SF , 53.29%
<b>Planned Units</b>	332
<b>Front Footage</b>	Avery Ranch Boulevard ;Riviera Drive

**Indicators**

<b>Sale Price/Gross Acre</b>	\$88,736
<b>Sale Price/Gross SF</b>	\$2.04
<b>Sale Price/Useable Acre</b>	\$189,974
<b>Sale Price/Useable SF</b>	\$4.36
<b>Sale Price/Planned Unit</b>	\$10,843

**Legal Description**

All that certain tract or parcel of land situated in Williamson County, Texas out of the Rachel Saul Survey, Abstract No. 551 and the Samuel Daymon Survey, Abstract No. 170 and being all of lots 1, 2 and 11 of Fenway Park Resubdivision, a Subdivision in and to Williamson County Texas

**Remarks**

This is the site for the Muir Lake Apartments, a 332 unit development. The site is covered with trees and some units will have lake views. It is situated less than a mile north of the Lakeline Regional Mall in Cedar Park. At the time of the sale, it was platted and zoned, requiring only a site development permit, and all utilities (City of Cedar Park) were available to the site.

Land Sale No. 4



**Property Identification**

<b>Record ID</b>	2251
<b>Property Type</b>	Multi-family
<b>Property Name</b>	Springs at Tech Ridge Apts
<b>Address</b>	1114 E Parmer Lane, Austin, Travis County, Texas 78753
<b>Location</b>	NS Parmer Lane 1/4 mile from Dessau
<b>Tax ID</b>	819017
<b>Longitude, Latitude</b>	W-97.65605, N30.40168
<b>MSA</b>	Austin-Round Rock-San Marcos

**Sale Data**

<b>Grantor</b>	Oertli Family Partnership, LP
<b>Grantee</b>	Continental 248 Fund LLC
<b>Sale Date</b>	August 21, 2012
<b>Deed Book/Page</b>	2012141070
<b>Property Rights</b>	Fee simple
<b>Marketing Time</b>	DOM: 1,251

**Financing**

**Verification** Cash to seller  
 Kent Taylor (selling broker); 512-708-0800, March 18, 2013; Other sources: CoStar, Confirmed by DJE

**Land Sale No. 4 (Cont.)**

<b>Sale Price</b>	\$2,795,000
<b>Cash Equivalent</b>	\$2,795,000

**Land Data**

<b>Zoning</b>	Planned Unit Development, PUD
<b>Topography</b>	Generally level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	None

**Land Size Information**

<b>Gross Land Size</b>	18.340 Acres or 798,890 SF
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**Indicators**

<b>Sale Price/Gross Acre</b>	\$152,399
<b>Sale Price/Gross SF</b>	\$3.50

**Legal Description**

Lot 1, Springs at Tech Ridge Subdivision, Travis County, Texas

**Remarks**

This is an 18.34 acre tract out of a 95-acre tract that was zoned PUD at the time of sale but was not platted. A second multifamily tract of approximately 13 acres is also available, as well as a 59-acre business park. The buyer intended to build a 313-unit multifamily property. Asking price was \$4.65 per square foot for the multifamily land and \$3.50 per square foot for the commercial land. Water said to be in Parmer Lane and Dessau Road, wastewater at Dessau Road.

Land Sale No. 5



**Property Identification**

**Record ID** 2254  
**Property Type** Multi-family  
**Property Name** Preserve at Four Points Apts  
**Address** FM 2222, Austin, Travis County, Texas 78730  
**Location** FM 2222 near River Place

**Tax ID** 821212, 821213  
**Longitude, Latitude** W-97.84706, N30.39704  
**TxDOT HBU** Multi-family  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** New TPG-Four Points, LP  
**Grantee** The Preserve at Four Points, LLC  
**Sale Date** January 31, 2013  
**Deed Book/Page** 2013019233  
**Property Rights** Fee simple  
**Conditions of Sale** Typical  
**Financing** Cash to seller  
**Date of Inspection** 3/18/2013  
**Verification** Kent Taylor (selling broker); 512-708-0800, March 18, 2013; Other sources: Deed, Confirmed by DJE

**Land Sale No. 5 (Cont.)**

**Sale Price** \$4,900,000  
**Cash Equivalent** \$4,900,000

**Land Data**

**Zoning** PUD, PUD  
**Topography** Generally level  
**Utilities** All to site  
**Shape** Very irregular  
**Flood Info** Not in the flood plain  
**Easements** Small area within drainage easements  
**Current/Intended Use** Mult-family

**Land Size Information**

**Gross Land Size** 17.455 Acres or 760,340 SF  
**Front Footage** FM 2222

**Indicators**

**Sale Price/Gross Acre** \$280,722  
**Sale Price/Gross SF** \$6.44

**Legal Description**

Lots 4 and 5, Block B, Four Points Center P.U.D.

**Remarks**

Purchased for the construction of the 344-unit Preserve at Four Points apartment project. The land required re-platting to remove plat note restriction from residential, but the site was already zoned and platted at the time of sale, and all utilities were available to the site from the City of Austin.

**MULTIFAMILY TRACT 1 MARKET ANALYSIS**

The table below summarizes the transactions researched that are most comparable to the subject. Because price is dependent on yield, the sales were examined on a price per buildable unit basis.

<b>LAND SALES SUMMARY</b>										
No.	Property Location	Sale Date	Zoning	Size (Acres)	No. of Units	Density (UPA)	Utilities	Intended Use	Sale Price	Price per Unit
1	1480 Cabela's Dr, Buda	6/4/2012	FZ2 Mixed	18.27	300	16.4	All to site	Multifamily	\$2,950,000	\$9,833
2	2801 Lakeline Blvd, Cedar Park	2/11/2011	Comm	46.69	680	14.6	All to site	Multifamily	\$7,500,000	\$11,029
3	12609 Avery Ranch, Cedar Park	12/13/2011	PUD	18.95	332	17.5	All to site	Multifamily	\$3,600,000	\$10,843
4	1114 E Parmer Ln, Austin	8/21/2012	PUD	18.34	313	17.1	All to site	Multifamily	\$2,795,000	\$8,930
5	FM 2222 at Four Points, Austin	1/31/2013	PUD	17.46	344	19.7	All to site	Multifamily	\$4,900,000	\$14,244
	Estancia Multifamily Tract 1	NA	PUD	13.60	272	20.0	All to site	Multifamily	NA	NA

***Density Analysis***

The density (units per acre or UPA) ranges from 14.6 to 19.7 with a mean and median of 17.1.

The subject is in a master planned community that uses land in and near the flood plain for dedicated parkland. The parkland contributes to the developable areas because it allows development at a higher density since little additional land must be dedicated to green areas, common areas, detention ponds, and the like. Considering the parkland and the density benefit, we conclude that the subject will likely achieve approval for 20.0 units per acre, or 272 units for its 13.6 acres.

***Conditions of Sale/Financing***

The sales reflected cash-to-seller transactions or those where the financing terms were reported to be at market. As such, no adjustments for cash equivalency were necessary.

***Market Conditions***

The transactions occurred between February 2011 and January 2013. Each is very recent and sold in a similar period, and no adjustment for market conditions is indicated.

***Location/Access***

The subject is located along the south IH-35 frontage road. The area primarily consists of single family development with multifamily and commercial development along the arterials. The area surrounding the subject is mostly vacant land with older residential development or small acreage residential sites in the immediate area and newer residential development to the north and to the south in the suburban Buda and Kyle markets. Access to the subject will be via a southbound exit just north, which is currently an entrance that is to be flipped. An exit ramp near the middle of Estancia will also be flipped to provide ingress to IH-35 southbound. Northbound access to IH-35 is attainable by the Puryear Road overpass connecting the northbound frontage road.

Sale 1 is located about three miles southwest of the subject behind the Cabela's store and retail center in Buda, Hays County. It is accessible via Old San Antonio Road and the ingress and egress that service the shopping center. Although slightly farther from Austin and inferior to the subject, the location near the

shopping center, its restaurants, and other facilities is offsetting. Overall, it is considered similar and no adjustment is applied.

Sales 2 and 3 are located in Cedar Park north of Lakeline Mall. This is a growth area surrounded by shopping, employment centers, and residential development. The location is superior to the subject for multifamily development, and downward adjustments are applied.

Sale 4 is located in Austin east of IH-35 on Parmer Lane. This area is somewhat similar to the subject in its surrounding retail growth and new residential development. Although it is within the city, it is an area of inferior surrounding development including industrial and office/warehouse sites. The characteristics are offsetting and no adjustment is applied.

Sale 5 is located in the Four Points area near River Place, 3M, and Lake Travis. This is a superior area and a downward adjustment is applied.

### ***Size/Density***

Typically, there is an inverse relationship between unit price and size as larger properties generally sell for less per developable unit than smaller tracts. Lower density projects will typically sell for a higher unit price given the greater amount of green space. The sales included in this analysis are very similar and Sale 2's larger project size is offset by its lower density. No adjustments for size and/or density are warranted.

### ***Flood, Topography, Parkland***

Neither the subject nor the sales have significant flood plain, and none were adjusted for flood considerations. The subject is located in an area of slightly rolling terrain, and Sales 1 through 4 are located in areas that are generally level and an upward adjustment is applied. Sale 5 is located in a hilly area like the subject.

The subject is part of a master-planned community and will have parks within the development available to all residents. This was discussed previously as it allows a higher density within each tract in the development. The surrounding parks and green space add an amenity not found in typical apartment developments. A slight adjustment is applied to each sale for the nearby parkland within the development.

### ***Utilities/Infrastructure***

The subject's utilities, spine road, and basic infrastructure are presumed to be in place according to a hypothetical condition. Consequently, in the adjustment grid, the subject is viewed as having access and all utilities available to the site. The sales are typical of sites ready for development with all infrastructure immediately available, and no adjustments are applied.

### ***Zoning/Entitlements***

The subject is presumed to be through the zoning and entitlement process on the date of valuation. Each sale is located in a development with zoning and entitlements in place. No adjustments are applied.

### ***Other Characteristics (PID)***

The sales are located in areas with public infrastructure at their perimeter. Therefore, the subject's PID approval and subsequent infrastructure construction will place it in a similar condition. As this analysis presumes completion of infrastructure items, no adjustments are warranted.

## Market Value Conclusion – Multifamily Tract 1

**ADJUSTMENT GRID - Estancia Multifamily Tract 1**

	<b>Subject</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	6/4/2012	2/11/2011	12/13/2011	8/21/2012	1/31/2013
Zoning	PUD	FZ2 Mixed	Comm	PUD	PUD	PUD
Sales Price	NA	\$2,950,000	\$7,500,000	\$3,600,000	\$2,795,000	\$4,900,000
Size (Units)	272	300	680	332	313	344
Price per Unit		\$9,833	\$11,029	\$10,843	\$8,930	\$14,244
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9,833	\$11,029	\$10,843	\$8,930	\$14,244
Location/Access		0%	-10%	-10%	0%	-15%
Size/Density		0%	0%	0%	0%	0%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+5%
Utilities/Infrastructure		0%	0%	0%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+10%	0%	0%	+10%	-10%
Indicated Unit Value		\$10,816	\$11,029	\$10,843	\$9,823	\$12,820

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$9,823 per unit to \$12,820 per unit with a mean and median of \$11,066 per unit and \$10,843 per unit, respectively. Eliminating the outliers, a tighter range is exhibited by three sales with a mean of \$10,896 and a median of \$10,843 per unit. All indicators are in a very close range, and with reliance on the central tendency, a unit value of \$10,900 per unit is reconciled.

Units	Value per Unit	Market Value
272	\$10,900	\$2,964,800
	Rounded	\$2,960,000

The value estimate is \$217,647 per acre, or \$5.00 per square foot based on the total tract size of 13.6 acres. A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF MULTIFAMILY TRACT 9****MULTIFAMILY TRACT 9 MARKET ANALYSIS**

Tract 9 has the same highest and best use as Tract 1 and shares the development characteristics. Its size is the only difference, although it is similar at 12.9 acres compared to Tract 1 at 13.6 acres. The density is the same as Tract 1 and this tract will also benefit from the offsite park and detention areas. Although we present a separate adjustment grid, the comparable sales and the individual adjustments are the same.

**Market Value Conclusion – Multifamily Tract 9****ADJUSTMENT GRID - Estancia Multifamily Tract 9**

	Subject	1	2	3	4	5
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	6/4/2012	2/11/2011	12/13/2011	8/21/2012	1/31/2013
Zoning	PUD	FZ2 Mixed	Comm	PUD	PUD	PUD
Sales Price	NA	\$2,950,000	\$7,500,000	\$3,600,000	\$2,795,000	\$4,900,000
Size (Units)	258	300	680	332	313	344
Price per Unit		\$9,833	\$11,029	\$10,843	\$8,930	\$14,244
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9,833	\$11,029	\$10,843	\$8,930	\$14,244
Location/Access		0%	-10%	-10%	0%	-15%
Size/Density		0%	0%	0%	0%	0%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+5%
Utilities/Infrastructure		0%	0%	0%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+10%	0%	0%	+10%	-10%
Indicated Unit Value		\$10,816	\$11,029	\$10,843	\$9,823	\$12,820

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$9,823 per unit to \$12,820 per unit with a mean and median of \$11,066 per unit and \$10,843 per unit, respectively. Eliminating the outliers, a tighter range is exhibited by three sales with a mean of \$10,896 and a median of \$10,843 per unit. All indicators are within a very close range, and with reliance on the central tendency, a unit value of \$10,900 per unit is reconciled.

Units	Value per Unit	Market Value
258	\$10,900	\$2,812,200
	Rounded	\$2,810,000

The value estimate is \$217,829 per acre and \$5.00 per square foot based on the total tract size of 12.9 acres. A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 9 to 12 months.

As outlined previously, there is a Letter of Intent for Tract 9 for \$3,700,000 with 312 units, or \$11,858.97 per unit. The LOI is for 16.0 acres (19.5 units per acre); however, in the preliminary layout, the size was adjusted to 12.9 acres. We expect the number of units to be adjusted as well to the same yield as reflected in our analysis. While the contract price exceeds our estimate of market value, the contract is for a future delivery, while our value estimate is current. The contract, at 8.8% above our per unit value estimate, is consistent with pricing for future delivery.



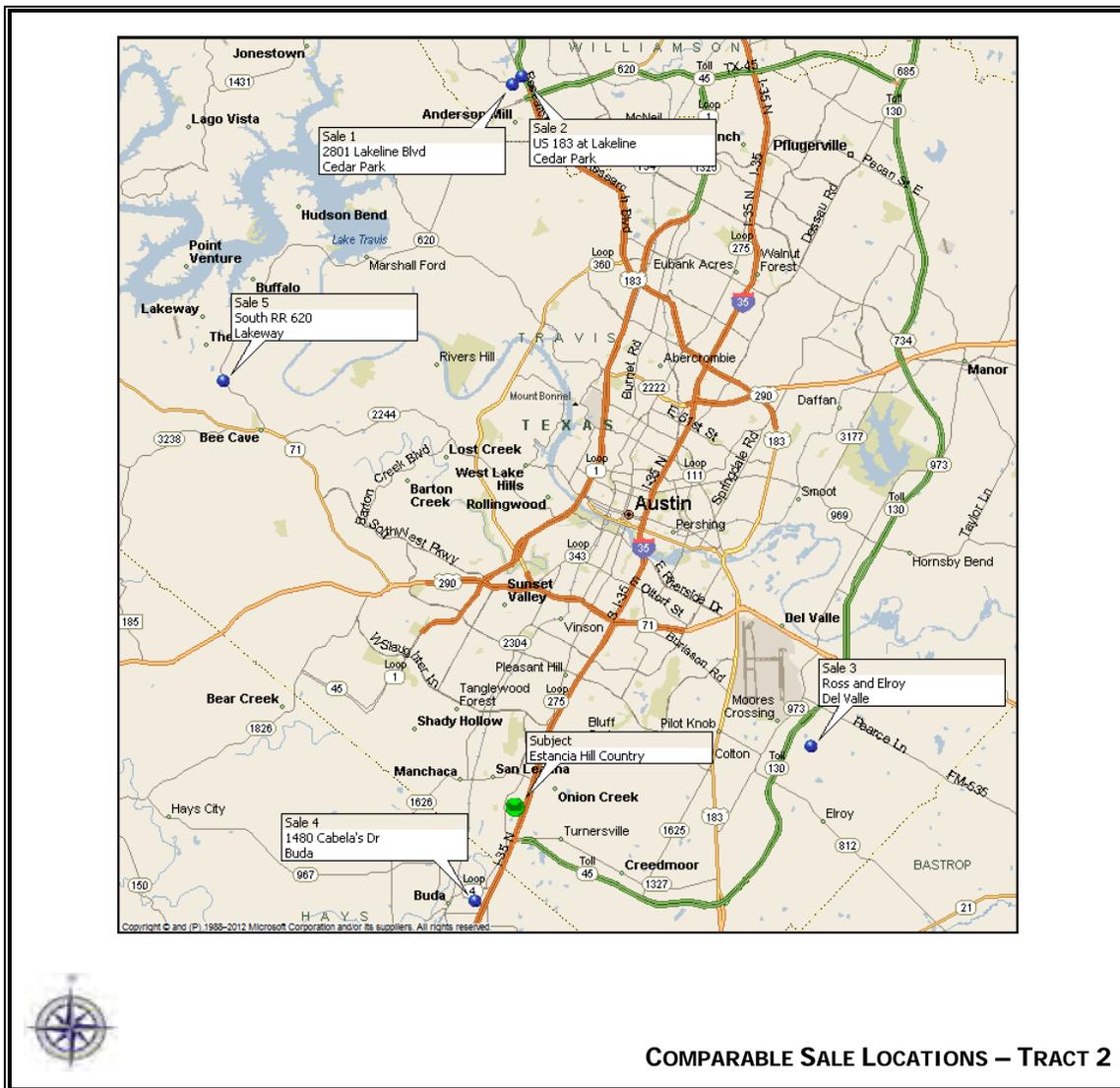
COMMERCIAL TRACTS

There are eight tracts designated for commercial use in the preliminary plan. Five of the commercial tracts border one of the multifamily tracts and could be reconfigured to expand the adjoining tracts. Each could also be used entirely for multifamily or retail use. Because there is potential for other uses, comparable sales of properties with potential for other uses such as mixed-use, multifamily, or retail are included in the analyses of the commercial tracts.

