ORDINANCE NO. 20111103-011

AN ORDINANCE ACCEPTING AND APPROVING A SERVICE AND ASSESSMENT PLAN AND ASSESSMENT ROLL FOR THE CITY OF AUSTIN, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SENIOR SERIES 2011 (INDIAN HILLS PUBLIC IMPROVEMENT DISTRICT) and CITY OF AUSTIN, TEXAS, SPECIAL ASSESSMENT REVENUE BONDS, SUBORDINATE SERIES 2011 (INDIAN HILLS PUBLIC IMPROVEMENT DISTRICT); MAKING A FINDING OF SPECIAL BENEFIT TO THE PROPERTY IN THE DISTRICT; LEVYING SPECIAL ASSESSMENTS AGAINST PROPERTY WITHIN THE DISTRICT AND ESTABLISHING A LIEN ON SUCH PROPERTY; PROVIDING FOR PAYMENT OF THE ASSESSMENTS IN ACCORDANCE WITH CHAPTER 372, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED; PROVIDING FOR THE METHOD OF ASSESSMENT AND THE PAYMENT OF THE ASSESSMENTS, PROVIDING PENALTIES AND INTEREST ON DELINQUENT ASSESSMENTS, PROVIDING FOR SEVERABILITY, AND DECLARING AN EMERGENCY

WHEREAS, a petition was submitted and filed with the City Clerk (the "City Clerk") of the City of Austin, Texas (the "City") 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 over a portion of the area of the City to be known as Indian Hills 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 are liable for assessment by the District; and

WHEREAS, on August 5, 2010, 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 public improvements and services described in the petition as required by Sec. 372.009 of the PID Act and made the findings required by Sec.

372.009(b) of the PID Act and, on August 26, 2010, by Resolution No. 20100826-026, authorized the District in accordance with its finding as to the advisability of the public improvement and services; and

WHEREAS, on September 7, 2010, 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 September 7, 2010; and

WHEREAS, the City Council, pursuant to Section 372.016(b) of the PID Act, published notice on July 23, 2011 in the Austin American-Statesman of a public hearing in a newspaper of general circulation in the City and the extraterritorial jurisdiction of 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, by causing the mailing of the 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 at 4:00 p.m. on August 4, 2011, 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 Plan, the Assessment roll, and each proposed assessment, 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, the City Council finds and determines that the Assessment Roll and the Service and Assessment Plan should be approved and that the Assessments (as defined in the Service and Assessment Plan) should be levied as provided in this Ordinance and the Service and Assessment Plan and Assessment Roll; and

WHEREAS, the City Council further finds that 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 Assessments; and

WHEREAS, prior to the issuance of bonds secured by the Assessments, the owners (the "Landowners" or the "Assessed Parties") of 100% of the privately-owned and taxable property located within the District, and who are the persons to be assessed pursuant to this Ordinance, will have executed and presented to the City Council for approval and acceptance a Landowner Agreement (the "Landowner Agreement") in the form and substance acceptable to the City, in which the Assessed Parties approve and accept the Service and Assessment Plan, approve the Assessment Roll, approve this Ordinance and approve the levy of the Assessments against their property located within the District, and agree to pay the Assessments when due and payable subject to the credits provided for herein and in the Service and Assessment Plan; 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, determined to proceed with the adoption of this Ordinance in conformity with the requirements of the PID Act.

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

Section 1. Terms.

Terms not otherwise defined herein are defined in the Service and Assessment Plan substantially in the form attached hereto as Exhibit A (the "Service and Assessment Plan").

Section 2. Findings.

The findings and determinations set forth in the preambles are hereby incorporated by reference for all purposes. The City Council hereby finds, determines, and ordains, as follows:

(a) The apportionment of the Master PID Bond Authorized Improvements and the Annual Installment pursuant to the Service and Assessment Plan is fair and reasonable, reflects an accurate presentation of the special benefit each property will receive from the construction of the public improvements identified in the Service and Assessment Plan, and is hereby approved;

(b) The Service and Assessment Plan covers a period of at least five years and defines the annual indebtedness and projected costs for the Authorized Improvements;

(c) The Service and Assessment Plan apportions the cost of a public improvement to be assessed against property in the District and such apportionment is made on the basis of special benefits accruing to the property because of the improvement.

(d) All of the real property in the District which is being assessed in the amounts shown in the Assessment Roll will be benefited by the services and improvements proposed to be provided through the District in the Service and Assessment Plan, and each parcel of real property will receive special benefits in each year equal to or greater than each annual Assessment and will receive special benefits during the term of the Assessments equal to or greater than the total amount assessed;

(e) The method of apportionment of the Master PID Bond Authorized Improvements and Annual Installment associated with the Master PID Bonds set forth in the Service and Assessment Plan results in imposing equal shares of the Master PID Bond Authorized Improvements and Annual Installment associated with the Master PID Bonds on property similarly benefited, and results in a reasonable classification and formula for the apportionment of the costs of the improvements;

(f) The Service and Assessment Plan should be approved as the service plan and assessment plan for the District as described in Sections 372.013 and 372.014 of the PID Act;

(g) The Assessment Roll in the form attached as Appendix A to the Service and Assessment Plan (the "Assessment Roll") should be approved as the assessment roll for the District;

(h) The provisions of the Service and Assessment Plan relating to due and delinquency dates for the Assessments, interest on Annual Installments, interest and penalties on delinquent Assessments and delinquent Annual Installments, and procedures in connection with the imposition and collection of Assessments should be approved and will expedite collection of the Assessments in a timely manner in order to provide the services and improvements needed and required for the area within the District; and

(i) A written notice of the date, hour, place and subject of this meeting of the City Council was posted at a place convenient to the public for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter hereof has been discussed, considered, and formally acted upon.

Section 3. Assessment Plan.

The Service and Assessment Plan substantially in the form attached to this Ordinance is hereby accepted and approved pursuant to the PID Act Sections 372.013 and 372.014 as the service plan and the assessment plan for the District.

Section 4. Assessment Roll.

The Assessment Roll is hereby accepted and approved pursuant to the PID Act Section 372.016 as the assessment roll of the District.

Section 5. Levy and Payment of Special Assessments for Costs of Improvement Project.

(a) The City Council hereby levies an assessment on each tract of property located within the District, as shown and described on the Service and Assessment Plan and the Assessment Roll, in the respective amounts shown on the Assessment Roll as a special assessment on the properties set forth in the Assessment Roll.

(b) The levy of the Assessments shall be effective on the date of execution of this Ordinance levying assessments and strictly in accordance with the terms of the Service and Assessment Plan.

(c) The collection of the Assessments shall be as described in the Service and Assessment Plan.

(d) Each Assessment may be paid in a lump sum or may be paid in Annual Installments pursuant to the terms of the Service and Assessment Plan.

(e) Each Assessment shall bear interest at the rate or rates specified in the Service and Assessment Plan.

(f) Each Annual Installment shall be collected each year in the manner set forth in the Service and Assessment Plan.

(g) The Annual Installments for Assessed Properties shall be calculated pursuant to the terms of the Service and Assessment Plan.

Section 6. Method of Assessment.

The method of apportioning the Actual Costs is as set forth in the Service and Assessment Plan.

Section 7. Penalties and Interest on Delinquent Assessments.

Delinquent Assessments shall be subject to the penalties, interest, procedures, and foreclosure sales set forth in the Service and Assessment Plan. The Assessments shall have lien priority as specified in the PID Act and the Service and Assessment Plan.

Section 8. Prepayments of Assessments.

As provided in subsection 372.018(f) of the PID Act and in Section VI G. of the Service and Assessment Plan, the owner (the "Owner") of any Assessed Property may prepay the Assessments levied by this Ordinance.

Section 9. Lien Priority.

As provided in the Landowner Agreement, the City Council and the Landowners intend for the obligations, covenants and burdens on the Landowners of Assessed Property, including without limitation such Landowners' obligations related to payment of the Assessments and the Annual Installments, to constitute a covenant running with the land. The Assessments and the Annual Installments levied hereby shall be binding upon the Assessed Parties, as the Landowners of Assessed Properties, and their respective transferees, legal representatives, heirs, devisees, successors and assigns in the same manner and for the same period as such parties would be personally liable for the payment of ad valorem taxes under applicable law. Assessments shall have lien priority as specified in the Service and Assessment Plan and the PID Act.

Section 10. Appointment of Administrator and Collector of Assessments.

(a) Appointment of Administrator.

The City Treasurer of the City or his designee is hereby appointed and designated as the initial Administrator of the Service and Assessment Plan and of the assessments levied by this Ordinance. The Administrator shall perform the duties of the Administrator described in the Service and Assessment Plan and in this Ordinance. The Administrator's fees, charges and expenses for providing such service shall constitute an Annual Installment.

(b) Appointment of Temporary Collector.

The City Treasurer of the City or his designee is hereby appointed as the temporary collector of the Assessments (the "Collector"). The Collector shall serve in such capacity until such time as the City shall arrange for the Collector's duties to be performed by any other qualified collection agent selected by the City.

Section 11. Applicability of Tax Code.

To the extent not inconsistent with this Ordinance, and not inconsistent with the PID Act or the other laws governing public improvement districts, the provisions of the Texas Tax Code shall be applicable to the imposition and collection of Assessments by the City.

Section 12. Severability.

If any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to 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 Ordinance or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council that no portion hereof, or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 13. Effective Date/Emergency.

The Council finds that the adoption of this Ordinance to provide for special assessment pledged to the payment of the special assessment revenue bonds authorized at the meeting at which this Ordinance is considered constitutes an emergency. Because of this emergency, this Ordinance takes effect immediately on its passage for the immediate preservation of the public peace, health and safety.

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PASSED AND APPROVED

§
§
§

November 3, 2011

Lee Leffingwell
Mayor

APPROVED:

ATTEST:

Shirley A. Gentry
City Clerk

Karen M. Kennard
City Attorney

EXHIBIT A

SERVICE AND ASSESSMENT PLAN

Indian Hills Public Improvement District

Service and Assessment Plan

November 2011

Section I

PLAN DESCRIPTION AND DEFINED TERMS

A. Introduction

On August 26, 2010, (the "Creation Date") the Austin City Council approved that certain "Petition for the Creation of a Public Improvement District to Finance Improvements to Indian Hills Subdivision" which authorized the creation of Indian Hills 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 limited purpose annexed jurisdiction of 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. 20100826-065 (the "Zoning Ordinance") adopted by the City of Austin on the Creation Date. The Zoning Ordinance designates the type of land uses that are permitted within the project and include development standards for each land use type.

Chapter 372 of the Texas Local Government Code, Improvement Districts in Municipalities and Counties (as amended, the "PID Act"), governs the creation of public improvement districts within the State of Texas. This Service and Assessment Plan has been prepared pursuant to Section 372.013, 372.014, 372.015 and 372.016 of the PID Act. According to Section 372.013 of the PID Act, a service plan "must cover a period of five years and must also define the annual indebtedness and the projected costs for improvements. The plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements." The service plan is described in Section V of this Service and Assessment Plan.

Section 372.014 of the PID Act states that "an assessment plan must be included in the annual service plan." The assessment plan is described in Section IV.

Section 372.015 of the PID Act states that "the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district." The method of assessing the Actual Costs to the property in the PID is included in Section VI of this Service and Assessment Plan.

Section 372.016 of the PID Act states that "after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment of each parcel of land in the district, as determined by the method chosen by the municipality or county under this subchapter." The Assessment Roll for the PID is attached hereto as Appendix A and addressed in Section VII of this Service and 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 Service and Assessment Plan.

Contemporaneously herewith, the City and Developer have entered into that certain Indian Hills Public Improvement District Financing Agreement (the "PID Finance Agreement"). The PID Finance Agreement contains a more detailed description of many of the concepts addressed in this Service and Assessment Plan, therefore, the two documents should be read as a

whole in order to have a more complete understanding of the terms addressed in each of the agreements.