Commercial tracts 7, 8, and 10 are adjacent to the frontage road, and Tracts 2, 3, 4, and 5 are a little over 100 feet from the IH-35 frontage road separated by a 43.5-acre tract owned by Travis Mitzpah, Ltd and acquired in 1997. Tract 6 is also about 100 feet from the frontage road and separated by Tract 7. There is a two-acre residential tract carved out of the 43.5-acre tract that lies between the northern Estancia commercial tracts and the interstate, and a 5.367-acre water tower site that was donated to the City of Austin in 2009 adjacent to the borders of Tracts 2, 6, and 7. These parcels can be seen in the preliminary plan on page 42.

VALUATION OF COMMERCIAL TRACT 2

The sales used in the analysis of Tract 2 are shown in the map below, followed by details of each sale.



COMPARABLE SALE LOCATIONS – TRACT 2

**Land Sale No. 1**



**Property Identification**

**Record ID** 1943  
**Property Type** Multi-family  
**Property Name** Lakeline East Apartment Land  
**Address** 2801 S Lakeline Boulevard , Cedar Park, Texas 78717  
**Tax ID** R345706  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** 183 BLW , L.P  
**Grantee** NAP Lakeline, L.P.  
**Sale Date** February 11, 2011  
**Deed Book/Page** 2011010277  
**Property Rights** Fee Simple  
**Financing** Cash to seller  
**Verification** Michael Pacillio- North American Properties ; 512-721-2744 #5270, June 28, 2012; Confirmed by JM

**Sale Price** \$7,500,000  
**Cash Equivalent** \$7,500,000

**Land Data**

**Zoning** CH, Commercial Highway  
**Topography** Fairly level  
**Utilities** All to site  
**Shape** Irregular  
**Flood Info** Not in flood plain

**Land Sale No. 1 (Cont.)****Land Size Information**

<b>Gross Land Size</b>	46.690 Acres or 2,033,816 SF
<b>Planned Units</b>	680
<b>Front Footage</b>	South Lakeline Boulevard
<b>Actual/Planned Building SF</b>	11,029

**Indicators**

<b>Sale Price/Gross Acre</b>	\$160,634
<b>Sale Price/Gross SF</b>	\$3.69
<b>Sale Price/Planned Unit</b>	\$11,029
<b>Sale Price/Planned Bldg. SF</b>	\$680.03

**Legal Description**

Tract 1: being all of that certain tract or parcel of land containing 46.687 acres of land more or less, situated in the Rachel Saul Survey, Abstract No.551, in Williamson County, Texas.

Tract 2; Access rights appurtenant to Tract 1 as created and defined by anti-barrier agreement dated June 6, 1986 recorded in Volume 1371, Page 205 of the Official Records of Williamson County, Texas, and Supplement to Amendment to Anti-Barrier Agreement recorded in Volume 1651, page 604, Official Records of Williamson County, Texas

**Remarks**

This is the site of the new Lakeline East luxury apartments which are being developed in two phases of 340 units each. It is along the northern property line of the Lakeline Regional Mall in Cedar Park.

## Land Sale No. 2

**Property Identification**

<b>Record ID</b>	2157
<b>Property Type</b>	Retail
<b>Property Name</b>	183 Lakeline Pecan Park HEB
<b>Address</b>	Austin, Williamson County, Texas 78717
<b>Location</b>	SWC & NWC US 183, Lakeline
<b>Tax ID</b>	R514473, R514478, R514632, R14634, R14635, R14636, R15554, R516130, R516131
<b>MSA</b>	Austin-Round Rock-San Marcos
<b>Market Type</b>	Suburban

**Sale Data**

<b>Grantor</b>	183 BLW, LP
<b>Grantee</b>	Lakeline Market, Ltd
<b>Sale Date</b>	February 08, 2012
<b>Deed Book/Page</b>	#2012009322
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash to Seller
<b>Verification</b>	John Lewis, buyer 512-476-7011; Confirmed by DJE
<b>Sale Price</b>	\$10,691,171
<b>Cash Equivalent</b>	\$10,691,171

**Land Sale No. 2 (Cont.)****Land Data**

<b>Zoning</b>	GR, General Retail
<b>Topography</b>	Gently Rolling
<b>Utilities</b>	All Available
<b>Shape</b>	Irregular
<b>Flood Info</b>	None

**Land Size Information**

<b>Gross Land Size</b>	47.607 Acres or 2,073,761 SF
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**Indicators**

<b>Sale Price/Gross Acre</b>	\$224,571
<b>Sale Price/Gross SF</b>	\$5.16

**Legal Description**

Approximately 47.607 gross acres consisting of the following: approximately 37.983 acres in Tract 1-A, Lot 1-5, Block A, Lakeline Retail Subdivision Section 1, a subdivision of Williamson County, Texas, according to the map or plat thereof, recorded in Document No. 201205731 of the Official Public Records of Williamson County; approximately 2.593 acres in Tract 1-B, Lot(s) 1, Block A, Lakeline Retail Subdivision Section III, a subdivision of Williamson County, Texas, according to map or plat thereof recorded in in document No. 2012005742 of the Official Public Records of Williamson County; approximately 2.124 acres in TRACT 1-C Lot(s) 1, Block A, Lakeline Retail Subdivision Section II, a subdivision in Williamson County, according to map or plat thereof, recorded under Document No. 2012005691 of the Official Public Records of Williamson County, Texas; approximately 4.907 acres in TRACT 2 Lot 1 of LAKELINE RIVIERA SUBDIVISION, a subdivision of Williamson County, Texas, according to the map or plat thereof, recorded in Cabinet EE, Slide(s) 144-146 of the Plat Records of Williamson County.

Also: Tract 3, and easement estate for access appurtenant to Tract 1-B, and Tract 4, a driveway and access easement appurtenant to Lot(s) 1, Block A.

**Remarks**

This site was acquired for the construction of a 216,000 square foot grocery-anchored shopping center. The sale includes a large tract at the southwest corner of US 183/183A and Lakeline Boulevard, two tracts on the north side of Lakeline Boulevard at the northwest corner, a lone tract along the southbound 183A frontage road near the southwest corner of the larger tract, and a lone tract on Pecan Park Boulevard near the southeast of the main tract. HEB, the grocery store, opened at the end of 2012. The remaining retail stores are scheduled to be completed in March 2013 and several have been pre-leased.

Land Sale No. 3



**Property Identification**

**Record ID** 1880  
**Property Type** Commercial  
**Property Name** Ross and Elroy Investment Land  
**Address** Ross and Elroy, Travis County, Texas 78617  
**Location** West corner of Ross Road and Elroy Road  
**Tax ID** 755494  
**MSA** Austin-Round Rock-San Marcos

**Sale Data**

**Grantor** SR Development  
**Grantee** LMLM Investments, Inc.  
**Sale Date** January 05, 2012  
**Deed Book/Page** 2012002194  
**Conditions of Sale** Typical  
**Financing** Seller financing 30% down, 2-year no interest, 6% note, reportedly financing had no impact on price  
**Verification** Thomas Gunz; 512.535.6378, April 10, 2012; Karl Koebel, 512.331.4000, April 13, 2012; Other sources: Settlement Statement, Confirmed by LWL

**Sale Price** \$1,000,000  
**Cash Equivalent** \$1,000,000

**Land Sale No. 3 (Cont.)****Land Data**

<b>Zoning</b>	LR, Neighborhood Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	None
<b>Easements</b>	Typical
<b>Improvements</b>	None
<b>Current/Intended Use</b>	Vacant Land/Hold for Investment

**Land Size Information**

<b>Gross Land Size</b>	5.026 Acres or 218,933 SF
<b>Front Footage</b>	510 ft Elroy Road;428 ft Ross Road;324 ft Apperson Street

**Indicators**

<b>Sale Price/Gross Acre</b>	\$198,965
<b>Sale Price/Gross SF</b>	\$4.57

**Legal Description**

5.026 acres of land out of the Noel M. Bain Survey No. 1, Abstract No. 61, Travis County, Texas.

**Remarks**

This property has good roadway frontage on three sides and backs up to a school on its rear side. Ross Road terminates just south of the site. The site is subject to the restrictive covenants, as a condition in zoning, as recorded in Volume 10787, Page 302, Travis County Deed Records.

The buyer indicated that he does not intend to develop the tract but hold it as an investment for future resale. The buyer liked the characteristics of the tract, most notably its proximity to the future F1 site.

Land Sale No. 4



**Property Identification**

**Record ID** 2253  
**Property Type** Multi-family  
**Property Name** Silverado Cabela's Apts  
**Address** 1480 Cabela's Dr, Buda, Hays County, Texas 78610  
**Location** WS Cabela's south of Old San Antonio  
**Tax ID** R137864  
**Longitude, Latitude** W-97.82951, N30.08199  
**TxDOT HBU** Multi-family  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** Silverado Buda Development, LC  
**Grantee** Silverado Crossing, LLC  
**Sale Date** June 04, 2012  
**Deed Book/Page** 201212014826  
**Property Rights** Fee simple  
**Conditions of Sale** Typical  
**Financing** Cash to seller  
**Date of Inspection** 3/18/2013

**Verification** Eric DeJenerett; 512-482-5504, March 18, 2013; Other sources: Deed, Confirmed by DJE

**Sale Price** \$2,950,000  
**Cash Equivalent** \$2,950,000

**Land Sale No. 4 (Cont.)****Land Data**

<b>Zoning</b>	FZ2, Mixed Use
<b>Topography</b>	Generally level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	Not in the flood plain
<b>Current/Intended Use</b>	Multi-family

**Land Size Information**

<b>Gross Land Size</b>	18.27 Acres or 795,885 SF
<b>Front Footage</b>	Cabela's Dr

**Indicators**

<b>Sale Price/Gross Acre</b>	\$161,458
<b>Sale Price/Gross SF</b>	\$3.71

**Legal Description**

18.468 acres of land out of that certain 51.506 acres of land in the S.V.R. Eggleston Survey, Abstract No. 5 in Hays County, Texas.

**Remarks**

The site is located behind Cabela's. It was purchased for the development of Silverado Crossing, a 300-unit Class A apartment community. Construction began in early 2012 and is expected to be completed in mid-2013.

Land Sale No. 5



**Property Identification**

**Record ID** 1933  
**Property Type** Commercial  
**Property Name** Lakeway Medical Land  
**Address** RR 620, Lakeway, Travis County, Texas 78738  
**Location** SS RR 620 adjacent to Lakeway Regional Medical Center  
**Tax ID** 123325  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** Manubhai P. & Hetal M. Patel  
**Grantee** Aqua Land Lakeway Medical Development LLC  
**Sale Date** October 31, 2011

**Deed Book/Page** 2011159344  
**Property Rights** Fee Simple  
**Financing** Cash to seller  
**Verification** Justen Aranda ; 512-472-2100, June 05, 2012; Confirmed by JM

**Sale Price** \$3,400,000  
**Cash Equivalent** \$3,400,000

**Land Sale No. 5 (Cont.)****Land Data**

<b>Zoning</b>	C-1
<b>Topography</b>	Gentle to moderate slope up to rear property line
<b>Utilities</b>	All to site
<b>Shape</b>	Rectangular
<b>Rail Service</b>	Guardrail along much of RM 620 frontage
<b>Flood Info</b>	None

**Land Size Information**

<b>Gross Land Size</b>	12.700 Acres or 553,212 SF
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**Indicators**

<b>Sale Price/Gross Acre</b>	\$267,717
<b>Sale Price/Gross SF</b>	\$6.15

**Legal Description**

Being 12.70 acres, more or less, out of the A. Beck Survey, A-54, Travis County, Texas

**Remarks**

The site is located between the new Lakeway Regional Medical Center and Lake Travis High School and Middle School campuses. The buyers plan to sell pad sites at the front of the site and keep the rear portion as an investment.

**COMMERCIAL TRACT 2 MARKET ANALYSIS**

The table below summarizes the transactions researched that are most comparable to the subject. We use the price per square foot for comparison as it is the method used by buyers and sellers for this property type.

<b>LAND SALES SUMMARY</b>								
No.	Property Location	Sale Date	Zoning	Size (Acres)	Utilities	Intended Use	Sale Price	Price per SF
1	2801 Lakeline Blvd, Cedar Park	2/11/2011	Comm	46.690	All to site	Multifamily	\$7,500,000	\$3.69
2	US-183, Lakeline, Cedar Park	2/8/2012	Comm	47.607	All to site	Retail (Grocery)	\$10,691,171	\$5.16
3	Ross and Elroy, Del Valle	1/5/2012	Comm	5.026	All to site	Hold for Investment	\$1,000,000	\$4.57
4	1480 Cabela's Dr, Buda	6/4/2012	Mixed	18.27	All to site	Multifamily	\$2,950,000	\$3.71
5	RR 620, Lakeway	10/31/2011	Comm	12.70	All to site	Office	\$3,400,000	\$6.15
	Estancia Commercial Tract 2	NA	PUD	21.90	All to site	Office, etc.	NA	NA

***Conditions of Sale/Financing***

The sales reflected cash-to-seller transactions or those where the financing terms were reported to be at market. As such, no adjustments for cash equivalency were necessary.

***Market Conditions***

The transactions occurred between February 2011 and June 2012. According to area brokers and our analysis of the land sales in this submarket, the area experienced increasing land prices through year end 2007. Since the sales occurred subsequent to 2007, no adjustments are applied.

***Location/Access***

The subject is located near the south IH-35 frontage road. The area primarily consists of single family development with multifamily and commercial development along the arterials. The area surrounding the subject is mostly vacant land with older residential development or small acreage residential sites in the immediate area and newer residential development to the north and to the south in the suburban Buda and Kyle markets. Access to the subject will be via a southbound exit just north, which is currently an entrance that is to be flipped. An exit ramp near the middle of Estancia will also be flipped to provide ingress to IH-35 southbound. Northbound access to IH-35 is attainable by the Puryear Road overpass connecting the northbound frontage road.

Tract 2 is the northern-most of the commercial tracts and is the largest. Tract 2's access is via an entrance corridor several feet from the Estancia spine road to the main body of the site. The corridor will occupy a relatively significant portion of the tract's size and will be limited as a primary building area. Although this might also be allocated to a usable area or configuration adjustment, it is addressed entirely in this section with the same result via a 10% downward adjustment to each sale for inferior access.

Sales 1 and 2 are located in Cedar Park north of Lakeline Mall. This is a growth area surrounded by shopping, employment centers, and residential development. The location is superior to the subject, and downward adjustments are applied. Note that Sale 1 is the same as Sale 2 in the multifamily analysis, but a different

Location/Access adjustment is applied. This is because high-traffic visibility for multifamily properties is less significant than for commercial sites. In this case, the Sale 1 and Sale 2 are located on a collector road, and although Sale 2 is located on the same collector road, it is at the corner of the US-183A toll southbound frontage road. A larger downward adjustment is applied to Sale 2 for its prime location and access.

Sale 3 is located about a mile west of the SH-130 toll road and a little over a mile north of the new Circuit of the Americas Formula-1 race track. The site benefits from both, but current development in the area is sparse, and this site was purchased as an investment. Its location and access are currently inferior, and an upward adjustment is applied, offset by the downward access adjustment for Tract 2's entrance corridor.

Sale 4 is located about three miles southwest of the subject behind the Cabela's store and retail center in Buda, Hays County. It is accessible via Old San Antonio Road and the ingress and egress that service the shopping center. Although slightly farther from Austin and inferior to the subject, the location near the shopping center, its restaurants, and other facilities is offsetting. This is the same as Sale 1 in the multifamily analysis, and the characteristics that make the location similar to the subject for multifamily development also apply to general commercial development. Overall, it is similar and no adjustment is applied for location, only for the subject's access corridor.

Sale 5 is located in outlying Lakeway, but is next to a recently built hospital. For office or other commercial development, the location is currently superior based on nearby projects that will support improvements to this site. A downward adjustment is applied for location and for the subject's access corridor.

### ***Size/Density***

Typically, there is an inverse relationship between price and size as larger properties generally sell for less per developable unit than smaller tracts. The sales are adjusted for differences at a rate of 10% per size doubling.

### ***Flood, Topography, Parkland***

Neither the subject nor the sales have significant flood plain, and none were adjusted for flood considerations. The subject is located in an area of slightly rolling terrain, but not to the extent that commercial construction would be limited. The sales are similar and no adjustment for topography is necessary.

The subject is part of a master-planned community and will have parks within the development available to all occupants. For commercial buyers, this will satisfy some of the drainage and detention requirements. The surrounding parks and green space add an amenity also, and an adjustment is applied for both the drainage and parkland features.

### ***Utilities/Infrastructure***

The subject's utilities, spine road, and basic infrastructure are presumed to be in place according to a hypothetical condition. Consequently, in the adjustment grid, the subject is viewed as having access and all utilities available to the site. The sales are typical of sites ready for development with all infrastructure immediately available. Sale 3 is located in an area where upsizing of utilities is necessary, and an upward adjustment is applied.

### ***Zoning/Entitlements***

The subject is presumed to be through the zoning and entitlement process on the date of valuation. The sales are located in developments with zoning and entitlements in place. No adjustments are applied.

**Other Characteristics (PID)**

The sales are located in areas with public infrastructure at their perimeter. Therefore, the subject's PID approval and subsequent infrastructure construction will place it in a similar condition. As this analysis presumes completion of infrastructure items, no adjustments are warranted.