B. Definitions

Capitalized terms used herein shall have the meaning ascribed to them as follows; provided, however, many capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the PID Finance Agreement:

"Administrator" means an employee or designee of the City who shall have the responsibilities provided for herein, in the Indenture related to the Bonds, or in another agreement approved by the City Council.

"Annual Installment" means, with respect to each Parcel, each annual payment of the Assessment, as shown on the Assessment Roll attached hereto as Appendix A or an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan.

"Annual Service Plan Update" has the meaning set forth in Section V of this Service and Assessment Plan.

"Assessed Property" means, for any year, Parcels within the PID other than Non-Benefited Property.

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

"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. The Parties hereby acknowledge that the Assessment Plan will be amended from time to time as additional Bonds are sold and Improvement Areas are developed.

"Assessment Revenues" mean the revenues actually received by the City from Assessments.

"Assessment Roll" means the document included in this Service and 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.

"Authorized Improvements" mean those public improvements described in Appendix B of this Service and Assessment Plan and Section 372.003 of the PID Act which the Developer may design, construct, and install, and convey to the applicable governmental entity in accordance with this Service and Assessment Plan, and any future amendments. The parties hereby acknowledge that only some of the Authorized Improvements will be paid for by Bonds. Any

CRA Improvements shall be designed, constructed, installed and conveyed to the applicable governmental entity in accordance with the terms of the applicable CRA.

"Bonds" mean any bonds secured by Assessment Revenues issued by the City in one or more series.

"City" means the City of Austin, Texas.

"City Council" means the duly elected governing body of the City.

"Delinquent Collection Costs" mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with Section 372.018 (b) of the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney's fees.

"Developer" means Club Deal 116 Indian Hills TX, Limited Partnership, a Delaware limited partnership or its assignees or successors.

"**Future Improvement Area**" means Improvement Areas that are developed after Improvement Area #1, as such areas are generally shown on Table II-B. The Future Improvement Areas are subject to adjustment and are shown for example only.

"Improvement Area" means a set of Parcels within the PID that will be developed in the same general time period. The Parcels within an Improvement Area will be assessed in connection with the issuance of Phased PID Bonds for Authorized Improvements (or the portion thereof) designated in an update to this Service and Assessment Plan that specially benefit the parcels within the Improvement Area, but any parcels outside of the Improvement Area will not be assessed.

"**Improvement Area #1**" The initial Improvement Area to be developed as generally shown on Table II-B.

"Landowner's Agreement" means that certain Landowner Agreement by and between the City and Developer whereby Developer grants its consent for assessments to be levied on the Property, in addition to other matters.

"Lot Type" means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the City Council. In the case of single family residential, the Lot Type shall be further defined by classifying the residential lots by density or lot size, as determined by the Administrator and confirmed by the City Council.

"Master PID Assessed Property" means, for any year, all land within the Property other than Non-Benefited Property.

"Master PID Bonds" means collectively the Senior Master PID Bonds and the Subordinate

Master PID Bonds.

"Master PID Bond Authorized Improvements" are the Authorized Improvements set forth in Table III-A and further described in Section III B of this Service and Assessment Plan.

"Non-Benefited Property" means Parcels within the boundaries of the PID that accrue no special benefit from the Authorized Improvements, including Owner Association Property, Public Property and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to Section VI.E, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.E.

"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, a property owners' association.

"Parcel" means a parcel identified by either a tax map identification number assigned by the Travis County Appraisal District for real property tax purpose or by lot and block number in a final subdivision plat recorded in the real property records of Travis County.

"Phased PID Bonds" shall have the meaning ascribed in the PID Finance Agreement

"Phased PID Bond Authorized Improvements" means those Authorized Improvements associated with any given Improvement Area and contained in any supplemental table referred to in Section III.C and IV.D hereof.

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

"PID" has the meaning set forth in Section I.A of this Service and Assessment Plan.

"PID Finance Agreement" has the meaning set forth in Section 1.A of this Service and Assessment Plan.

"Prepayment Costs" mean interest and expenses to the date of prepayment (or in the case of capital appreciation bonds, the accreted value on the date of prepayment), plus any additional amounts due pursuant to the Indenture related to the 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.

"Public Property" means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Travis County, the City, a school district, a public utility provider or any other political subdivision or public agency, whether in fee simple or through an exclusive use easement.

"Reimbursement Payment" means a payment made under the terms of a CRA to the Initial Trustee pursuant to the Developer's pledge thereof.

"Senior Master PID Bonds" shall have the meaning ascribed in the PID Finance Agreement.

"Service and Assessment Plan" means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

"Subordinate Master PID Bonds" shall have the meanings ascribed in the PID Finance Agreement.

"Zoning Ordinance" has the meaning set forth in Section I.A of this Service and Assessment Plan.