**Market Value Conclusion – Commercial Tract 2**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 2</b>						
	<b>Subject</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	2/11/2011	2/8/2012	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$7,500,000	\$10,691,171	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	21.900	46.690	47.607	5.026	18.27	12.70
Price per SF		\$3.69	\$5.16	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$3.69	\$5.16	\$4.57	\$3.71	\$6.15
Location/Access		-15%	-30%	+10%	-10%	-20%
Size		+10%	+10%	-20%	-5%	-10%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	0%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+5%	-10%	+5%	-5%	-20%
Indicated Unit Value		\$3.87	\$4.64	\$4.80	\$3.52	\$4.92

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$3.52 per square foot to \$4.92 per square foot with a mean and median of \$4.35 per square foot and \$4.64 per square foot, respectively. With reliance on the central tendency, a unit value of \$4.50 per square foot is reconciled.

Acres	Value per SF	Market Value
21.90	\$4.50	\$4,292,838
	Rounded	\$4,290,000

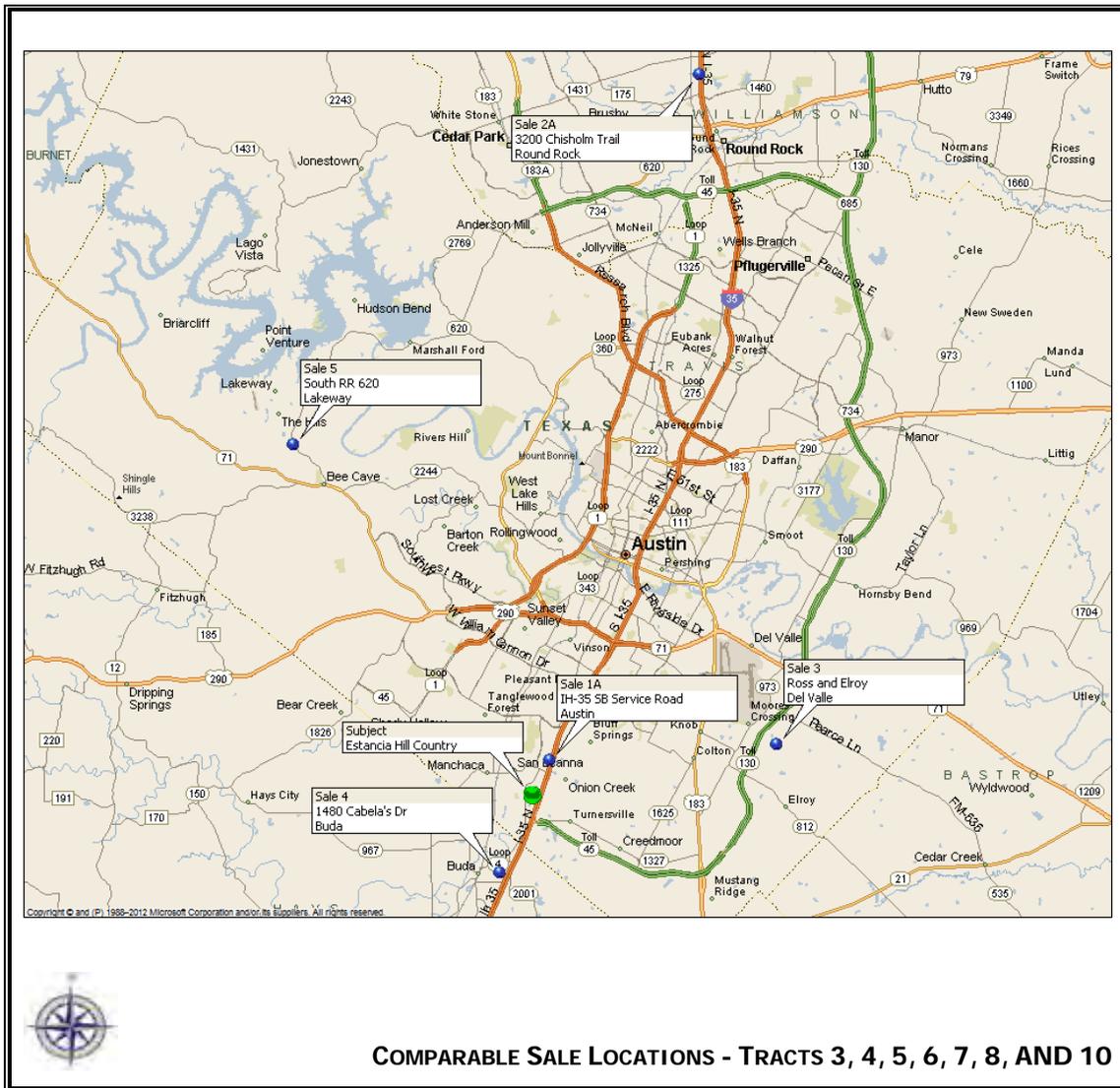
A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**COMPARABLE SALES FOR TRACTS 3, 4, 5, 6, 7, 8, AND 10**

Two of the comparable sales for the remaining commercial tracts differ from those used in the Tract 2 analysis because of size. Sales 1 and 2 in the Tract 2 analysis are larger sites that were included to measure the impact of Tract 2's larger size. Two new sales, designated as Sales 1A and 2A, are included in the remaining comparison grids that are smaller and more similar to the smaller remaining tracts.

Sales 1A and 2A both have IH-35 frontage. Access attributes for this site are the same as Tracts 7, 8, and 10, all located directly on IH-35. The site is slightly superior to Tracts 5 and 6 because they are off the IH-35 frontage but directly on the Estancia spine road, and superior to Tracts 3, and 4, the two flag lots located off the frontage and spine roads. Sale 2A is located in suburban Round Rock in a more developed area but with inferior access due to the configuration of the nearby ramps. The Location/Access adjustment for this sale reflects its overall inferiority compared to Sale 1A. Sale 2A also required extension of sewer lines to the site, and an upward adjustment is applied to the Utilities/Infrastructure category accordingly.

The locations of all five sales employed in the analysis of Tracts 3, 4, 5, 6, 7, 8, and 10 are shown in the map below. Details of the two replacement sales used in this section follow.



The table below summarizes the transactions researched that are most comparable to Tracts 3, 4, 5, 6, 7, 8, and 10. This table includes the two new sales used only in the analysis of these tracts along with the three sales common to the Tract 2 analysis.

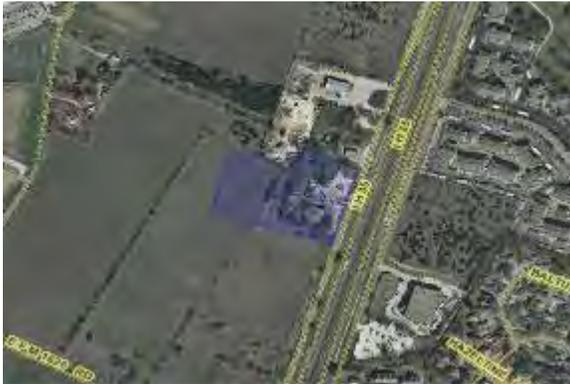
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**LAND SALES SUMMARY**


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No.	Property Location	Sale Date	Zoning	Size (Acres)	Utilities	Intended Use	Sale Price	Price per SF
1A	10812 IH-35 S, Austin	9/18/2012	Comm	6.876	All to site	Retail (Dealership)	\$2,960,166	\$9.88
2A	3200 Chisholm Trl, Round Rock	10/17/2011	Comm	6.611	Sewer by Extension	Retail (Dealership)	\$1,943,980	\$6.75
3	Ross and Elroy, Del Valle	1/5/2012	Comm	5.026	All to site	Hold for Investment	\$1,000,000	\$4.57
4	1480 Cabela's Dr, Buda	6/4/2012	Mixed	18.27	All to site	Multifamily	\$2,950,000	\$3.71
5	RR 620, Lakeway	10/31/2011	Comm	12.70	All to site	Office	\$3,400,000	\$6.15
	Estancia Commercial Tract 3	NA	PUD	8.20	All to site	Office, etc.	NA	NA

**Land Sale No. 1A**



**Property Identification**

<b>Record ID</b>	2305
<b>Property Type</b>	Land, Commercial
<b>Property Name</b>	Onion Creek Volkswagen
<b>Address</b>	10812 IH-35 South, Austin, Travis County, Texas 78745
<b>Location</b>	ES IH-35 1,400' north of FM 1626
<b>Tax ID</b>	820390
<b>MSA</b>	Austin-Round Rock-San Marcos
<b>Market Type</b>	Suburban

**Sale Data**

<b>Grantor</b>	The Riddell Family Limited Partnership
<b>Grantee</b>	Barnett Austin Realty, Ltd.
<b>Sale Date</b>	September 18, 2012
<b>Deed Book/Page</b>	2012157440
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Typical
<b>Financing</b>	Cash to seller
<b>Date of Inspection</b>	4/17/2013
<b>Verification</b>	Eric DeJernett, CBRE, buyer's broker; 512-482-5504, April 17, 2013; Confirmed by DJE

<b>Sale Price</b>	\$2,960,166
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**Land Data**

<b>Zoning</b>	CS-CO, Commercial Services
<b>Topography</b>	Generally level
<b>Utilities</b>	All to site
<b>Shape</b>	Irregular
<b>Flood Info</b>	No flood plain
<b>Depth</b>	662

**Land Sale No. 1A (Cont.)****Land Size Information**

**Gross Land Size** 6.876 Acres or 299,519 SF  
**Front Footage** 480 feet Total Frontage: 480 feet IH-35 SB Service Road

**Indicators**

**Sale Price/Gross Acre** \$430,507  
**Sale Price/Gross SF** \$9.88  
**Sale Price/Front Foot** \$6,167

**Legal Description**

Lot 1, Barnett Subdivision, according to the plat recorded in Document No. 201200162 of the Official Records of Travis County, Texas.

**Remarks**

The tract is part of the Riddell family land. It was purchased by a Houston car dealer for the construction of Onion Creek Volkswagen. Shortly after closing in the fall of 2012, the facility was under construction. At the time of the sale, water and sewer were available at the site and a development permit was in place. The buyer had a subdivision plat approved after the sale. The site has good access with an IH-35 southbound exit ramp and a turn-around overpass located just north providing good access from either direction.

Land Sale No. 2A



**Property Identification**

**Record ID** 1894

**Property Name** Group 1 Auto  
**Address** 3200 Chisholm Trail, Round Rock, Williamson County, Texas 78681  
**Location** NWC of IH-35 and Chisholm Trail

**Sale Data**

**Grantor** William A. and Bess M. Behrens  
**Grantee** Group 1 Realty, Inc.  
**Sale Date** October 17, 2011  
**Deed Book/Page** 2011070377  
**Property Rights** Fee Simple  
**Conditions of Sale** Typical  
**Financing** Cash to Seller  
**Verification** Robert J Fischer; 512-791-0229, December 27, 2011; Confirmed by LWL

**Sale Price** \$1,943,980

**Land Data**

**Zoning** C-1, Commercial  
**Utilities** Water, sewer by extension  
**Shape** Irregular  
**Flood Info** None

**Land Sale No. 2A (Cont.)****Land Size Information**

**Gross Land Size** 6.611 Acres or 287,975 SF  
**Front Footage** IH-35;Chisholm Trail

**Indicators**

**Sale Price/Gross Acre** \$294,030  
**Sale Price/Gross SF** \$6.75

**Legal Description**

6.611 acres, out of the David Curry Survey, Abstract No. 130, Williamson County, Texas.

**Remarks**

The site is being developed as an auto dealership. The sale was based on a price \$6.75/SF.

***See the previous section for detail sheets for Sales 3, 4, and 5 as they are the same as Tract 2 in the remaining adjustment grids.***

**VALUATION OF COMMERCIAL TRACT 3**

This and all remaining tract have the same commercial highest and best use. This tract will contain 8.2 acres according to the preliminary plan. We present a separate adjustment grid with adjustments specific to this site, but the comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 3**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 3</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	8.200	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		-10%	0%	+15%	-5%	-15%
Size		-5%	-5%	-5%	+10%	+5%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		-5%	+7%	+25%	+15%	-0%
Indicated Unit Value		\$9.39	\$7.22	\$5.71	\$4.27	\$6.15

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.27 per square foot to \$9.39 per square foot with a mean and median of \$6.55 per square foot and \$6.15 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.30 per square foot is reconciled.

Acres	Value per SF	Market Value
8.20	\$6.30	\$2,250,310
	Rounded	\$2,250,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 4**

This tract will contain 8.1 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 4**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 4</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	8.100	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		-10%	0%	+15%	-5%	-15%
Size		0%	-5%	-5%	+10%	+5%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		0%	+7%	+25%	+15%	-0%
Indicated Unit Value		\$9.88	\$7.22	\$5.71	\$4.27	\$6.15

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.27 per square foot to \$9.88 per square foot with a mean and median of \$6.65 per square foot and \$6.15 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.40 per square foot is reconciled.

Acres	Value per SF	Market Value
8.10	\$6.40	\$2,258,150
	Rounded	\$2,260,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 5**

This tract will contain 7.7 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 5**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 5</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	7.700	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		-5%	+5%	+20%	0%	-10%
Size		0%	0%	-5%	+10%	+5%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+5%	+17%	+30%	+20%	+5%
Indicated Unit Value		\$10.37	\$7.90	\$5.94	\$4.45	\$6.46

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.45 per square foot to \$10.37 per square foot with a mean and median of \$7.02 per square foot and \$6.46 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.70 per square foot is reconciled.

Acres	Value per SF	Market Value
7.70	\$6.70	\$2,247,260
	Rounded	\$2,250,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 6**

This tract will contain 7.3 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 6**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 6</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	7.300	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		-5%	+5%	+20%	0%	-10%
Size		0%	0%	-5%	+15%	+10%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+5%	+17%	+30%	+25%	+10%
Indicated Unit Value		\$10.37	\$7.90	\$5.94	\$4.64	\$6.77

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.64 per square foot to \$10.37 per square foot with a mean and median of \$7.12 per square foot and \$6.77 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.90 per square foot is reconciled.

Acres	Value per SF	Market Value
7.30	\$6.90	\$2,194,117
	Rounded	\$2,190,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 7**

This tract will contain 8.7 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 7**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 7</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	8.700	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		0%	+10%	+25%	+5%	-5%
Size		-5%	-5%	-10%	+10%	+5%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+5%	+17%	+30%	+25%	+10%
Indicated Unit Value		\$10.37	\$7.90	\$5.94	\$4.64	\$6.77

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.64 per square foot to \$10.37 per square foot with a mean and median of \$7.12 per square foot and \$6.77 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.90 per square foot is reconciled.

Acres	Value per SF	Market Value
8.70	\$6.90	\$2,614,907
	Rounded	\$2,610,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 8**

This tract will contain 11.8 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 8**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 8</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	11.800	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		0%	+10%	+25%	+5%	-5%
Size		-10%	-10%	-10%	+5%	0%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		0%	+12%	+30%	+20%	+5%
Indicated Unit Value		\$9.88	\$7.56	\$5.94	\$4.45	\$6.46

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.45 per square foot to \$9.88 per square foot with a mean and median of \$6.86 per square foot and \$6.46 per square foot, respectively. With reliance on the central tendency, a unit value of \$6.70 per square foot is reconciled.

Acres	Value per SF	Market Value
11.80	\$6.70	\$3,443,854
	Rounded	\$3,440,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**VALUATION OF COMMERCIAL TRACT 10**

This tract will contain 7.8 acres according to the preliminary plan. The comparable sales are the same for Tracts 3, 4, 5, 6, 7, 8, and 10 because they are in the same size category. The size adjustments are applied independently to each to capture minor differences, and other adjustment factors are outlined on page 93.

**Market Value Conclusion – Commercial Tract 10**

<b>ADJUSTMENT GRID - Estancia Commercial Tract 10</b>						
	<b>Subject</b>	<b>1A</b>	<b>2A</b>	<b>3</b>	<b>4</b>	<b>5</b>
Transaction Type	---	Sale	Sale	Sale	Sale	Sale
Transaction Date	---	9/18/2012	10/17/2011	1/5/2012	6/4/2012	10/31/2011
Zoning	PUD	Comm	Comm	Comm	Mixed	Comm
Sales Price	NA	\$2,960,166	\$1,943,980	\$1,000,000	\$2,950,000	\$3,400,000
Size (Acres)	7.800	6.876	6.611	5.026	18.27	12.70
Price per SF		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Property Rights		0%	0%	0%	0%	0%
Terms of Sale/Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions/Time		0%	0%	0%	0%	0%
Adjusted \$/AC		\$9.88	\$6.75	\$4.57	\$3.71	\$6.15
Location/Access		0%	+10%	+25%	+5%	-5%
Size		0%	0%	-5%	+10%	+5%
Flood/Topography/Parkland		+10%	+10%	+10%	+10%	+10%
Utilities/Infrastructure		0%	+2%	+5%	0%	0%
Zoning/Entitlements		0%	0%	0%	0%	0%
Other (PID)		0%	0%	0%	0%	0%
Net Adjustment		+10%	+22%	+35%	+25%	+10%
Indicated Unit Value		\$10.87	\$8.24	\$6.17	\$4.64	\$6.77

Five closed sales were considered in this analysis. These data indicated an adjusted range for the subject of \$4.64 per square foot to \$10.87 per square foot with a mean and median of \$7.34 per square foot and \$6.77 per square foot, respectively. With reliance on the central tendency, a unit value of \$7.10 per square foot is reconciled.

Acres	Value per SF	Market Value
7.80	\$7.10	\$2,412,353
	Rounded	\$2,410,000

A review of recent sales transactions and an analysis of supply and demand in the local market indicate that the probable exposure time for the subject is 12 to 18 months.

**SUMMARY OF VALUE CONCLUSIONS**

The table below summarizes the value conclusion for each tract.

<b>MARKET VALUE CONCLUSIONS</b>						
<b>Tract No.</b>	<b>Preliminary Plan Use</b>	<b>Acres</b>	<b>Sq Ft or Units</b>	<b>Unit of Measure</b>	<b>Unit Value</b>	<b>Indicated Value</b>
Res	Residential	106.76	953,964	Acre	\$96,500	\$10,300,000
1	Multifamily	13.6	272	Multifamily Unit	\$10,900	\$2,960,000
9	Multifamily	12.9	258	Multifamily Unit	\$10,900	\$2,810,000
2	Commercial	21.9	953,964	Square Foot	\$4.50	\$4,290,000
3	Commercial	8.2	357,192	Square Foot	\$6.30	\$2,250,000
4	Commercial	8.1	352,836	Square Foot	\$6.40	\$2,260,000
5	Commercial	7.7	335,412	Square Foot	\$6.70	\$2,250,000
6	Commercial	7.3	317,988	Square Foot	\$6.90	\$2,190,000
7	Commercial	8.7	378,972	Square Foot	\$6.90	\$2,610,000
8	Commercial	11.8	514,008	Square Foot	\$6.70	\$3,440,000
10	Commercial	7.8	339,768	Square Foot	\$7.10	\$2,410,000
Park	Parkland	Various	NA	NA	NA	NA

## **QUALIFICATIONS OF THE APPRAISERS**

## QUALIFICATIONS OF PAUL HORNSBY, MAI, SRA, CRE®



**Experience:** Since 1980, Mr. Hornsby has been a practicing real estate appraiser with an office in Austin, Texas, specializing in the valuation of complex commercial properties and in support of litigation proceedings.

Mr. Hornsby often serves in the capacity of expert witness in cases involving eminent domain, bankruptcy, general commercial litigation and ad valorem tax appeal. He is qualified as an appraisal expert in numerous county courts, state district courts, Federal District Court, U.S. Bankruptcy Court, and various commissioners' courts and appraisal district review boards. Mr. Hornsby has given over 300 depositions, testified in over 200 special commissioners hearings and appeared in over 100 jury and bench trials.

In addition to real property appraisal, Mr. Hornsby provides counseling services relating to real estate, tangible personal property, and intangible assets. He is the owner of ph Business Advisors, a business valuation firm specializing in the appraisal of business enterprises, partnership interests, and the allocation of tangible and intangible assets. Land planning services are provided by our sister company, alterra design group ([www.alterradesigngroup.com](http://www.alterradesigngroup.com)) and brokerage services by Hornsby Realty ([www.hornsby-realty.com](http://www.hornsby-realty.com))

**Licenses and Designations:**

- MAI Designation - Appraisal Institute, Certificate No. 7305
- SRA Designation - Appraisal Institute
- CRE® Designation - The Counselors of Real Estate®
- State Certified General Real Estate Appraiser #TX-1321761-G
- Texas Broker License #283369-05

**Associations and Activities:**

- Past Chair, Central & South Texas Chapter, The Counselors of Real Estate®
- Past President, Director and Regional Committee Member-Austin Chapter of the Appraisal Institute
- Member, International Right of Way Association
- Affiliate member, Texas Association of Appraisal Districts
- Instructor, Appraisal Institute – Uniform Standards of Professional Appraisal Practice and Business Practices and Ethics
- Appraisal Qualifications Board (AOB) Certified USPAP Instructor
- REALTOR - National Association of Realtors

**Education:** University of Texas at Austin, B.B.A. Degree in Finance, August 1977

**Lectures and Publications:**

- Transmission Lines: Acquisition, Valuation and condemnation, Austin Chapter of the Appraisal Institute and IRWA Chapter 74, 2012
- Responding to Daubert Challenges, Eminent Domain Conference, CLE® International, 2011
- Equality and Uniformity-Commercial Properties, Appraisal Review Board, Travis Central Appraisal District, May 2009
- Appraisal Values in an Unsettled Economy, Graves Dougherty Hearon & Moody – Banking & Real Estate Clients, October, 2008
- Fee Simple Estate - How Many Sticks in the Bundle?, 22nd Annual Legal Seminar on Ad Valorem Taxation in San Antonio, 2008
- Real Estate Appraisal Issues and Ethics, Eminent Domain for Attorneys in Texas, 2007
- Contemporary Appraisal Issues, Central Texas Commercial Property Exchange, 2007
- Capitalization Theory & Techniques, Chartered Financial Analysts, 2007
- Material and Substantial Impairment of Access, CLE® International, 2003
- Fee Simple Versus Leased Fee Valuation: A Study of Appraisal Models, Downtown Austin Alliance, Institute of Real Estate Management, 2001
- Regulatory Takings, International Right of Way Association, 2000
- The Schmidt Opinion From the Appraiser's Perspective, Office of the Attorney General, State of Texas, 1993
- Asbestos Abatement and Lead Paint: Effects on Real Estate Value, Texas Association of Appraisal Districts, 1992
- The Endangered Species Act and Its Impact on Property Value, Texas Savings and Loan League, 1989
- Valuation Theory, Real Estate Symposium, University of Texas, 1984

## QUALIFICATIONS OF DAVID J. ENGLUND, MAI, SRA



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**Experience:** Mr. Englund has been involved in appraisal and consultation of real property since 1986. He is currently a commercial real estate appraiser with Paul Hornsby & Company. Prior to becoming associated with Paul Hornsby & Company, he held the Senior Appraiser position at the Austin office of Grubb & Ellis Landauer Valuation Advisory Service, and previously was a Senior Analyst at Integra Realty Resources-Austin, a national commercial appraisal firm. From 1986 to 2006, Mr. Englund was an independent fee appraiser specializing in single and multifamily residential properties with offices in Baton Rouge and Austin. Valuations have been performed on various property types including single family residential, 1-4 family, apartment properties, residential subdivision developments, condominium developments, office and retail buildings, industrial buildings, nursing homes, convenience stores, mixed use facilities, marinas, and vacant land including eminent domain assignments.

His clients at various times have included financial institutions, REITs, insurance companies, law firms, governmental entities, developers, estates, and private property owners. Assignments have been completed for purposes of loan underwriting, portfolio valuation analysis, asset valuation, tax assessment purposes, property acquisition and disposition, estate tax and planning purposes, life estates, and due diligence support.

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**Licenses and Designations:**

- MAI Designation - Appraisal Institute
- SRA Designation - Appraisal Institute
- State Certified General Real Estate Appraiser #TX-1336764-G

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**Associations and Activities:**

- President, 2013, Austin Chapter of the Appraisal Institute
- Regional Ethics and Counseling Panel – Appraisal Institute
- Chairman/President – Baton Rouge Chapter of the Appraisal Institute
- Board of Directors – Louisiana Chapter of the Appraisal Institute
- Nominating Committee – Louisiana Chapter of the Appraisal Institute
- Vice President – Baton Rouge Chapter of the Appraisal Institute
- Admissions Committee – Louisiana Chapter of the Appraisal Institute
- Board of Directors – Baton Rouge Chapter of the Appraisal Institute
- Chairman of Education Committee – Baton Rouge Chapter of the Appraisal Institute
- Young Advisory Council – Appraisal Institute
- Treasurer – Baton Rouge Chapter of the Appraisal Institute

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**Education:** Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute and accredited universities, as well as general studies at Louisiana State University

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APPENDIX F

FINANCING AGREEMENT

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ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT  
FINANCING AGREEMENT

BETWEEN

SLF III – ONION CREEK, L.P., a Texas limited partnership

AND

THE CITY OF AUSTIN, TEXAS

ESTANCIA HILL COUNTRY PUBLIC IMPROVEMENT DISTRICT  
FINANCING AGREEMENT

This Estancia Hill Country Public Improvement District Financing Agreement (this “**Agreement**”), dated as of June 20, 2013, (the “**Effective Date**”), is entered into between SLF III – ONION CREEK, L.P., a Texas limited partnership (including its Designated Successors and Assigns, the “**Owner**”), and the City of Austin, Texas (the “**City**”), a municipal corporation, acting by and through its duly authorized representative.

Recitals:

WHEREAS, Owner and its affiliates own a total of approximately 600 acres of land contained within the area described in the attached Exhibit “B” (the “**Property**”). The Property is located in the City’s extraterritorial jurisdiction in Travis County, Texas and the City Council has approved the limited purpose annexation of the Property.

WHEREAS, it is intended that the Property will be developed as a mixed-use development by Owner, its affiliates and/or their successors and assigns, including future owners and developers, which may include single-family and multifamily residential, office, light industrial, retail and other uses (the “**Project**”);

WHEREAS, the Project is located along Interstate 35. The Project is in the City’s Desired Development Zone. The City has identified the intersection of I-35 and SH 45 as one of its growth nodes in the City’s Imagine Austin Plan;

WHEREAS, Owner and the City executed that certain Interim Annexation and Development Agreement (“**Interim Development Agreement**”) dated effective as of February 4, 2013 wherein the parties established goals and a process for annexation and zoning of the Property;

WHEREAS, the City Council authorized the formation of the Estancia Hill Country Public Improvement District on June 6, 2013 pursuant to Ordinance No. 20130606-054 (the “**District**”) in accordance with the PID Act (as defined in Exhibit “A”) and the City’s PID Policy adopted on December 18, 2008 (“**PID Policy**”);

WHEREAS, pursuant to the Estancia Hill Country Annexation and Development Agreement dated of even date herewith (the “**Development Agreement**”), the City has (i) superseded and replaced the Interim Development Agreement with the Development Agreement, (ii) adopted Ordinance No. 20130620-077 establishing zoning for the Project, and (iii) authorized the limited purpose annexation of the Property;

WHEREAS, pursuant to the City’s PID Policy and the terms of this Agreement, the City has agreed to allow City financing of certain infrastructure within the Property via a public improvement district;

WHEREAS, the City acknowledges that Owner's cooperation in this endeavor enables the City to establish, define, and protect the City's jurisdiction and regulatory authority over the Property, and that Owner would not have consented to the annexation and zoning of the Property but for the intention to enter into this Agreement;

WHEREAS, the Owner proposes to construct certain improvements over time to serve Property located in the District (or portions thereof) and transfer some of those improvements to the City or County in accordance with the terms and provisions of this Agreement;

WHEREAS, contemporaneously herewith the City intends to (upon satisfaction of the conditions and in accordance with the terms set forth in this Agreement), at the request, and with the consent, approval and agreement of the Owner, adopt the Assessment Ordinance (as defined herein) and adopt the Assessment Plan (as defined herein) that provides for the construction and financing of certain improvements within the District pursuant to the Assessment Plan, payable in whole or in part, by and from assessments levied against property within the District, as more specifically provided for in the Assessment Plan;

WHEREAS, the City intends to (upon satisfaction of the conditions and in accordance with the terms set forth in this Agreement) levy assessments on all or a portion of the property located within the District and issue, in one or more series, bonds for payment of costs associated with construction and/or acquisition of the Public Improvements (as defined herein) included in the Assessment Plan, as such plan may be amended from time to time;

WHEREAS, the City has determined that it is in its best interests to contract with the Owner for the construction of the Public Improvements, which will result in the efficient and effective implementation of the Assessment Plan; and

WHEREAS, since funding from the initial PID Bond offering is insufficient to finance all of the Public Improvements within Improvement Area #1, Owner is depositing an Initial Owner Contribution (as defined herein) to augment the bond funding for the Public Improvements within Improvement Area #1;

WHEREAS, the Initial Owner Contribution, to the extent expended to pay for the costs of Public Improvements shall be returned to Owner over time from special assessments or if applicable, the proceeds of Improvement Area #1 Parity Bonds; and

WHEREAS, it is also intended that Owner will be reimbursed for all of its Actual Costs (as defined herein) by allowing Owner to receive a portion of the Special Assessments (as defined herein) over time and/or receiving funds resulting from the issuance of Improvement Area #1 Parity Bonds, as more particularly described herein.

NOW, THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions contained herein, and other good and valuable consideration, the parties hereto agree as follows:

## ARTICLE I. SCOPE OF AGREEMENT

### Section 1.01. Outline of Agreement

This Agreement establishes provisions for the apportionment, levying, and collection of Assessments on the Property (Article II), the Construction of Public Improvements to be Acquired by the City or County (Article III), advancement of construction funds for the PID Bonds, acquisition and maintenance of Public Improvements within the District (Article IV), and the issuance of bonds for the financing of the Public Improvements (Article V). Definitions used herein are set forth in Exhibit “A” attached hereto and made a part hereof and in the Assessment Plan. This Agreement, together with the Development Agreement and the Redemption Agreement, sets forth the agreement among the parties concerning the PID financing, construction and City’s acceptance (where applicable) of the Public Improvements. Unless expressly set forth herein, the parties do not intend for this Agreement to supersede, replace, amend or conflict with the Development Agreement or Redemption Agreement.

### Section 1.02 Annexation

City Council has authorized the limited purpose annexation of the Property. Timing of the City’s full purpose annexation of the Property shall be in accordance with Article V of the Development Agreement.

## ARTICLE II. APPORTIONMENT, LEVY AND COLLECTION OF ASSESSMENTS

### Section 2.01. Preliminary Matters

(a) On June 6, 2013, the City authorized the formation of the District in Resolution No. 2013-0606-054. The District includes all of the Property.

(b) The Property may be developed in phases. It is currently contemplated that there will be three (3) separate Improvement Areas (i.e., phases). It is also anticipated that the Public Improvements for each Improvement Area will provide special benefit to Parcels contained within that Improvement Area. As a result, Special Assessments will be levied on specific Improvement Areas of the Property from time to time associated with Public Improvements located within that Improvement Area. Initial PID Bonds for Improvement Area #1 (and potentially Improvement Area #1 Parity Bonds may be issued as well) will be issued to fund improvements within Improvement Area #1 (save and except the design costs for the TxDOT ramp relocations which are more particularly described in the Assessment Plan) and PID Bonds for other Improvement Areas may be issued periodically in the future as individual Improvement Areas of the Project are developed. The PID Bonds will fund infrastructure improvements that specially benefit Parcels within each given Improvement Area. In connection with the PID Bonds, Special Assessments will be levied only on Property located in the Improvement Area in question.

(c) The initial Assessment Plan for the Property is attached hereto as Exhibit “C.” The Owner acknowledges and agrees that the Assessment Plan must meet the requirements

of Texas Local Government Code §§ 372.013 and 372.014 and be presented to the City Council for review and approval prior to PID Bonds being issued. Thereafter, the Assessment Plan will be updated and amended by the Administrator at least once per year, and submitted for the City Council's review and approval. Notwithstanding the above, it is hereby understood and acknowledged by the Parties that the Special Assessments associated with the initial PID Bonds for Improvement Area #1 (which are being authorized by the City Council contemporaneously herewith) and the potential Improvement Area #1 Parity Bonds (or the amounts needed to repay the Owner for the Initial Owner Contribution and other Actual Costs eligible to be reimbursed from Special Assessments) are the only Special Assessments that can be addressed with reasonable certainty in the Assessment Plan. As a result, the Assessment Plan will need to be amended over time as subsequent Improvement Areas are developed (and corresponding PID Bonds are issued) in accordance with the terms set forth in this Agreement. Nevertheless, the basic terms and methodology described in the Assessment Plan will generally apply to the PID Bonds issued for future Improvement Areas.

(d) Special Assessments on any portion of the Property will bear a direct proportional relationship to the special benefit of the Public Improvements to that Improvement Area.

(e) Special Assessments on any given portion of the Property may be adjusted in connection with subsequent PID Bond issues as long as the Maximum Annual Assessment rate is not exceeded, and so long as the Special Assessments are determined in accordance with the Assessment Plan.

(f) Prior to the levy of Special Assessments, the Owner shall provide a Feasibility and Market Study Analysis to the City for the City's review and approval, as described in Section 5.01 hereof, but only if such Feasibility and Market Analysis Study is required by the City. The Parties hereby acknowledge and agree that the Appraisal of Estancia Hill Country Phase I dated effective March 16, 2013 prepared by Paul Hornsby & Company shall serve as the Feasibility and Market Analysis Study for Improvement Area #1.

(g) The Property may be subject to an Owner's Association assessment or a PID Maintenance and Operation Assessment for the provision of public services, including but not limited to maintaining public areas (e.g. parks and open space) within the District.

(h) Promptly following submission to the City of an updated Assessment Plan (or any subsequent amendment or supplement to the Assessment Plan) acceptable in form and substance to the City and to the Owner with respect to the matters therein that require approval by the Owner as provided in this Agreement, the City Council shall consider an Assessment Ordinance relating to the applicable plan or amendment or supplement. If an Assessment Ordinance is adopted, the City shall use reasonable, good faith efforts to expeditiously initiate and approve all necessary documents and orders required to effectuate the Assessment Plan and Assessment Ordinance.

**Section 2.02.** Apportionment and Levy of Assessments.

The City intends to levy Special Assessments on the Property in accordance herewith and with the Assessment Plan (as such plan is amended from time to time) at such time as PID Bonds are issued in accordance with Article IV hereof. The City's apportionment and levy of Special Assessments shall be made in accordance with the PID Act.

**Section 2.03.** Collection of Assessments.

The City covenants and agrees that it shall, as authorized by the PID Act and other applicable law, continuously collect or cause to be collected Special Assessments levied pursuant to the Assessment Plan during the term of this Agreement in the manner and to the maximum extent permitted by applicable law. The City covenants and agrees that to the extent permitted by applicable law, it will not permit a reduction, abatement, or exemption in the Special Assessments due on any portion of the Property until the PID Bonds related to that particular portion of the Property are no longer outstanding, whether as a result of payment in full, defeasance or otherwise and the Owner has been reimbursed for all of the unreimbursed Actual Costs eligible to be paid from Special Assessments. The City shall use good and sound practices to collect the Special Assessments consistent with the City's policies and standard practices applicable to the collection of City taxes and assessments.