Section II

PROPERTY INCLUDED IN THE PID

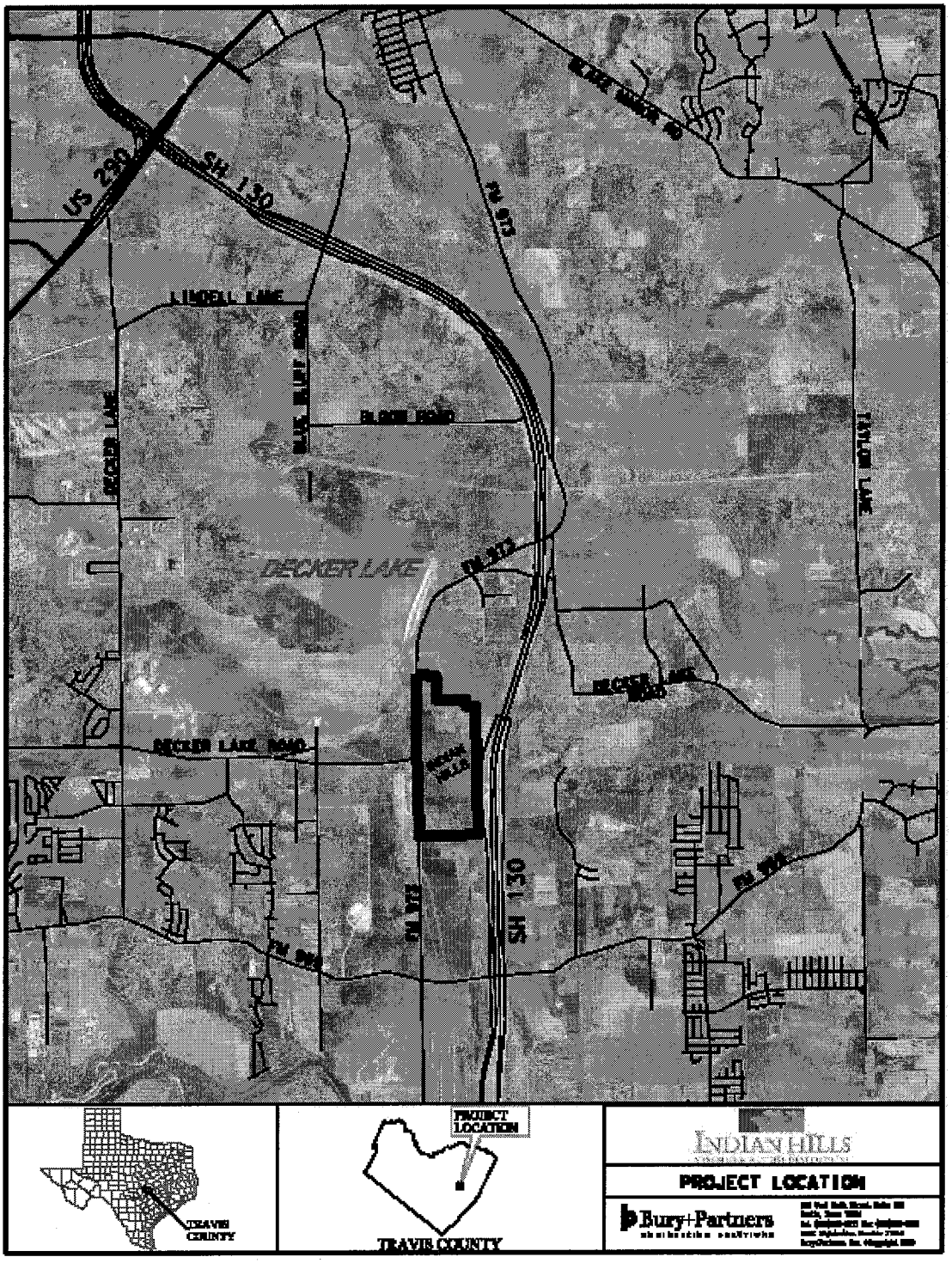
A. Property Included in the PID

The PID is located in the limited purpose annexed jurisdiction of the City of Austin, Texas, within Travis County, Texas. This mixed use development contains approximately 240 acres. A map of the property within the PID is shown in Table II-A.

At completion, the PID is expected to consist of approximately 1,160 apartment homes, 919,000 square feet of office, 1,732,000 square feet of light industrial, and 131,000 square feet of neighborhood retail, as well as entry monuments, associated rights-or-way, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID.

The estimated number of lots and the classification of each lot are based upon the Zoning Ordinance.

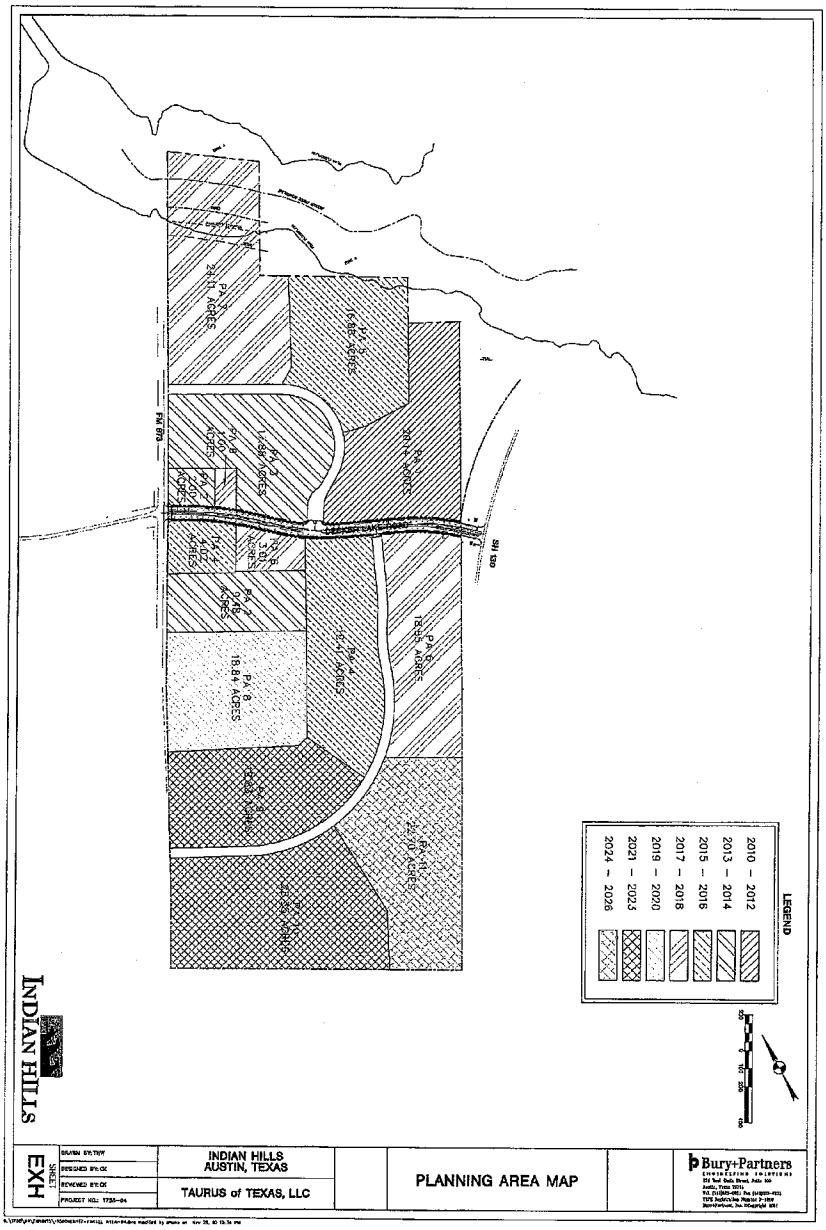
TABLE II-A
PID Boundary Map



B. Property Included in Improvement Areas

As Improvement Areas are developed, then in connection with the issuance of Phased PID Bonds, this Service and Assessment Plan will be amended to add a new table to this Section II.B (e.g. Table II-B-1 will be added for Improvement Area #1, Table II-B-2 for Improvement Area #2, etc.). A map of the property within each Improvement Area is shown in Table II-B. The Future Improvement Areas are shown for illustrative purposes only and are subject to adjustment.

TABLE II-B
Improvement Area Boundary Map



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, as follows:

372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

- (i) 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; and
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district.

After analyzing the public improvement projects authorized by the PID Act, the City has determined that the Authorized Improvements should be undertaken by the City. A list of potential Authorized Improvements is included on Appendix B attached hereto.

B. Master PID Bond Authorized Improvements Overview

The Senior Master PID Bonds and Subordinate Master PID Bonds only fund Authorized Improvements that benefit the entire PID. The Senior Master PID Bonds will be secured by Assessments and the Subordinate Master PID Bonds will be secured by funds received pursuant to the CRAs and Assessments, subject to the use of the Assessments to pay the Senior Master PID Bonds. The Master PID Authorized Improvements are described below and the costs are shown in Table III-A. The estimated Actual Cost to construct the Master PID Bond Authorized Improvements is $16,290,772. The Actual Costs shown in Table III-A are estimates and may be revised in Annual Service Plan Updates.

Decker Lake Road
This project is a 0.54 mile Major Arterial Roadway from FM 973 on the west to SH 130 frontage road on the east. The roadway section will consist of two (2) paved sections 32-feet in width to accommodate two (2) vehicle lanes and one (1) bicycle lane in each direction divided by a large landscape median. The minimum ROW for this section is 114-feet. Intersection Improvements will be funded under an agreement with TxDOT to construct left and right turn lanes on FM 973. The entire roadway section will be built in one phase. The project will provide water quality and detention facilities adjacent to the roadway to serve this improvement.

Water Line 1
This project consists of constructing approximately 19,684 linear feet of 48" diameter water transmission main from the City of Austin's Central Pressure zone. The project will be constructed within the existing right of way (ROW) of Decker Lake Road. The line will be designed and constructed in accordance with City of Austin standards and specifications. The line will have all the necessary appurtenances to be fully operational transmission main. The line will provide service to Indian Hills and will also serve the Whisper Valley development as well as future projects outside the PID. Only the portion of this line that serves the PID will be funded with proceeds of the Bonds.

TABLE III-A Master PID Bonds Authorized Improvements and Costs					
PROJECT NAME	HARD COST	CONSTRUCTION MANAGEMENT	SOFT COST	CONTINGENCY	TOTAL COST
Senior Master PID Bonds					
Decker Lake Road	$ 2,884,492	$ 115,380	$ 703,737	$ 317,294	$ 4,020,903
Water Line 1 - 19,684 LF of 48" Water Line	$ 1,788,513	$ 71,541	$ 402,949	$ 196,736	$ 2,459,739
Capitalized Interest	$ -	$ -	$ 646,463	$ -	$ 646,463
Reserve Fund	$ -	$ -	$ 270,508	$ -	$ 270,508
Original Issue Discount	$ -	$ -	$ 154,923	$ -	$ 154,923
Underwriter's Discount	$ -	$ -	$ 80,080	$ -	$ 80,080
Other Bond Issuance Costs	$ -	$ -	$ 252,237	$ -	$ 252,237
Subtotal	$ 4,673,005	$ 186,920	$ 2,510,897	$ 514,031	$ 7,884,853
Subordinate Master PID Bonds					
Water Line 1 - 19,684 LF of 48" Water Line	$ 5,888,244	$ 235,530	$ 1,326,612	$ 647,707	$ 8,098,092
Underwriter's Discount	$ -	$ -	$ 23,767	$ -	$ 23,767
Other Bond Issuance Costs	$ -	$ -	$ 284,060	$ -	$ 284,060
Subtotal	$ 5,888,244	$ 235,530	$ 1,634,439	$ 647,707	$ 8,405,919
Total Authorized Improvement Costs	$ 10,561,249	$ 422,450	$ 4,145,335	$ 1,161,737	$ 16,290,772

Notes: The figures shown in Table III-A are estimates and may be revised in Annual Service Plan Updates.
(a) Water Line 1 is being funded by both Senior Master PID Bonds and Subordinate Master PID Bonds. The amounts indicated are the costs being funded by each bond series, and when added together equal the total cost.

C. Improvement Area Authorized Improvement Overview

As Improvement Areas are developed, then in association with issuing Phased PID Bonds this Service and Assessment Plan will be amended to identify the Phased PID Bond Authorized Improvements that benefit each Improvement Area from the list of Authorized Improvements on Appendix B attached hereto (e.g. Table III-A-1 will be added to show Improvement Area #1 Authorized Improvements for Improvement Area #1, etc.).

Section IV
ASSESSMENT PLAN

A. Introduction

The PID Act requires the City Council to apportion the Actual Costs on the basis of special benefits conferred upon the property 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 Actual Costs between the PID and the area outside the PID for the Master PID Bond Authorized Improvements.

At this time it is impossible to determine with absolute certainty the amount of special benefit each Parcel within the PID will receive from the Authorized Improvements other than for Master PID Bond Authorized Improvements. As such, at this time Parcels will be only be assessed for the special benefits conferred upon the property because of the Master PID Bond Authorized Improvements.

As Improvement Areas are final platted, in connection with issuance of Phased PID Bonds, this Service and Assessment Plan will be updated to reflect the special benefit each Parcel within an Improvement Area receives from the Authorized Improvements funded with those Phased PID Bonds issued with respect to that Improvement Area. Prior to assessing Parcels located within Improvement Areas in connection with issuance of Phased PID bonds, the owners of the Parcels to be assessed must acknowledge that the Authorized Improvements confer a special benefit on their Parcel and must consent to the imposition of the Assessments to pay for the Actual Costs.