Notwithstanding anything to the contrary contained herein or in the Assessment Plan, the Special Assessment Revenues collected annually from Improvement Area # 1 will be (a) first deposited to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the PID Bonds next coming due, (b) second, deposited to the Reserve Account of the Reserve Fund in an amount necessary to cause the amount on deposit therein to equal the Reserve Fund Requirement, (c) third, deposited to the Landowner Pledged Revenue Account of the Pledged Revenue Fund to reimburse the Owner for costs of Public Improvements that have been paid from the cash deposit made by the Owner at closing, (d) fourth, used to pay Actual Costs, and (e) fifth, used to pay any costs permitted by the PID Act.

**Section 2.04.** Approval and Recordation of Special Assessments through Landowner Agreement.

Concurrently with the levy of the Special Assessments for any portion of the Property, the Owner shall execute (and shall cause any other owner of any of the Property that will be subject to the future special assessments to execute) a Landowner Agreement (herein so called) in which the Landowner shall approve and accept the apportionment of assessments in the Assessment Plan and the levy of the Special Assessments by the City. The Landowner Agreement further shall (a) evidence the Owner's intent that the Special Assessments be covenants running with the land that (i) will bind any and all current and successor owners of the Property to the Special Assessments, including applicable interest thereon, as and when due and payable thereunder and (ii) provide that subsequent purchasers of such land take their title subject to and expressly assume the terms and provisions of the Special Assessments; and (b) provide that the liens created by the levy of the Special Assessments are a first and prior lien on the Property, subject only to liens for ad valorem taxes of the State or municipality (if any), county, school district, special district or other political subdivision.

## Section 2.05 Initial Owner Contribution; Reimbursement Agreement

(a) Notwithstanding anything to the contrary contained herein, the City and Owner hereby agree that the Actual Costs expended by Owner, but not reimbursed from the initial PID Bonds, are payable solely from (i) the Landowner Pledged Revenue Account within the Pledged Revenue Fund as more particularly described herein and (ii) from the Improvement Area #1 Parity Bonds, if ever issued. The City and Owner hereby acknowledge and agree that the provisions of this Section 2.05 shall hereby constitute a “reimbursement” under Chapter 372 of the Texas Local Government Code.

(b) It is contemplated that Improvement Area #1 Parity Bonds may be issued in the future for Improvement Area #1. The purpose of the Parity Bond issuance would be to expedite the reimbursement to the Owner of the unreimbursed Actual Costs eligible to be paid from Special Assessments by allowing the net proceeds of the Improvement Area #1 Parity Bonds to be used to reimburse Owner for the unreimbursed Actual Costs eligible to be paid from Special Assessments. If the net proceeds of the Improvement Area # 1 Parity Bonds have reimbursed the Owner for the unreimbursed Actual Costs, eligible to be paid from Special Assessments then Owner’s right to receive any portion of the Special Assessments for Improvement Area # 1 shall automatically terminate and thereafter all Special Assessments for Improvement Area # 1 received by the City would be used to pay debt service of the initial PID Bonds and Parity Bonds for Improvement Area # 1. However, if the net proceeds of such Improvement Area #1 Parity Bonds are not sufficient to reimburse Owner for the unreimbursed Actual Costs, eligible to be paid from Special Assessment then Owner shall continue to receive a portion of the Special Assessment Revenue from Improvement Area # 1 (as more particularly described in Section 2.03) until the earlier of (i) the date the Owner is fully repaid for the unreimbursed Actual Costs eligible to be paid from Special Assessments or (ii) the date the PID Bonds for Improvement Area # 1 and Parity Bonds for Improvement Area # 1 are no longer outstanding, whether as a result of payment in full, defeasance or otherwise.

(c) The Owner reimbursement provisions contained in this Section 2.05 shall not, under any circumstances, give rise to or create a charge against the general credit or taxing power of the City or a debt or other obligation of the City payable from any source other than net proceeds from the PID Bonds for Improvement Area # 1, the Improvement Area # 1 Parity Bonds, and Special Assessment Revenues.

(d) Owner’s right, title and interest into the payments of unreimbursed Actual Costs, as described herein, shall be the sole and exclusive property of Owner (or its Transferee) and no other third party shall have any claim or right to such funds unless Owner transfers its rights to its unreimbursed Actual Costs to a Transferee in writing and otherwise in accordance with the requirements set forth herein. Owner has the right to convey, transfer, assign, mortgage, pledge, or otherwise encumber, in whole or in part without the consent of (but with notice to) the City, all or any portion of Owner’s right, title, or interest under this Agreement including, but not limited to, any right, title or interest of Owner in and to payment of its unreimbursed Actual Costs (a “**Transfer**,” and the person or entity to whom the transfer is made, a “**Transferee**”). Notwithstanding the foregoing, no Transfer shall be effective until written notice of the Transfer,

including the name and address of the Transferee, is provided to the City. The City may rely conclusively on any written notice of a Transfer provided by Owner without any obligation to investigate or confirm the Transfer.

(e) The City acknowledges and agrees that until Improvement Area #1 Parity Bonds are issued, the obligation of the City to use the Landowner Pledged Revenue Account to pay any unreimbursed Actual Costs to Owner is absolute and unconditional and that the City does not have, and will not assert, any defenses to such obligation.

(f) Provided (i) the issuance of Improvement Area #1 Parity Bonds is considered financially feasible by the City and an underwriter experienced in the issuance of such bonds and (ii) all appropriate tests have been met, including the additional bond test set forth in the Indenture, the City hereby agrees to use reasonable efforts to issue Improvement Area #1 Parity Bonds to pay the unreimbursed Actual Costs to Owner when requested by Owner in writing. If the net proceeds from the Improvement Area #1 Parity Bonds plus the balance in the Project Fund will be insufficient to pay the unreimbursed Actual Costs, Owner shall continue to receive money from the Landowner Pledged Revenue Account until the unreimbursed Actual Costs eligible to be paid from Special Assessments have been reimbursed to the Owner.

### **ARTICLE III. CONSTRUCTION AND ACQUISITION**

#### **Section 3.01. Acquisition of Public Improvements**

The Public Improvements are intended to be acquired by the City and/or the County, although some Public Improvements may be dedicated to the City and/or the County by easement and maintained by an Owner's Association. The Public Improvements to be acquired by the City shall be determined through mutual agreement of the Parties; provided, however it is hereby acknowledged and agreed to by the City and Owner that some of the Public Improvements may have been previously approved or constructed as more particularly described in Section 4.02 (e). Except as set forth in Section 4.02 (e.g. Public Improvements funded by PID Bond Draws), each acquisition of Public Improvements not paid for simultaneously with conveyance of said Public Improvements (e.g., a portion of the price is being paid over time) shall be evidenced by an Acquisition Agreement, if required by applicable law.

#### **Section 3.02. Designation of Construction Manager, Construction Engineers**

(a) The City hereby designates the Owner as the Construction Manager with full responsibility for the design, the designation of easement locations, facilities site designations and acquisitions, supervision of construction, and the bidding and letting of construction contracts for the construction of the Public Improvements in accordance with the provisions of this Article III.

(b) Inspection of the construction of all Public Improvements shall be by City inspectors. If the PID Bonds have not been issued, the Owner shall pay the inspection fee which shall be included in the Actual Cost and may later be reimbursed to Owner when PID Bonds are

issued. If the PID Bonds have been issued, the Owner may pay the inspection fee out of PID Bond proceeds.

(c) The Owner shall be entitled to a separate Construction Management Fee for the construction of each Segment.

(d) The City shall cooperate with the Owner in connection with its services as Construction Manager.

(e) The Owner shall designate the consulting engineers for the Public Improvements for the compensation specified by the Owner.

### **Section 3.03. Designation of Construction Manager Subcontractor**

(a) The City acknowledges and agrees that (i) Owner may subcontract out all or some of the duties of Construction Manager to a third party and (ii) the hiring of a subcontractor to serve as the Construction Manager shall not be deemed a change in the Construction Manager pursuant to the terms and conditions of Section 3.03. Owner may designate an individual, company, or partnership or other entity as a subcontractor for construction management services for one or more Public Improvements or distinct Segments thereof.

(b) Owner may designate an individual, company, or partnership or other entity to serve as the Construction Manager for one or more Public Improvements or Segments thereof upon written notification to and approval by the City, which approval shall not be unreasonably withheld; provided, however the Owner may not change its designated Construction Manager during the first six (6) months of this Agreement, except for cause. Thereafter, Owner may remove a designated "Construction Manger" at any time. Owner will not be responsible as the Construction Manager when a third party is designated as the Construction Manager.

(c) Only the designated Construction Manager may receive a construction management fee, but only for the period of time during that designation and the performance of the Construction Manager duties. Further, the total construction management fee shall not exceed the amount provided for in the definition of "Actual Costs" in this Agreement.

### **Section 3.04. Performance Bonds**

If at the time of release of the site development permit (or other applicable permit), there are funds within the Project Fund of the Indenture sufficient both to pay for completion of a Public Improvement and to meet all other obligations of the Public Improvement, it is intended that the Owner not be required to post fiscal security for the applicable Public Improvement. The City acknowledges that it will accept fiscal security, if required, for the Public Improvements in the form of an irrevocable letter of credit, surety bond, cash deposit, or other security acceptable to the City. If no such account exists or such account is not appropriately funded, then the Owner shall be required to post fiscal security for Public Improvements in accordance with Section 3.08 below.

### **Section 3.05. Maintenance of Project, Warranties**

Unless otherwise provided for, the Owner shall maintain each Public Improvement (or Segment thereof) in good and safe condition until such Public Improvement (or Segment thereof) is accepted by the City or County. The City's acceptance of Public Improvements shall be in accordance with the City standard rules and procedures for the type of improvements being constructed. Prior to such acceptance, the Owner shall be responsible for performing any required maintenance on such Public Improvement. On or before the acceptance by the City or County of a Public Improvement (or Segment thereof), the Owner shall assign to the City or County (as applicable) all of the Owner's rights in any warranties, guarantees, maintenance obligations or other evidences of contingent obligations of third persons with respect to such Public Improvement (or Segment thereof).

### **Section 3.06. Sales and Use Tax Exemptions.**

(a) The parties agree that, as municipally and publicly owned and acquired properties, all costs of materials, other properties and services used in constructing the Public Improvements to be acquired by the City are exempt under the Tax Code from sales and use taxes levied by the State of Texas, or by any city, county, special district, or other political subdivision of the State, as set forth in 34 Tex. Admin. Code, sec. 3.291.

(b) The City will provide such certifications to the Owner and/or to suppliers and contractors as may be required to assure the exemptions claimed herein.

(c) The City and the Owner shall cooperate in structuring the construction contracts for the Public Improvements to comply with requirements (including those set forth in 34. Tex. Admin. Code, sec. 3.291) for exemption from sales and use taxes.

### **Section 3.07. Regulatory Requirements**

(a) The Public Improvements shall be designed, constructed and installed, using the City's construction, bidding, and contract documents, in accordance with and subject to compliance with commercially accepted construction practices, applicable City policies, rules and ordinances, and any other Regulatory Requirements, including valid requirements that are uniformly applicable within the City and promulgated by the City, except as otherwise provided in the Development Agreement; provided, however the Parties hereby agree that the Owner shall not be required to (i) issue solicitations for Professional Services (as defined by state procurement law), or (ii) solicit and publish invitations for bids for the construction of the Public Improvements that would require the minority-owned and women-owned business enterprise procurement program found in Chapter 2-9, City Code, as amended, and Chapters 212 and 252, Texas Local Government Code (as amended) to be followed for Public Improvements in which a bid solicitation packet has already been issued and advertised, or already retained by the Owner and under contract prior to the Effective Date. For those Public Improvements (if any) for which the City does not have bid specifications, Owner and the City shall work together in good faith to develop bid specifications.

(b) The Director agrees to cooperate with the Owner to the extent reasonably possible

without detriment to proper engineering review, comment, and revision on the review and approval of the engineering, design, plans, and specifications of all Public Improvements submitted by the Owner.

**Section 3.08. Additional Requirements for Public Improvements Funded with Progress Payments**

The following additional requirements shall be applicable to Public Improvements funded in accordance with the procedures set forth in Section 4.02:

(a) Prior to the later to occur of (i) the Effective Date, or (ii) commencing construction of any such Public Improvements, the Project Engineer shall review all plans and specifications, construction contract and related materials for the applicable Public Improvement, and shall certify to the Owner, City, Underwriter, Financial Advisor and Trustee that the amount of funding under the PID Bonds (as specified in the Assessment Plan and Indenture) together with funds contributed by Owner, including but not limited to the Initial Owner Contribution and/or fiscal security referenced in Section 3.04 above (or a combination of both) is sufficient to fund the full cost of design and construction of the applicable Public Improvements (but excluding any Construction Management Fees or contingencies as set forth in the Assessment Plan).

(b) The Construction Manager will maintain an ongoing monthly updated accounting of funds disbursed, work progress and remaining funding needed to complete each applicable Public Improvement. Such accounting to include a reconciliation of any unadvanced amounts out of the segregated accounts in the Project Fund under the applicable Indenture as compared to the remaining costs to complete each applicable Public Improvement. The Construction Manager will provide such monthly reports to the Owner, the City's Director, the Underwriter, the Financial Advisor and the Trustee.

(c) All change orders or costs increases for applicable Public Improvements must be approved by the Owner, Construction Manager and the Director, to the extent any such change order is in excess of \$100,000.00. The Construction Manager shall provide copies of all approved change orders to the Financial Advisor, Underwriter and Trustee within ten (10) days after approval.

(d) Each construction contract for applicable Public Improvements shall include a provision requiring 10% retainage to be disbursed only upon completion and acceptance by the City of applicable Public Improvement, subject however to early disbursement for subcontractors whose work has been completed.

**Section 3.09. Redemption Agreement**

Concurrent with the closing on the initial PID Bonds for Improvement Area #1 and thereafter concurrently with any future issuances of PID Bonds, the Owners will execute an Agreement Regarding Conveyance of Right of Redemption (the "**Redemption Agreement**") in substantially the same form as Exhibit "I" attached hereto with the City and the Trustee pursuant to which Owner will convey to the Trustee, for the benefit of the owner of the PID Bonds, the right to

redeem any Assessed Parcel subject to the applicable PID Bonds with an agricultural valuation and require any subsequent purchaser to execute a similar conveyance.

#### **ARTICLE IV. PAYMENT FOR PUBLIC IMPROVEMENTS**

##### **Section 4.01. Overall Requirements**

(a) The City shall not be obligated to provide funds for any Public Improvement except from the proceeds of the PID Bonds and Special Assessment Revenues. The City makes no warranty, either express or implied, that the proceeds of the PID Bonds available for the payment of the Actual Cost of the Public Improvements to be constructed for or acquired by the City or County will be sufficient for the construction or acquisition of all of those particular Public Improvements. The Parties anticipate that the cost to construct the Public Improvements may be greater than the proceeds of the PID Bonds available for Public Improvements.

(b) Owner may enter into agreements with one or more real estate owners or builders (commercial or residential) to sell or develop a portion of the Property and/or to construct certain Public Improvements (each such Owner, a “**Co-Owner**”). The Owner may submit Actual Costs paid for by a Co-Owner and obtain reimbursement of such Actual Costs on behalf of and to be paid to such Co-Owner. Costs owed to subcontractors (for which no evidence of payment exists) shall be paid by Trustee to the subcontractors.

(c) Upon written acceptance of a Public Improvement, and subject to any applicable maintenance-bond period, the City or County (as applicable) shall be responsible for all operation and maintenance of such Public Improvement, including all costs thereof and relating thereto.

(d) The Parties hereby acknowledge and agree that Public Improvements that are intended to be funded by progress payments through PID Bonds (i.e. PID Bonds are sold and then Public Improvements are funded by draws out of PID Bond proceeds) will be governed by Section 4.02 of this Agreement. Public Improvements that have already been completed and paid for by the Owner prior to the issuance of PID Bonds will be governed by Section 4.03 of this Agreement.

(e) The procedures set forth in Section 4.02 and 4.03 below shall apply to all Certifications for Payment regardless of which account within the Project Fund the actual funds are being paid from.

##### **Section 4.02. Progress Payments for Public Improvements**

(a) With respect to those Public Improvements not funded pursuant to Section 4.03 below, Owner shall deliver and the City shall accept the given Public Improvements in accordance with the terms hereafter. The net PID Bond Proceeds from the issuance of the PID Bonds and the Initial Owner Contribution will be held by the Trustee in various segregated accounts under the Project Fund. Those sums held in the various segregated accounts will be advanced to the Owner by the Trustee to fund the costs of design, construction, City inspection and administrative costs, and other soft costs (as more particularly specified herein and in the

Assessment Plan) upon receipt of a completed Certification for Payment. Payments will be made to Owner, or subcontractor (as provided in Section 4.01(b)) periodically as design and construction progresses. Reimbursement from PID Bond proceeds for Owner Expended Funds (defined below in this section) expended by Owner for Public Improvements between September 30, 2009 and June 20, 2013 will be included within the first bond draw under the PID Bonds issued for Improvement Area # 1 and shall include the costs described in the Initial Reimbursement Payment (defined below in this section). The procedures for such progress payments are contained in this Section 4.02 and the Initial Indenture. Such payments shall be made by Trustee on a monthly basis and within five (5) business days of the Trustee's receipt of the completed Certification for Payment from the City Treasurer. The Director or its designee shall deliver to the City Treasurer his/her concurrence to pay pursuant to a completed Certification for Payment within fifteen (15) calendar days after its receipt of the required submittal items pursuant to either subpart (b) or (c) below, as applicable and the Finance Director shall then have up to ten (10) calendar days to forward the executed Certification for Payment to the Trustee for payment. If the City disapproves any Certification for Payment, the City shall provide a written explanation of the reasons for such disapproval so that if the Certification for Payment is revised in accordance with City's comments, the Certification for Payment can be approved. Notwithstanding anything to the contrary contained herein, if the monthly reconciliation provided by the Construction Manager pursuant to Section 3.08(b) above for a particular Public Improvement shows there are not enough funds in the segregated account to fund the remaining design and construction costs of that Public Improvement after taking into consideration any contingencies, the Director shall not be obligated to authorize payments of funds exceeding the balance in the segregated account until such time as Owner provides evidence satisfactory to the Director that Owner has or will provide funds in an amount sufficient to fully fund the remaining design and construction costs of that Public Improvement.