This section of this Service and Assessment Plan currently describes the special benefit received by each Parcel of the Property as a result of the Master PID Bond Authorized Improvements, provides the basis and justification for the determination that this special benefit exceeds the amount of the Assessments, and establishes the methodology by which the City Council allocates the special benefit of the Master PID Bond Authorized Improvements to Parcels in the 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 methodology set forth below is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

As Improvement Areas are developed, then in connection with issuance of Phased PID Bonds this Service and Assessment Plan will be updated based on the City's determination of the assessment methodology for each Improvement Area.

B. Special Benefit

The Assessed Property will receive a direct and special benefit from the Master PID Bond Authorized Improvements, and this benefit will be equal to or greater than the amount of the Assessments. The Master PID Bond Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Master PID Bond Authorized Improvements (more particularly described in line-item format on Table III-A to this Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment, administration, and operation of the PID shown in Table V-A are authorized by the Act.

The owners of the Assessed Property have acknowledged that the Master PID Bond Authorized Improvements confer a special benefit on the Assessed Property and have consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. The owners are acting in their interest in consenting to this imposition because the special benefit conferred upon the Assessed Property by the Master PID Bond Authorized Improvements exceeds the amount of the Assessments.

Pursuant to the Landowner's Agreement, the owners of the Assessed Property have ratified, confirmed, accepted, agreed to and approved; (i) the determinations and finding as to benefits by the City Council in the Service and Assessment Plan and the Assessment Ordinance; and (ii) the Service and Assessment Plan and the Assessment Ordinance. Use of the Assessed Property as described in this Service and Assessment Plan and as required by the Zoning Ordinance required that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs through the PID is determined to be the most beneficial means of doing so. As a result, the Assessments result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the City Council.

C. Allocation of Actual Costs of Master PID Bond Authorized Improvements

The Master PID Bond Authorized Improvements will provide a special benefit to property inside and outside the PID. Accordingly, the Actual Costs of the Master PID Bond Authorized Improvements must be allocated between the property inside the PID and outside of the PID. Table IV-A summarizes the Actual Costs for each Master PID Bond Authorized Improvements. The costs shown in Table IV-A are estimates and may be revised in Annual Service Plan Updates, but may not result in increased assessments without the owners of the Parcels consent to the imposition of the increased Assessments to pay for the Actual Costs.

D. Allocation of Actual Costs of Phased PID Bond Authorized Improvements

As Improvement Areas are developed, then in connection with issuance of Phased PID Bonds this Service and Assessment Plan will be amended to identify the special benefit to property inside and outside the PID resulting from the Phased PID Bond Authorized Improvements (e.g. Table IV-A-1 will be added to show the estimated allocation of Actual Costs between the PID and the area outside the PID for the Improvement Area #1 Authorized Improvements, etc.) Further, to the extent a Phased PID Bond Authorization Improvement benefits portions of the

Assessed Property both inside and outside of a given Improvement Area, then a new Table IV-B will be added showing the special benefit to the PID both inside and outside the Improvement Area in question and that Improvement Area will only be assessed based on the percentage of Actual Costs that benefit it, and the remainder will be assessed to Future Improvement Areas (e.g., a new Table IV-B-1 will be added for Improvement Area #1).

TABLE IV-A Allocation of Master PID Authorized Improvement Costs to the PID					
PROJECT NAME	**TOTAL COST**		**% PID Eligible**	**PID Eligible Cost**	
Senior Master PID Bonds					
Decker Lake Road (a)	$	4,020,903	42.0%	$	1,688,937
Water Line 1 - 19,684 LF of 48" Water Line (b)	$	2,459,739	25.0%	$	614,935
Capitalized Interest	$	646,463	100.0%	$	646,463
Reserve Fund	$	270,508	100.0%	$	270,508
Original Issue Discount	$	154,923	100.0%	$	154,923
Underwriter's Discount	$	80,080	100.0%	$	80,080
Other Bond Issuance Costs	$	252,237	100.0%	$	252,237
Subtotal	$	7,884,853		$	3,708,082
Subordinate Master PID Bonds					
Water Line 1 - 19,684 LF of 48" Water Line (b)	$	8,098,092	25.0%	$	2,024,523
Underwriter's Discount	$	23,767	100.0%	$	23,767
Other Bond Issuance Costs	$	284,060	100.0%	$	284,060
Subtotal	$	8,405,919		$	2,332,350
TOTAL	**$**	**16,290,772**		**$**	**6,040,432**

Notes:
(a) The Developer and County entered into that certain Decker Lake Road Participation Agreement (as amended) whereby the Developer is reimbursed 66.6% of the cost of Decker Lake Road Hard Costs and 50% of Construction management costs and engineering costs. Landscape Costs, City and County Fees, and Inspection Fees are not subject to reimbursement. Only non reimbursed costs are determined to be PID eligible, and as such 42% of Decker Lake Road Costs are PID Eligible Costs.

(b) Water Line 1 is being funded by both Senior Master PID Bonds and Subordinate Master PID Bonds. The amounts indicated are the costs being funded by each bond series, and when added together equal the total cost. The Developer and City entered into the Water Cost Reimbursement Agreement whereby the Developer is reimbursed the hard and certain soft costs of Water Line 1. However, 75% of Water Line 1's capacity will be used by property outside of the PID, and as such only 25% of the Water Line 1 Costs are PID Eligible. The Developer will pledge the reimbursements of those certain hard and soft costs due under the Water Cost Reimbursement Agreement to the payment of the Subordinate Master PID Bonds. The City will be repaid for the non-oversized portion of Water Line 1 costs it reimburses to the Developer pursuant to the Water Cost Reimbursement Agreement.