(b) Payments shall be made by the Trustee based on the Actual Cost of the design and/or construction completed and the receipt of a completed Certification for Payment. The City is not obligated to authorize a construction payment until such time that the City (or County, as applicable) has approved the plans and specifications for the applicable Public Improvement (if such approval is required pursuant to this Agreement). The items required for a construction payment are as follows:

- (i) A Certification for Payment executed by the Project Engineer and Construction Manager specifying the amount of work that has been performed and the cost thereof;
- (ii) A Bills Paid Affidavit from the contractor;
- (iii) Copies of all supporting invoices with respect to such payment; and
- (iv) Waivers of liens for work on the applicable Public Improvements through the previous Certification for Payment and receipts for payment from the contractor and, if requested by the City, any subcontractors for the current Certification for Payment.

The City and the Owner hereby agree that as Payment Requests are made by Owner, processed by the City, and paid by the Trustee, any proceeds of PID Bonds for Improvement Area # 1 contained in the Bond Improvement Account within the Project Fund shall first be used to fund Payment Requests. Once funds in the Bond Improvement Account within the Project Fund have been depleted, then funds contained in the Landowner Improvement Account within the Project Fund shall be used to fund any additional Payment Requests. If any funds remain in the Landowner Improvement Account after the completion of the Public Improvements for Improvement Area #1, then the City shall promptly direct the Trustee to deliver to the Owner the remaining balance in the Landowner Improvement Account within thirty (30) days of the City's written direction.

(c) In addition to the submitted items required in 4.02(b) above, in order to obtain the final payment for a Public Improvement funded by the PID Bonds pursuant to this Section 4.02, the following are required:

(i) The Owner shall have provided to the City an assignment of the warranties and guaranties, if applicable, for such Public Improvement;

(ii) Before the final Certification for Payment is submitted to the City, the Project Engineer shall conduct a review for the City to confirm that such Public Improvement was constructed in accordance with the plans therefor and the Project Engineer will verify and approve the Actual Cost of such Public Improvement specified in such Certification for Payment. Upon confirmation by the Project Engineer to the Director and the submission of the final Certification for Payment indicating that such Public Improvement has been constructed in accordance with the plans therefor, and verification and approval of the Actual Cost of such Public Improvement, the Director shall within fifteen (15) calendar days thereafter accept such Public Improvement and the Director shall sign the Certification for Payment and forward the same to the City Treasurer. The City Treasurer shall then have up to ten (10) calendar days to forward the executed Certification for Payment to the Trustee for payment.

(d) It is hereby acknowledged by the City and Owner, that the following categories of Public Improvements are intended to be accepted by the City: water, wastewater and water quality infrastructure and all other categories of Public Improvements are intended to be accepted by the County. Therefore, with respect to Public Improvements that are to be accepted by the County, the terms, conditions and procedures set forth in Section 4.02(a) – (c) shall apply except as set forth below:

(i) The County ( not the City) will be accepting such Public Improvements;

(ii) The County (not the City) will be approving the plans and specifications for such Public Improvements; and

(iii) In order to obtain the final payment for such Public Improvements a written acknowledgement from the County that all requirements for acceptance of such Public Improvements (save any except any applicable maintenance-bond period) have been complied with shall be provided to the City. Upon receipt of such written acknowledgment from the County,

the Director, within fifteen (15) days thereafter, shall sign the Certification for Payment and forward the same to the City Treasurer. The City Treasurer shall then have up to ten (10) calendar days to forward the executed Certification for Payment to the Trustee for payment.

(e) The Owner has determined that prior to the Effective Date, it has expended funds for costs reimbursable under the PID Act, including: (i) the design of the Public Improvements within Improvement Area #1, (ii) costs of construction of the Public Improvements within Improvement Area # 1, (iii) costs in obtaining permits required for the construction of the Public Improvements in Improvement Area #1, and (iv) other costs associated with the formation of the District (“**Owner Expended Funds**”). Prior to the Effective Date, Owner has submitted to the City information documenting the amount of Owner Expended Funds paid by Owner between September 30, 2009 and June 20, 2013. The total amount of Owner Expended Funds approved by the City pursuant to this Section shall be referred to herein as the “**Initial Reimbursement Payment.**” Prior to disbursement of proceeds of initial PID Bonds for Improvement Area #1, Owner shall submit to the City a Certification for Payment satisfactory to the City and the Trustee for the Initial Reimbursement Payment and the City will sign the Certification for Payment and deliver said Certification for Payment to the Trustee. At the closing of the initial PID Bonds for Improvement Area #1, Owner shall be reimbursed an amount equal to the Initial Reimbursement Payment and such amount shall be transferred to the Trustee for distribution to the Owner or the Owner’s designee. Prior to the date proceeds of PID Bonds for Improvement Area # 1 are disbursed, Owner shall deposit an amount equal to \$3,403,611 (the “**Initial Owner Contribution**”) with the Trustee and shall thereafter cause the City to direct the Trustee to place the Initial Owner Contribution in the Landowner Improvement Account within the Project Fund. The funds held in the Landowner Improvement Account will not constitute public funds for any purpose and may not be used for any purpose other than the payment of Actual Costs of a Public Improvement for Improvement Area #1 or, if not needed to pay Actual Costs, returned to the Owner upon completion of the Public Improvements for Improvement Area #1. To the extent that money in the Landowner Improvement Account of the Project Fund is used to pay Actual Costs, the Owner shall be entitled to be reimbursed from the Special Assessments, as well as reimbursed from Special Assessments for any unreimbursed Actual Costs.

(f) At the closing of the PID Bonds for Improvement Area #1 (and thereafter at the closing for each subsequent PID Bond issuance), Owner may be reimbursed Bond Issuance Costs for the PID Bonds paid by the Owner, as described in the Assessment Plan and approved by the City. Such Bond Issuance Costs paid at closing shall be set forth in a closing memorandum issued by the City’s Financial Advisor and included in the Certification for Payment. Additional Bond Issuance Costs for the PID Bonds will be paid after the closing of the applicable PID Bonds upon submittal of proper documentation so long as such Bond Issuance Costs are described in the Service Assessment Plan and funds remain in the respective Costs of Issuance Account described in the Initial Indentures.

(g) With respect to Improvement Areas developed subsequent to Improvement Area # 1, at the time of the closing of PID Bonds for those certain Improvement Areas, Owner may have pre-funded certain costs reimbursable under the PID Act, including: (i) the design of the Public Improvements within the applicable Improvement Area, (ii) costs of constructing Public Improvements within the applicable Improvement Area, and (iii) costs for obtaining permits

required for the construction of the Public Improvements in the applicable Improvement Area. In this case and with concurrence by the City, Owner may be reimbursed for said amounts concurrently with the initial draw from the applicable PID Bonds under substantially the same procedures as set forth in subsection (e) above.

#### **Section 4.03. Payments for Completed Public Improvements**

(a) The Owner shall convey, and the City (or County, where applicable) shall acquire the given Public Improvement for the Actual Cost, when such Public Improvement is completed and has been accepted by the City (or County, where applicable).

(b) To receive from the proceeds of the PID Bond funds to pay the Actual Cost, the Owner shall deliver to the City and the Project Engineer (x) documentation evidencing the Actual Cost, (y) an assignment of the warranties and guaranties, if applicable, for such Public Improvement, in form reasonably acceptable to the City (if the City is the entity accepting such Public Improvements). Nothing herein or in subparagraph (c) below shall prohibit Owner from being reimbursed for design costs associated with a Public Improvement (provided that the plans and specifications for such applicable Public Improvement have been accepted by the City or County, as applicable) prior to the completion of construction of said Public Improvement or for other costs that are otherwise eligible to be paid under the PID Act.

(c) Upon receipt of a Payment Request (and accompanying documentation) for a Segment, the City shall instruct the Project Engineer to conduct a review in order to confirm that such Segment was constructed in accordance with the Plans therefore and to verify and approve the Actual Cost of such Segment specified in such Payment Request. The City agrees to instruct the Project Engineer to conduct each such review in an expeditious manner not to exceed 30 calendar days and the Owner agrees to cooperate with the Project Engineer in conducting each such review and to provide the Project Engineer with such additional information and documentation as is reasonably necessary for the Project Engineer to conclude each such review. Upon confirmation that such Segment has been constructed in accordance with the Plans therefore, and verification and approval of the Actual Cost of such Segment, the City shall, within thirty (30) days thereafter accept such Segment and the Project Engineer and Director of the City shall sign the Payment Request and forward the same to the City Treasurer and payments will be made to Owner, or other person as applicable, within thirty (30) days after receipt by the City Treasurer.

### **ARTICLE V. PID BONDS**

#### **Section 5.01. Issuance of PID Bonds.**

(a) Subject to the terms and conditions set forth in this Section V, the City intends to pay for the Public Improvements, by issuing PID Bonds in one or more series. The City will use reasonable and good faith efforts to sell PID Bonds after receiving a PID Bond Issuance Request from the Owner, provided that the Owner can reasonably demonstrate to the City and its financial advisors via a Feasibility and Market Study Analysis (or such other similar documentation) that there is sufficient security for the PID Bonds, based upon the bond market existing at the time of such proposed sale. Notwithstanding the foregoing, the City intends to

authorize the issuance of the initial PID Bonds for Improvement Area #1 contemporaneously with authorizing the execution of this Agreement and in connection with such PID Bonds for Improvement Area #1, no PID Bond Issuance Request is required. The Public Improvements to be constructed and funded in connection with the PID Bonds for Improvement Area #1 are detailed on the chart attached hereto as Exhibit "D". Additional PID Bonds will be issued in the future subject to the terms hereof and the Assessment Plan (as the same is amended and updated).

(b) The aggregate principal amount of PID Bonds required to be issued hereunder shall not exceed an amount sufficient to fund: (i) the Actual Costs of the Public Improvements, (ii) required reserves and capitalized interest during the period of construction and not more than 12 months after the completion of construction of all Public Improvements covered by the PID Bond issue in question and in no event for a period greater than 3 years from the date of the initial delivery of the PID Bonds and (iii) any costs of issuance for the PID Bonds and the Improvement Area #1 Parity Bonds. Provided, however that to the extent the law(s) which limit the period of capitalized interest to 12 months after completion of construction change, the foregoing limitation may be adjusted to reflect the law(s) in effect at the time of future PID Bond issuances.

(c) The final maturity for each series of PID Bonds shall occur no later than 15 years from the issuance date of said PID Bonds.

(d) PID Bonds are not required to be issued under this Article V unless (1) the statutory requirements set forth in Chapter 372 of the Texas Local Government Code have been satisfied; (ii) the City shall receive at the time of issuance an opinion of counsel selected by the City stating in effect that the PID Bonds are legal and valid under Texas law and that all preconditions to their issuance under State law have been satisfied; and (iii) the approving opinion of the Attorney General of the State of Texas as required by the PID Act.

(e) If proceeds from PID Bonds for a certain Improvement Area are still available after all the Public Improvements within that particular Improvement Area are accepted by the City and Owner has been reimbursed for all unreimbursed Actual Costs incurred in connection therewith, the proceeds may be utilized to finance other Public Improvements within that particular Improvement Area.

#### **Section 5.02. Project Fund**

(a) The City hereby covenants and agrees that if PID Bonds are issued, the applicable Indenture will establish a Project Fund as a separate fund to be held by the Trustee under the Indenture. The portion of the proceeds of the Bonds issued to pay Actual Costs of Public Improvements and Bond Issuance Costs shall be deposited upon issuance into separate accounts within the Project Fund.

(b) As described in subparagraph (a) above, proceeds from the PID Bonds for Improvement Area #1 will be placed in the Bond Improvement Account within Project Fund which will be held by the Trustee under the Indenture. Furthermore, as more particularly described in Section 4.02(e), the Initial Owner Contribution will be placed in the Landowner

Improvement Account within the Project Fund.

**Section 5.03. Denomination, Maturity, Interest, and Security for Bonds**

(a) Each series of PID Bonds shall be finally authorized by the City Council and shall be issued in the denominations, shall mature and be prepaid, shall bear interest, and shall be secured by and payable solely from the PID Bond Security, all to be as described and provided in the PID Bond Ordinance or Indenture, as applicable.

(b) The final and adopted versions of the PID Bond Ordinance and the Indenture (and all documents incorporated or approved therein) shall contain provisions relating to the withdrawal, application, and uses of the proceeds of the PID Bonds when and as issued and delivered and otherwise contain such terms and provisions as are mutually approved by the City and the Owner.

**Section 5.04. Sale of PID Bonds.**

The PID Bonds shall be issued by the City and shall be marketed and sold through negotiated sale to an approved third party with the cooperation and assistance of the Owner in all respects with respect to the preparation of marketing documents, such as preliminary and final official statements or in such other marketing and/or sales method mutually agreed upon by the City and the Owner.

**ARTICLE VI. REPRESENTATIONS AND WARRANTIES**

**Section 6.01. Representations and Warranties of City**

The City makes the following representation and warranty for the benefit of the Owner:(a) that the City is a municipal corporation and political subdivision of the State of Texas, duly incorporated, organized and existing under the Constitution and general laws of the State, and has full legal right, power and authority under the PID Act and other applicable law (i) to enter into, execute and deliver this Agreement, (ii) to adopt the Assessment Ordinance, and (iii) to carry out and consummate the transactions contemplated by this Agreement.

**Section 6.02. Representation and Warranties of Owner**

The Owner makes the following representations, warranties and covenants for the benefit of the City:

(a) The Owner represents and warrants that the Owner is a limited partnership duly organized and validly existing under the laws of the State of Texas, is in compliance with the laws of the State of Texas, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) The Owner represents and warrants that the Owner has the power and authority to enter into this Agreement, and has taken all action necessary to cause this Agreement to be

executed and delivered, and this Agreement has been duly and validly executed and delivered on behalf of the Owner.

(c) The Owner represents and warrants that this Agreement is valid and enforceable obligation of the Owner and is enforceable against the Owner in accordance with its terms, subject to bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles.

(d) The Owner covenants that once it commences construction of a Segment it will use its reasonable and diligent efforts to do all things which may be lawfully required of it in order to cause such Segment of the Public Improvements to be completed in accordance with this Agreement.

(e) The Owner covenants that it will not commit any act in, upon or to the Property or the Project in violation of any law, ordinance, rule, regulation, or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the Property or the Project.

(f) The Owner represents and warrants that (i) it will not request payment from the City for the acquisition of any Public Improvements that are not part of the Project, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to Payment Requests.

(g) Until the final Acceptance Date of all Segments, the Owner covenants to maintain proper books of record and account for the Public Improvements and all costs related thereto. The Owner covenants that such accounting books will be maintained in accordance with sound accounting practices, and will be available for inspection by the City or its agent at any reasonable time during regular business hours upon at least 72 hours notice.

#### **ARTICLE VII. DEFAULT AND REMEDIES**

(a) A Party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such Party fails to materially perform, observe or comply with any of its covenants, agreements or obligations hereunder or breaches or violates any of its representations contained in this Agreement.

(b) Before any failure of any Party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement, the Party claiming such failure shall notify, in writing, the Party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining Party within thirty (30) days of the receipt of such notice (or five (5) days in the case of a monetary default), subject, however, in the case of non-monetary default, to the terms and provisions of subparagraph (c). Upon a breach of this Agreement, the non-defaulting Party in any court of competent jurisdiction, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained (and/or an action for mandamus as and if appropriate). Except as otherwise set forth herein, no action taken by a Party pursuant to the provisions of this Article

VII or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any Party at law or in equity. Each of the Parties shall have the affirmative obligation to mitigate its damages in the event of a default by the other Party. Notwithstanding any provision contained herein to the contrary, the Owner shall not be required to construct any portion of the Public Improvements (or take any other action related to or in furtherance of same) while the City is in default under this Agreement).

(c) Notwithstanding any provision in this Agreement to the contrary, if the performance of any covenant or obligation to be performed hereunder by any Party is delayed as a result of circumstances which are beyond the reasonable control of such Party (which circumstances may include, without limitation, pending litigation, acts of God, war, acts of civil disobedience, widespread pestilence, fire or other casualty, shortage of materials, adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or tornadoes, labor action, strikes, changes in the law affecting the obligations of the Parties hereunder, or similar acts), the time for such performance shall be extended by the amount of time of the delay directly caused by and relating to such uncontrolled circumstances. The Party claiming delay of performance as a result of any of the foregoing “force majeure” events shall deliver written notice of the commencement of any such delay resulting from such force majeure event not later than seven (7) days after the claiming Party becomes aware of the same, and if the claiming Party fails to so notify the other Party of the occurrence of a “force majeure” event causing such delay, the claiming Party shall not be entitled to avail itself of the provisions for the extension of performance contained in this Article.