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 equal or exceeds the Assessments. The Actual Costs may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

Assessment Methodology for the Master PID
For purpose of this Service and Assessment Plan, the City Council has determined that the Actual Costs associated with the Senior Master PID Bonds and Subordinate Master PID Bonds shall be allocated to the Assessed Property on the basis of the modified area method and such method of allocation will result in the imposition of equal shares of the Actual Costs on Parcels similarly benefited. The modified area method is applied by spreading the entire assessment

across all Parcels within the PID based on their ratio of the total assessable area within the PID. Upon subsequent divisions of any Parcel, the assessment applicable to it is then apportioned based on the ratio of the areas of the newly created parcels. For residential parcels, when final residential building sites are platted, assessments are apportioned proportionately among each residential parcel based on its relative size. The result of this approach is that each final residential parcel with the same density has the same assessment, and residential parcels with similar densities will have similar assessments.

Assessment Methodology for Improvement Areas
As any given Improvement Area is developed, then in connection with issuance of any Phased PID Bonds for that Improvement Area, this Service and Assessment Plan will be amended to determine the assessment methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited within that Improvement Area.

F. Assessments

The Assessments for the Senior Master PID Bonds and the Subordinate Master PID Bonds will be levied on each Parcel according to the Assessment Roll attached hereto as Appendix A. The Annual Installments for the Senior Master PID Bonds will be collected on the dates and in the amounts shown on the Assessment Roll, subject to any revisions made during an Annual Service Plan Update. The Annual Installments for the Subordinate Master PID Bonds will be collected on the dates and in the amounts shown on the Assessment Roll to the extent sufficient funds are not received by the Trustee pursuant to the pledge of the reimbursements under the CRAs by the Developer. The use of the Annual Installments to pay debt service under the Subordinate Master PID Bonds shall be subordinate to the use of the Annual Installments to pay debt service under the Senior Master PID Bonds.

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 Assessment levied against the Parcel. The administrative expenses shall be collected in the same manner as Annual Installments in the amounts shown on the 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 Assessments may exceed the actual interest rate paid on the bonds by no more than one half of one percent (0.50%). The interest rate used to determine the Senior Master PID Bonds Assessments is one-fifth percent (0.50%) higher than the actual rate paid on the Senior Master PID Bonds, with 0.20% allocated to fund any interest charged between the date of prepayment of an Assessment and the date in which bonds are prepaid and 0.30% allocated to fund a delinquency reserve account as described below.

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 additional reserve shall be funded up to 0.1% of the next year's debt service for the Senior Master PID Bonds, but in no event will the annual collection be more than 0.30% higher than the actual interest rate paid on the debt.

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 two years for the Master PID Bond Authorized Improvements to be constructed. At some point after the Master PID Bond Authorized Improvements are constructed, Improvement Area #1 will begin development. After Improvement Area #1 is developed, it is anticipated that Improvement Area #2 will begin development, and so on, with each Improvement Area to be subsequently developed corresponding to the Service and Assessment Plan to be updated with that development

The estimated Actual Costs for Master PID Bond Authorized Improvements plus costs related to the issuance of the Bonds, and payment of expenses incurred in the establishment, administration and operation of the PID is $16,290,772, as shown in Table V-A. The service plan shall be reviewed and updated annually for the purpose of determining the annual budget for improvements. The annual update to this Service and Assessment Plan is herein referred as the "Annual Service Plan Update."

Table V-A summarizes the sources and uses of funds required to construct the Master PID Bond Authorized Improvements, establish the PID, and issue the Bonds. Table V-A may be revised based on final bond pricing and final costs of issuance. 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 Improvement Areas are developed in connection with issuance of Phased PID Bonds, this Service and Assessment Plan will be amended to add a new table to this Section V (e.g. Table V-A-1 will be added for Improvement Area #1, etc.).

TABLE V-A
Sources and Uses of Funds for Master PID

Sources of Funds	Senior Master PID Bonds	Subordinate Master PID Bonds	Reimbursement Agreements	Whisper Valley Water Line 1 Contribution	Developer Contribution or Future IA Bonds	Total
Estimated Bond PAR Amount (a)	$ 2,860,000	$ 2,332,350	$ -	$ -	$ -	$ 5,192,350
Reimbursement Agreement - Decker lake Road (b)	$ -	$ -	$ 2,331,966	$ -	$ -	$ 2,331,966
Whisper Valley Contribution to Waterline 1 - Non IH share (c)	$ -	$ -	$ -	$ 7,918,374	$ -	$ 7,918,374
Developer Contribution and/or Future Improvement Area Bonds (d)	$ -	$ -	$ -	$ -	$ 848,082	$ 848,082
Total	$ 2,860,000	$ 2,332,350	$ 2,331,966	$ 7,918,374	$ 848,082	$ 16,290,772
Uses of Funds						
PID Authorized Improvements (e)	$ 1,455,789	$ 2,024,523	$ 2,331,966	$ 7,918,374	$ 848,082	$ 14,578,734
Debt Service Reserve Fund (f)	$ 270,508	$ -	$ -	$ -	$ -	$ 270,508
Capitalized Interest (g)	$ 646,463	$ -	$ -	$ -	$ -	$ 646,463
Underwriter Discount (h)	$ 80,080	$ 23,767	$ -	$ -	$ -	$ 103,847
Original Issue Discount	$ 154,923	$ -	$ -	$ -	$ -	$ 154,923
Cost to Establish PID and Issue Bonds (i)	$ 252,237	$ 284,060	$ -	$ -	$ -	$ 536,297
Total	$ 2,860,000	$ 2,332,350	$ 2,331,966	$ 7,918,374	$ 848,082	$ 16,290,772

(a) Assumes Subordinate Master PID Bonds are able to be fully paid with revenue from CRAs.

(b) Pursuant to the Decker Lake Road Participation Agreement between Travis County and the Developer, the County will reimburse the Developer for 66% of the cost of Decker Lake Road Hard Costs and 50% of Construction management costs and engineering costs. The funding of the improvements is initially funded by the Developer.

(c) 25% of Water Line 1's capacity will be used by the Indian Hills development, and as such only 25% of the Water Line 1 Costs will be funded by the Indian Hills project.