## ARTICLE VIII. GENERAL PROVISIONS

### Section 8.01. Notices.

Any notice, communication or disbursement required to be given or made hereunder shall be in writing and shall be given or made by facsimile, hand delivery, overnight courier, or by United States mail, certified or registered mail, return receipt requested, postage prepaid, at the addresses set forth below or at such other addresses as any be specified in writing by any Party hereto to the other parties hereto. Each notice which shall be mailed or delivered in the manner described above shall be deemed sufficiently given, served, sent and received for all purpose at such time as it is received by the addressee (with return receipt, the delivery receipt or the affidavit of messenger being deemed conclusive evidence of such receipt) at the following addresses:

If to City:                   City of Austin  
                                    PO Box 2106  
                                    Austin, Texas 78768  
                                    Attn: City Treasurer  
                                    Facsimile: 512.370.3838

With copies to:            Director of Public Works  
                                    City of Austin

505 Barton Springs Road, Suite 1300  
Austin, TX 78704  
Facsimile: 512.974.7084

Director of Austin Water Utility  
PO Box 1088  
Austin, Texas 78767  
Facsimile: 512.972.0111

If to Owner: SLF III – ONION CREEK, L.P  
c/o Stratford Land  
Attn: Asset Manager  
5949 Sherry Lane, Suite 1750  
Dallas, Texas 75225

With a copy to: Metcalfe Wolff Stuart & Williams, LLP  
Attn: Steven C. Metcalfe  
221 W. 6th, Suite 1300  
Austin, Texas 78701  
Facsimile: 512.404.2244

#### **Section 8.02. Fee Arrangement**

The Owner agrees that it will pay all of the City's costs and expenses (including legal fees and financial advisory fees) related to the creation and administration of the District as reflected on the Schedule attached as Exhibit "G", as such Exhibit may be amended from time to time. The City's advisors shall submit to the City their fees relating to the establishment and administration of the District, including legal fees relating to the development and review of the Assessment Plan and the Owner will pay these fees on behalf of the City in accordance with the terms of those certain City of Austin, Texas Deposit and Reimbursement Agreement Proposed Public Improvement District Agreement dated March 6, 2013 or such additional agreements subsequently entered into by the City and Owner. In addition to any fees paid by the Owner pursuant to the preceding sentence, all fees of legal counsel related to the issuance of the PID Bonds, including fees for the preparation of customary bond documents and the obtaining of Attorney General approval for the PID Bonds, will be paid at closing as mutually agreed to by the City and the Owner.

#### **Section 8.03. Assignment**

(a) Subject to subparagraph (b) below, Owner may, in its sole and absolute discretion, assign this Agreement with respect to all or part of the Project from time to time to any party so long as the assignee has demonstrated to the City's satisfaction that the assignee has the financial, technical, and managerial capacity, the experience, and expertise to perform any duties or obligations so assigned and so long as the assigned rights and obligations are assumed without modifications to this Agreement. Owner shall provide the City thirty (30) days prior written notice of any such assignment. Upon such assignment or partial assignment, Owner shall

be fully released from any and all obligations under this Agreement and shall have no further liability with respect to this Agreement for the part of the Project so assigned.

(b) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a sale or assignment to a Designated Successor or Assign unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is to a Designated Successor or Assign.

(c) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a Transfer unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is deemed to be a Transfer.

#### **Section 8.04. Term of Agreement**

This Agreement shall terminate on the date on which the City and Owner discharge all of their obligations hereunder; provided, that this Agreement shall automatically terminate on December 31, 2013, if the first series of PID Bonds is not issued by such date. In the case of any termination of this Agreement and/or dissolution of the District, the obligation of any Party to pay any Project Costs expended prior to the termination of this Agreement and/or dissolution of the District and remaining unpaid shall survive such termination and/or dissolution.

#### **Section 8.05. Construction of Certain Terms**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction shall apply:

(a) Words importing a gender include either gender.

(b) Words importing the singular include the plural and vice versa.

(c) A reference to a document includes an amendment, supplement, or addition to, or replacement, substitution, or novation of, that document but, if applicable, only if such amendment, supplement, addition, replacement, substitution, or novation is permitted by and in accordance with that applicable document.

(d) Any term defined herein by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect.

(e) A reference to any Party includes, with respect to Owner, its Designated Successors and Assigns, and reference to any Party in a particular capacity excludes such Party in any other capacity or individually.

(f) All references in this Agreement to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of this Agreement. All references in this Agreement to "Exhibits" are to the designated Exhibits to this Agreement.

(g) The words "herein," "hereof," "hereto," "hereby," "hereunder," and other words of similar import refer to this Agreement as a whole and not to the specific Section or provision where such word appears.

(h) The words "including" and "includes," and words of similar import, are deemed to be followed by the phrase "without limitation."

(i) Unless the context otherwise requires, a reference to the "Property," the "Public Improvements," or the "District" is deemed to be followed by the phrase "or a portion thereof."

(j) Every "request," "order," "demand," "direction," "application," "appointment," "notice," "statement," "certificate," "consent," "approval," "waiver," "identification," or similar action under this Agreement by any Party shall, unless the form of such instrument is specifically provided, be in writing duly signed by a duly authorized representative of such Party.

(k) The Parties hereto acknowledge that each such party and their respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the Parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Agreement.

#### **Section 8.06. Table of Contents; Titles and Headings**

The titles of the articles, and the headings of the sections of this Agreement are solely for convenience of reference, are not a part of this Agreement, and shall not be deemed to affect the meaning, construction, or effect of any of its provisions.

#### **Section 8.07. Amendments.**

This Agreement may be amended, modified, revised or changed by written instrument executed by the Parties.

#### **Section 8.08. Time**

In computing the number of days for purposes of this Agreement, all days will be counted, including Saturdays, Sundays, and legal holidays; however, if the final day of any time period falls on a Saturday, Sunday, or legal holiday, then the final day will be deemed to be the next day that is not a Saturday, Sunday, or legal holiday.

#### **Section 8.09. Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which will together constitute the same instrument.

#### **Section 8.10. Entire Agreement**

This Agreement contains the entire agreement of the Parties.

**Section 8.11. Severability; Waiver**

If any provision of this Agreement is illegal, invalid, or unenforceable, under present or future laws, it is the intention of the parties that the remainder of this Agreement not be affected and, in lieu of each illegal, invalid, or unenforceable provision, a provision be added to this Agreement which is legal, valid, and enforceable and is as similar in terms to the illegal, invalid, or enforceable provision as is possible.

Any failure by a Party to insist upon strict performance by the other party of any material provision of this Agreement will not be deemed a waiver or of any other provision, and such Party may at any time thereafter insist upon strict performance of any and all of the provisions of this Agreement.

**Section 8.12. Owner.** It is hereby acknowledged that there are a number of affiliates of Owner that also own small portions of the Property. Such Consenting Owners (herein so called) are listed on the Acknowledgment of Consenting Owners attached hereto as Exhibit “H”. Since each of the Consenting Owners has the same ownership structure (and signature) as Owner, and Owner is the majority owner of the Property, the Parties hereto hereby agree that Owner is executing this Agreement and acting on behalf of all the Consenting Owners in the administration of this Agreement pursuant to the attached Acknowledgment of Consenting Owners.

**Section 8.13. Owner as Independent Contractor**

In performing under this Agreement, it is mutually understood that the Owner is acting as an independent contractor, and not an agent of the City.

**Section 8.14. Supplemental Agreements**

Other agreements and details concerning the obligations of the Parties under and with respect to this Agreement are included in the Assessment Plan, the Assessment Ordinances, PID Bond Ordinances and Indentures.

**Section 8.15. Exhibits**

The following exhibits are attached to and incorporated into this Agreement for all purposes:

- Exhibit A - Definitions
- Exhibit B - Property
- Exhibit C - Assessment Plan
- Exhibit D - PID Bond Chart (Improvement Area #1)
- Exhibit E - Form of Certification for Payment

- Exhibit F - Improvement Area #1
- Exhibit G - Fee Schedule
- Exhibit H - Acknowledgement of Consenting Owners
- Exhibit I - Form of Redemption Agreement

CITY OF AUSTIN,  
a home rule city and Texas municipal corporation

By: \_\_\_\_\_  
Marc Ott, City Manager

[Signatures Continue on Next Page]

**SLF III – ONION CREEK, L.P.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Exhibit “A”

### DEFINITIONS

#### Section 8.15. Defined Terms

Unless the context requires otherwise, and in addition to the terms defined above, each of the following terms and phrases used in this Agreement has the meaning ascribed thereto below:

“**Acceptance Date**” means, with respect to a Segment, the date that the Actual Cost thereof is paid to the Owner pursuant to the terms hereof.

“**Acquisition Agreement**” means (whether one or more) an agreement that provides for dedication of a Public Improvement (or Segment) to the City prior to the Owner being paid in full out of the applicable PID Bond proceeds, whereby all or a portion of the Actual Costs will be paid to Owner from future PID Bond issuances and/or Special Assessment Revenues to reimburse the Owner for actual costs paid by the Owner that are eligible to be paid with PID Bond proceeds. The form of Acquisition Agreement shall be reasonably acceptable to both City and Owner.

“**Actual Cost(s)**” means, with respect to a Segment, the Owner’s demonstrated, reasonable, allocable, and allowable costs of constructing such Segment, as specified in a Payment Request that has been reviewed and approved by the City and the Project Engineer and in an amount not to exceed the amount for each Segment as set forth in the Assessment Plan (subject to cost overruns in Section 5.02). Actual Cost may include (a) the costs incurred by or on behalf of the Owner (either directly or through affiliates) for the design, planning, financing, administration/management, acquisition, installation, construction and/or implementation of such Segment, (b) if the Owner has acted as general contractor with respect to such Segment, or a portion thereof, a contractor’s fee of 5.5% of the costs incurred by or on behalf of the Owner for the construction of such Segment or portion thereof, (c) the costs incurred by or on behalf of the Owner in preparing the Plans for such Segment, (d) the fees paid for obtaining permits, licenses or other governmental approvals for such Segment, (e) a construction management fee of 4% of the costs incurred by or on behalf of the Owner for the construction of such Segment if the Owner is serving as the Construction Manager, (f) the costs incurred by or on behalf of the Owner for external professional costs, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, taxes (property and franchise) related to the Segment receiving the benefits of the assessments and the Public Improvements (g) all labor, bonds and materials, including equipment and fixtures, by contractors, builders and materialmen in connection with the acquisition, construction or implementation of the Public Improvements, (h) all related permitting, zoning and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees and charges, insurance premiums, and miscellaneous expenses, and all payments for Administrative Expenses after the date of a resolution authorizing such reimbursement, plus Interest, if any, calculated from the respective dates of the expenditures until the date of reimbursement therefore.

Actual Costs shall not include general contractor's fees in an amount that exceeds a percentage equal to the percentage of work completed and accepted or construction management fees in an amount that exceeds an amount equal to the construction management fee amortized in equal monthly installments over the term of the appropriate construction management agreement. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated. Actual Costs also may be paid to the Owner only in the capacity of construction manager or only in the capacity of general contractor but not both.

**“Administrator”** means employee or designee of the City who shall have the responsibilities provided for herein and in the Assessment Plan.

**“Administrative Expenses”** means the administrative, organization, maintenance and operation costs and expenses associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of (i) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (ii) creating and organizing the District and preparing the assessment roll, (iii) computing, levying, collecting and transmitting the Special Assessments or the installments thereof, (iv) maintaining the record of installments, payments and reallocations and/or cancellations of the Special Assessments, (v) issuing, paying and redeeming the PID Bonds, (vi) investing or depositing the Special Assessments, (vii) complying with the PID Act with respect to the PID Bonds, (viii) paying the paying agent/registrar's and trustee's fees and expenses (including the fees and expenses of its legal counsel), and (ix) administering the construction of the Public Improvements, in accordance with the terms of this Agreement.

**“Agreement”** has the meaning given in the recitals to this Agreement.

**“Appraisal”** means the Appraisal of Estancia Hill Country Phase I dated effective March 16, 2013 prepared by Paul Hornsby & Company.

**“Assessed Property”** means for any year, Parcels within the District other than Non-Benefited Property.

**“Assessment Ordinance”** means each ordinance adopted by the City Council approving the Assessment Plan (or such amendments to the Assessment Plan) and levying the Special Assessments, as required by Article II of this Agreement. The Parties hereby acknowledge that the Assessment Plan will be amended from time to time as additional PID Bonds are sold and Improvement Areas are developed.

**“Assessment Plan”** means the Estancia Hill Country Public Improvement District Service and Assessment Plan (as such plan is amended from time to time), to be initially adopted by the City Council in the first Assessment Ordinance for the purpose of assessing allocated costs against property located within the boundaries of the District having terms, provisions and findings approved and agreed to by the Owner, as required by Article II of this Agreement. The Parties hereby acknowledge that the Assessment Plan will be amended from time to time as (i)

additional PID Bonds are sold for additional Improvement Areas or (ii) Improvement Area #1 Parity Bonds are sold for Improvement Area #1.

**“Attorney General”** means the Texas Attorney General’s Office.

**“Bond Issuance Costs”** means costs relating to the authorization, sale and issuance of the PID Bonds including, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Trustee, including its first annual administration fee, expenses incurred by the City or Owners in connection with the issuance of the PID Bonds, Financial Advisor fees, bond (underwriter’s) discount or underwriting fee, legal fees and charges, including Bond Counsel, charges for execution, transportation and safekeeping of the PID Bonds and other costs, charges and fees in connection with the issuance of the PID Bonds.

**“Bond Pledged Revenue Account”** means the separate and unique fund established by the City under such name pursuant to the Indenture where the portion of the Special Assessment Revenue allocated to the payment of debt service on the PID Bonds shall be deposited as set forth in Section 2.05 hereof.

**“Certification for Payment”** means the certificate so defined in the Initial Indentures.

**“City”** has the meaning given in the recitals to this Agreement.

**“City Council”** means the duly elected governing body and council of the City.

**“City Manager”** means the City Manager of the City or his designee(s).

**“Co-Owner”** has the meaning given in Section 4.01 of this Agreement.

**“Construction Manager”** means initially the Owner, and thereafter subject to change in accordance with Section 3.03 of this Agreement. The City acknowledges and agrees that (i) the Owner intends to subcontract out the duties of Construction Manager to a third party and (ii) Owner’s hiring of the initial subcontractor to serve as the Construction Manager shall not be deemed a change in the Construction Manager pursuant to the terms and conditions of Section 3.03.

**“Construction Management Fee”** means 4% of the costs incurred by or on behalf of Owner for the construction of each Segment.

**“County”** means Travis County, Texas.

**“Debt”** means any bond, note, or other evidence of indebtedness incurred, entered into, or issued by the City related exclusively to the District.

**“Designated Successors and Assigns”** shall mean (i) an entity to which Owner assigns (in writing) its rights and obligations contained in this Agreement pursuant to Section 8.03 related to all or a portion of the Property, (ii) any entity which is the successor by merger or otherwise to all or substantially all of Owner’s assets and liabilities including, but not limited to, any merger or

acquisition pursuant to any public offering or reorganization to obtain financing and/or growth capital; or (iii) any entity which may have acquired all of the outstanding stock or ownership of assets of Owner.

“**Director**” means (i) the Director of Austin Water for water and wastewater related infrastructure and (ii) the Director of Public Works for all other infrastructure, or the designee of such applicable Director.

“**District**” has the meaning given in the recitals to this Agreement.

“**Effective Date**” has the meaning given in the recitals to this Agreement.

“**Feasibility and Market Study Analysis**” means a new study or update to a prior study that is prepared by a third party consultant acceptable to the City prior to each PID Bond issuance that analyzes the pricing and absorption assumptions included in the Assessment Plan for a particular Improvement Area in order to determine that such assumptions are consistent with the proposed assessments that will be levied against the property located within that particular Improvement Area. It is hereby agreed that the Appraisal shall serve as the “Feasibility and Market Study Analysis” for the PID Bonds for Improvement Area #1.

“**Finance Director**” means the Chief Financial Officer of the City.

“**Financial Advisor**” means PFM Group.

“**Improvement Area**” means one or more Parcels that are anticipated to be developed in the same general time period. The Parcels within an Improvement Area will be assessed in connection with the issuance of PID Bonds for the Public Improvements (or the portion thereof) designated in an update to the Assessment Plan that specially benefit the Assessed Property within said Improvement Area, but any Parcels outside of the Improvement Area will not be assessed.

“**Improvement Area #1**” means the land within the Project more particularly described on Exhibit “F” attached hereto and generally shown on Table II-B of the Assessment Plan.

“**Improvement Area #1 Parity Bonds**” any special assessment revenue bonds secured by Special Assessments levied on Assessed Property within Improvement Area # 1 other than the initial PID Bonds for Improvement Area #1.

“**Indenture**” means collectively, the Initial Indenture and any other trust indenture by and between the City and Trustee related to the Property, as it may be amended from time to time.

“**Initial Indenture**” means that certain Indenture of Trust dated as of June 1, 2013 between the City and Trustee covering the initial PID Bonds for Improvement Area #1, as it may be amended from time to time.

“**Initial Owner Contribution**” has the meaning given in Section 4.02(e) of this Agreement.

**“Initial Reimbursement Payment”** has the meaning given in Section 4.02 of this Agreement.

**“Interest”** shall mean the interest rate charged for the PID Bonds or such other interest rate as may be required by applicable law.

**“Issue Date”** means the date of the initial delivery of the PID Bonds.

**“Landowner Improvement Account”** means the separate and unique fund established by the City under such name pursuant to the Indenture wherein the Initial Owner Contribution will be deposited as described in Section 5.02 hereof.

**“Landowner Pledged Revenue Account”** means the separate and unique fund established by the City under such name pursuant to the Indenture where the portion of the Special Assessment Revenue allocated to the repayment of Actual Costs not reimbursed with PID Bond proceeds shall be deposited as set forth in Section 2.05 hereof.

**“Maximum Annual Assessment”** means for the first year assessments are levied for any particular Parcel within the Project, an amount that does not exceed 125% of such Parcel’s anticipated buildout value (as determined by the Feasibility and Market Study Analysis) times the City’s tax rate in the fiscal year the assessment is determined. For each year after the first year assessments are levied for any particular Parcel, the Maximum Annual Assessment for that particular Parcel cannot increase by more than two percent (2%) annually.

**“Non-Benefitted Property”** means Parcels within the boundaries of the District that accrue no special benefit from Public Improvements, as determined by the City Council, including Parcels owned by an Owner’s Association or a public entity. A Parcel is not assessed if the Parcel is identified as Non-Benefitted Property at the time the Special Assessments (i) are levied or (ii) are reallocated pursuant to an amendment to the Service and Assessment Plan.

**“Notice”** means any notice, writing, or other communication given under this Agreement.

**“Owner”** has the meaning given in the recitals to this Agreement.

**“Owner’s Association”** means a homeowner’s association or property owner’s association.

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

**“Party”** means the Owner or the City, as parties to this Agreement, and **“Parties”** means collectively, the Owner and the City.

**“Payment Request”** means the document to be provided by the Owner to substantiate the Actual Cost of one or more Segments.

“**PID Act**” means Chapter 372, Local Government Code, as amended.

“**PID Bond Issuance Request**” means written request made by Owner to the City Manager and City’s Chief Financial Officer in good faith as evidenced by the Owner’s expenditure of necessary amounts for market studies, financial analysis, legal counsel, and other professional services and due diligence necessary to support the request.

“**PID Bond Ordinance**” means and refers to the ordinance or ordinances of the City Council that will authorize and approve the issuance and sale of the PID Bonds and provide for their security and payment, either under the terms of the Bond Ordinance or a trust indenture related to the PID Bonds.

“**PID Bond Security**” means the funds that are to be pledged in or pursuant to the PID Bond Ordinance or the Indentures to the payment of the debt service requirements on the PID Bonds, consisting of the Special Assessments, including earnings and income derived from the investment or deposit of Special Assessments in the special funds or accounts created and established for the payment and security of the PID Bonds, unless such earnings are required to be deposited into a rebate fund for payment to the federal government.

“**PID Bonds**” means the bonds to be issued by the City, in one or more series, which may include funds for any required reserves and amounts necessary to pay the Bond Issuance Costs, and to be secured by a pledge of the PID Bond Security pursuant to the authority granted in the PID Act, and as required by this Agreement for the purposes of (i) financing the costs of the Public Improvements and related costs, and (ii) reimbursing the Owner for Actual Costs paid prior to the issuance of and payment for the PID Bonds. The term “PID Bonds” shall also be deemed to include Improvement Area #1 Parity Bonds, if issued.

“**PID Maintenance and Operation Assessment**” means an assessment levied against properties in the District for maintenance and operation costs within the District, as provided for in the applicable Assessment Ordinance.

“**PID Policy**” has the meaning given in the recitals to this Agreement.

“**Pledged Revenue Fund**” means the separate and unique fund established by the City under such name pursuant to the Indenture wherein the Special Assessment Revenues are deposited.

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

“**Prime**” means the prime rate as reported by *The Wall Street Journal*.

“**Project**” has the meaning given in the recitals to this Agreement.

“**Project Costs**” means the total of all Actual Costs.

**“Project Engineer”** means the civil engineer or firm of civil engineers selected by the Owner to perform the duties set forth herein, which is currently Bury + Partners.

**“Project Fund”** means the separate and unique fund established by the City under such name pursuant to the Indenture as described in Section 5.02 hereof.

**“Property”** has the meaning given in the recitals to this Agreement.

**“Public Improvements”** means collectively any and all improvements which are included in the Assessment Plan as such plan is amended and updated from time to time.

**“Redemption Agreement”** has the meaning given in Section 3.09 of this Agreement.

**“Regulatory Requirements”** means the requirements and provisions of any state or federal law, and any permits, rules, orders or regulations issued or adopted from time to time by any regulatory authority, state, federal or other, having jurisdiction over the Public Improvements, as adjusted by the Development Agreement.

**“Segment” or Segments”** means the discrete portions of the Public Improvements identified as such.

**“Special Assessments”** means the assessments levied against properties in the District, as provided for in the applicable Assessment Ordinance and in the Assessment Plan, including any supplemental assessments or reallocation of assessments levied in accordance with Sections 372.019 and 372.020 of the PID Act.

**“Special Assessment Revenues”** means the monies collected from Special Assessments, including supplemental assessments and reassessments, interest, expenses, or penalties on Special Assessments, prepayments, foreclosure proceeds, and proceeds from a guarantor, if any, of the Special Assessments.

**“State”** means the State of Texas.

**“Trustee”** means the trustee under the Initial Indentures, and any successor thereto permitted under the Initial Indentures and any other Trustee under a future Indenture.

**“Underwriter”** means Jefferies, LLC.

**Exhibit "B"**

**PROPERTY DESCRIPTION FOR PROJECT**

**TRACT 1:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 418.601 ACRES OF LAND, SITUATED IN THE S.F. SLAUGHTER SURVEY NO. 1, THE SANTIAGO DEL VALLE GRANT AND THE TRINIDAD VARCINAS SURVEY NO. 535, SITUATED IN TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2007226648 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS, SAVE AND EXCEPT THAT CERTAIN 5.367 ACRE TRACT CONVEYED TO THE CITY OF AUSTIN RECORDED IN DOCUMENT NO. 2009190064 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 2:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.007 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078591 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 3:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078592 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 4:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078593 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 5:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078594 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 6:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078595 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 7:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, AND THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS

COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078596, AS CORRECTED IN DOCUMENT NO. 2009093810 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 8:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.505 ACRES OF LAND, MORE OR LESS, SITUATED IN THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078597, AS CORRECTED IN DOCUMENT NO. 2009093811 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 9:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.005 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, AND IN THE S.V.R. EGGLESTON LEAGUE NO. 3, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078598, AS CORRECTED IN DOCUMENT NO. 2009093812 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 10:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078599 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 11:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078600 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 12:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078601 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 13:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078602 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 14:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.002 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078603 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 15:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078604 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 16:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.001 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078605 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 17:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078606 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 18:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.004 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078607 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**TRACT 19:** BEING ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 10.003 ACRES OF LAND, MORE OR LESS, SITUATED IN THE J.S. IRVINE SURVEY NO. 4, OF TRAVIS COUNTY, TEXAS, BEING THE SAME TRACT AS DESCRIBED IN DOCUMENT NO. 2009078608 OF THE OFFICIAL PUBLIC RECORDS OF TRAVIS COUNTY, TEXAS.

**Exhibit “C”**

ASSESSMENT PLAN

[See Attached]

## Exhibit "D"

### PID BOND CHART (IMPROVEMENT AREA #1)

Wastewater Line #1  
Wastewater Line #2  
Water Line  
Estancia Parkway (Phase 1)  
Camino Vaquero Parkway  
Existing Central Pond Improvements  
Wet Pond North  
Wet Pond West  
TxDOT Ramp Flip  
Drainage  
Monumentation  
Hardscape  
Landscape  
Hike & Bike Trail System  
Erosion Control and Misc. Bond Costs  
Misc Soft Costs (fees, fiscals, etc)

**Exhibit “E”**

**FORM OF CERTIFICATION FOR PAYMENT  
(Design – Estancia Hill Country)**

\_\_\_\_\_ (“**Construction Manager**”) hereby requests payment for the percentage of design costs completed (the “**Design Costs**”) described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Estancia Hill Country Public Improvement District Financing Agreement between SLF III – Onion Creek, L.P. and the City of Austin, Texas (the “**City**”), dated as of \_\_\_\_\_ (the “**Finance Agreement**”). In connection with this Certification for Payment, the undersigned, in his or her capacity as the \_\_\_\_\_ of Construction Manager, to his or her knowledge, hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized representative of Construction Manager, qualified to execute this request for payment on behalf of the Construction Manager and knowledgeable as to the matters forth herein.

2. The design work described in Attachment A has been completed in the percentages stated therein.

3. The true and correct Design Costs for which payment is requested is set forth in Attachment A and payment for such requested amounts and purposes has not been subject to any previously submitted request for payment.

4. Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed design work described in Attachment A has been paid in full for all work completed through the previous Certification for Payment.

5. Attached hereto as Attachment C are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Design Costs for which payment is requested.

[Signature Page Follows]

SIGNATURE PAGE TO  
FORM OF CERTIFICATION FOR PAYMENT

Date : \_\_\_\_\_

[Construction Manager Signature Block to be  
added]

APPROVAL BY THE CITY

The Design described in Attachment A has been reviewed, verified and approved by the [Director of Public Works of the City] or [Director of Austin Water Utility]. Payment of the Design Costs are hereby approved.

Date: \_\_\_\_\_

**CITY OF AUSTIN, TEXAS**

By: \_\_\_\_\_  
[Director of \_\_\_\_\_]

ATTACHMENT A TO CERTIFICATION OF PAYMENT (DESIGN)

<u>Description of Design Work</u>	<u>Percentage of Design Work Completed under this Certification for Payment</u>	<u>Design Costs</u>	<u>Total Percentage of Design Work Completed</u>
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ATTACHMENT B TO CERTIFICATION OF PAYMENT (DESIGN)

[attached – bills paid affidavit]

ATTACHMENT C TO CERTIFICATION OF PAYMENT (DESIGN)

[attached – receipts]

EXHIBIT "E"  
FORM OF CERTIFICATION FOR PAYMENT  
(Construction – Estancia Hill Country)

\_\_\_\_\_ (“Construction Manager”) hereby requests payment of the Actual Cost of the work described in Attachment A attached hereto (the “Draw Actual Costs”). Capitalized undefined terms shall have the meanings ascribed thereto in the Estancia Hill Country Public Improvement District Financing Agreement between SLF III – Onion Creek, L.P. and the City of Austin, Texas (the “City”), dated as of \_\_\_\_\_. In connection with this Certification for Payment, the undersigned, in his or her capacity as the \_\_\_\_\_ of Construction Manager, to his or her knowledge, hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized representative of Construction Manager, qualified to execute this request for payment on behalf of the Construction Manager and knowledgeable as to the matters forth herein.
2. The true and correct Draw Actual Costs for which payment is requested is set forth in Attachment A and payment for such requested amounts and purposes has not been subject to any previously submitted request for payment.
3. Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed work on a Segment described in Attachment A has been paid in full for all work completed through the previous Certification for Payment.
4. Attached hereto as Attachment C are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Draw Actual Costs of each Segment for which payment is requested.

[Signature Page Follows]

SIGNATURE PAGE TO  
FORM OF CERTIFICATION FOR PAYMENT

Date : \_\_\_\_\_

[Construction Manager Signature Block to  
Be inserted]

JOINDER OF PROJECT ENGINEER

The undersigned Project Engineer joins this Certification for Payment solely for the purposes of certifying that the representations made by Construction Manager in Paragraph 2 above are true and correct in all material respects.

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Project Engineer

APPROVAL BY THE CITY

The Draw Actual Costs of each Segment described in Attachment A has been reviewed, verified and approved by the [Director of Public Works of the City] or [Director of Austin Water Utility]. Payment of the Draw Actual Costs of each such Segment is hereby approved.

Date: \_\_\_\_\_

**CITY OF AUSTIN, TEXAS**

By: \_\_\_\_\_  
[Director of \_\_\_\_\_]

ATTACHMENT A TO CERTIFICATION OF PAYMENT (CONSTRUCTION)

<u>Segment</u>	<u>Description of Work Completed under this Certification for Payment</u>	<u>Draw Actual Costs</u>
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ATTACHMENT B TO CERTIFICATION OF PAYMENT (CONSTRUCTION)

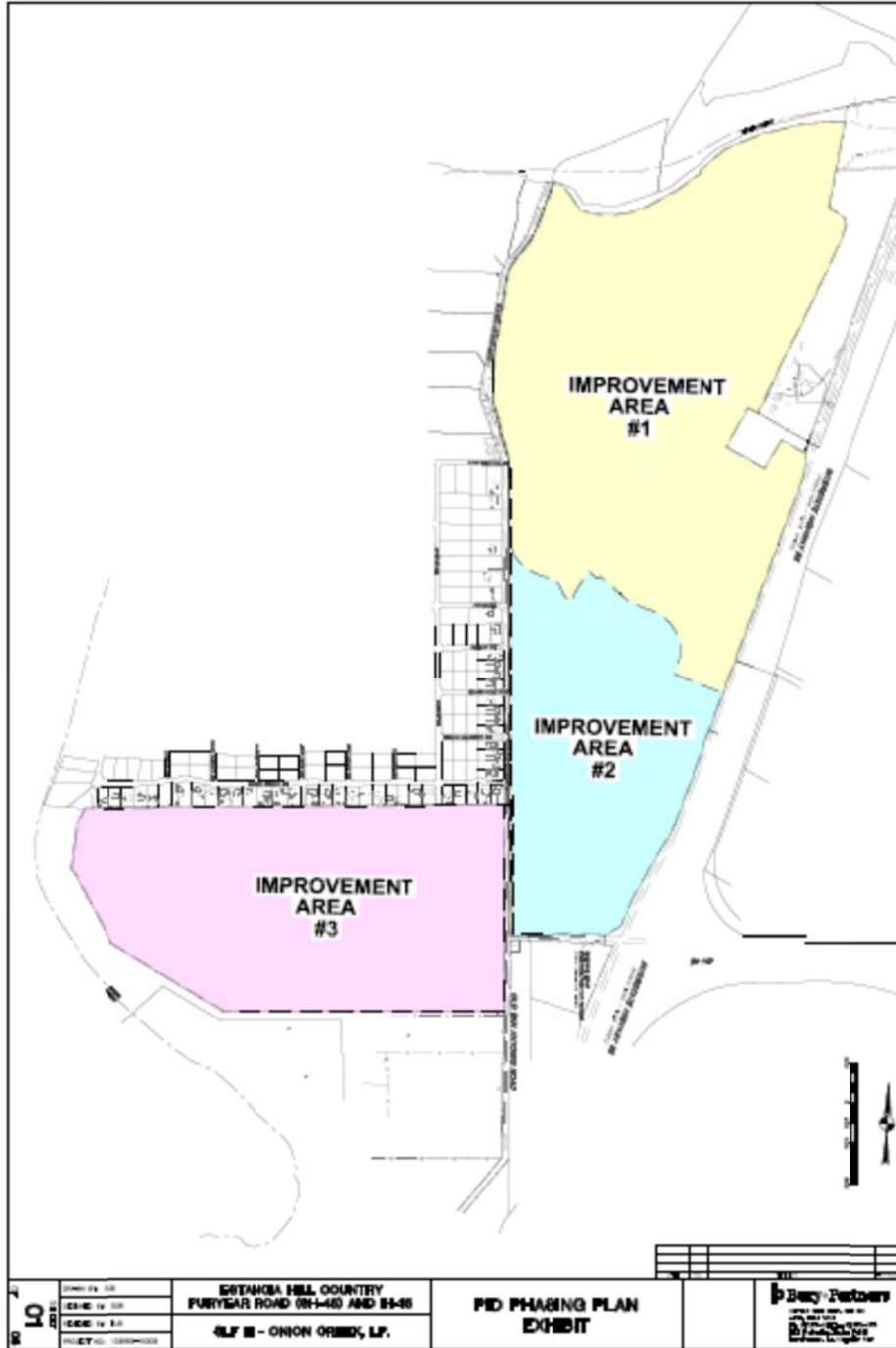
[bills paid affidavit – attached]

ATTACHMENT C TO CERTIFICATION OF PAYMENT (CONSTRUCTION)

[receipts – attached]

# Exhibit "F"

## IMPROVEMENT AREA #1



## Exhibit “G”

### FEE SCHEDULE\*\*

\*\* This schedule only reflects fees associated with the PID Bonds being issued for Improvement Area # 1 and may be amended from time to time as future PID Bonds are issued.

Bond Counsel	Fulbright & Jaworski, LLP	\$90,000	\$ 30,000 already deposited by Owner with the City to date pursuant to that certain City of Austin, Texas Deposit and Reimbursement Agreement Proposed Public Improvement District Agreement dated March 6, 2013
Underwriter’s Counsel	Andrews & Kurth	\$50,000	
Appraisal	Paul Hornsby & Company	\$30,000	\$21,000 already deposited by Owner with the City to date pursuant to that certain City of Austin, Texas Deposit and Reimbursement Agreement Proposed Public Improvement District Agreement dated March 6, 2013
Trustee’s Counsel	Cliff Blount Naman, Howell, Smith & Lee, PLLC	\$5,000	
Underwriter	Jeffries	\$251,800	
Trustee	US Bank	\$4,500	
City’s Financial Advisor	PFM	\$60,000	
City Disclosure Counsel	Jeff Leuschel McCall Parkhurst & Horton	\$15,000	

**EXHIBIT “H”**

**ACKNOWLEDGMENT OF CONSENTING OWNERS**

The undersigned are all the owners of the Property other than SLF III – Onion Creek, L.P. Each of the undersigned hereby: (i) consents to the execution and administration of the Agreement by SLF III – Onion Creek, L.P., on its behalf; and (ii) authorizes SLF III – Onion Creek, L.P., to take any actions (including amendment of the Agreement and providing and receiving notices under this Agreement) on its behalf.

**SEVINGREEN ONE, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**QUARTERSAGE II, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**REVERDE THREE, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**IV CAPITOL POINTE, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**STONE POINT FIVE, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**SALADIA VI, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**PALO GRANDE SEVEN, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**HIGH POINT GREEN VIII, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**GOLONDRINA NINE, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**X CORDONIZ, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**CIERVO ELEVEN, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**ZAGUAN XII, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**THIRTEEN CANARD, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**RUISSEAU XIV, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**DINDON FIFTEEN, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**BOIS DE CHENE XVI, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**ETOURNEAU SEVENTEEN, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager

**MOINEAU XVIII, LTD.,**  
a Texas limited partnership

By: SLF III Property GP, LLC,  
a Texas limited liability company,  
its General Partner

By: Stratford Land Fund III, L.P.,  
a Delaware limited partnership,  
its Sole and Managing Member

By: Stratford Fund III GP, LLC,  
a Texas limited liability company, its  
General Partner

By: \_\_\_\_\_  
Name: Phillip F. Wiggins  
Title: Manager