(d) The Developer will fund any costs not covered by Senior Master PID Bonds, Subordinate Master PID Bonds or County reimbursements until such time as Phased PID Bond proceeds are available. The Developer and City will enter into an acquisition agreement for any facility acquired by the City which is intended to be paid for, partially or in its entirety, from Phased PID Bonds. Developer Funds will be utilized if the amounts specified above are not sufficient to pay for the costs of such improvements.

(e) See Table III-A and Table IV-A for details. Excludes Bond Issuance Costs, which are identified separately.

(f) The Subordinate Master PID Bonds will include a debt service reserve fund equal to the lesser of maximum annual debt service or 10% of the bond amount.

(g) The Bonds will include capitalized interest.

(h) The Bonds will have a 2% 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	Annual Projected Cost	Annual Projected PID Indebtedness	Sources Other Than Indian Hills PID
2011	$ 4,345,813	$ 5,192,350	$ 2,005,911
2012	$ 10,905,117	$ -	$ 8,077,889
2013	$ 1,039,841	$ -	$ 1,014,622
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	$ 16,290,772	$ 5,192,350	$ 11,098,422

Note: The Annual Projected Costs shown are the annual expenditures relating to the PID Authorized Improvements shown in Table III-A. The Annual Projected Indebtedness shown is for the Senior Master PID Bonds and the Subordinate Master PID Bonds. The difference between the two totals is the amount contributed by sources other than the Indian Hills PID, including Decker Lake Road reimbursements, non Indian Hills PID's share of the Waterline 1 costs, and Developer contributions. As Improvement Areas are developed, then in association with issuing Phased PID Bonds this Table V-B will be amended to identify the Phased PID Bond Authorized Improvements and the projected indebtedness resulting from the Phased PID Bond.

Section VI

TERMS OF THE ASSESSMENTS

A. Amount of Assessments and Annual Installments for Parcels Located Within Master PID

The Assessment and Annual Installments for each Parcel located within the Master PID is shown on the Assessment Roll, attached as Appendix A, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act. The Annual Installments shall be collected in an amount sufficient to pay principal and interest on the Senior Master PID Bonds, or maturity value on the Subordinate Master PID Bonds, as applicable, and to cover Administrative Expenses of the PID.

B. Amount of Assessments and Annual Installments for Parcels Located Within Future Improvement Areas

As Improvement Area #1 and Future Improvement Areas are developed, this Service and Assessment Plan will be amended to determine the Assessment and Annual Installments for each Parcel located within Future Improvement Areas (e.g. Appendix A-1 will be added as the Assessment Roll for Improvement Area #1, etc.). The Annual Installments for each Parcel located within a Future Improvement Area will escalate at 2% per year. The Assessments shall not exceed the benefit received by the Assessed Property.

C. Reallocation of Assessments for Parcels Located Within the Master PID

1. Upon Subdivision Prior to Final Subdivision Map

Upon the subdivision of any Parcel (but prior to final lots being created), the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

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

Where the terms have the following meanings:

A = the Assessment for the new subdivided Parcel

B = the Assessment for the Parcel prior to subdivision

C = the acreage of the newly subdivided Parcel

D = the sum of the acreage for all of the new subdivided Parcels excluding Non-Benefitted Property

The calculation of the acreage of a Parcel shall be performed by the Administrator based on information available regarding the Parcel. The estimate as confirmed shall be conclusive.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the City Council.

2. Upon Subdivision From Final Subdivision Map

Upon the subdivision of any Parcel based on a Final Subdivision Map, the Administrator shall reallocate the Assessment for the Parcel prior to the subdivision among the new subdivided Parcels according to the following formula:

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

Where the terms have the following meanings:

A = the Assessment for the new subdivided Parcel

B = the Assessment for the Parcel prior to subdivision

C = the sum of the acreage of all new subdivided Parcels with same Lot Type

D = the sum of the acreage for all of the new subdivided Parcels excluding Non-Benefitted Property

E= the number of Parcels with same Lot Type

The calculation of the acreage of a Parcel shall be performed by the Administrator and confirmed by the City Council based on information available regarding the Parcel. The estimate as confirmed shall be conclusive.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in an update to this Service and Assessment Plan approved by the City Council.

3. Upon Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation. Any reallocation pursuant to this section shall be calculated by the

Administrator and reflected in an update to this Service and Assessment Plan approved by the City Council.

D. Reallocation of Assessments for Parcels Located Within Future Improvement Areas

As Future Improvement Areas are developed, this Service and 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 Assessments

If a Parcel or portion thereof is transferred to a party that is exempt from the payment of the 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 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 assessment shall not be required for portions of a Parcel that are dedicated for use as internal roads, parks and other similar, public improvements. At the time such public improvements are dedicated, the Assessment that was allocated to that certain Parcel in which the public improvement was located will be reallocated to similarly benefitted Parcels; provided, however, that reallocation of an Assessment for a Parcel that is a homestead under Texas Law may not exceed the Assessment prior to reallocation.

F. Reduction of Assessments

1. If after all Authorized Improvements have been completed and Actual Costs are less than the Actual Costs used to calculate the Assessments, resulting in excess Bond proceeds being available to redeem Bonds, then the Assessment for each Parcel shall be reduced prorata such that the sum of the resulting reduced Assessments for all Parcels equals the actual reduced Actual Costs and such excess Bond proceeds shall applied to redeem Bonds. The Assessments shall not be reduced to an amount less than the outstanding Bonds.

2. If the Authorized Improvements are not undertaken by the City or County, resulting in excess Bond proceeds being available to redeem Bonds, the Assessment for each Parcel shall be approximately reduced by the City Council to reflect only the Actual Costs that were expended and such excess Bond proceeds shall be applied to redeem Bonds. The City Council may reduce the Assessments for each Parcel prorata such that the sum of the resulting reduced Assessments equals the Actual Costs with respect to the Authorized Improvements that were undertaken. The Assessments shall not be reduced to an amount less than the outstanding Bonds.

3. If a Reimbursement Payment is received by the Initial Trustee for an Authorized Improvement, resulting in proceeds being available to redeem the Subordinate Master

PID Bonds, then the Assessment for each Parcel shall be reduced prorata such that the sum of the resulting reduced Assessments for all Parcels equals the Actual Costs less the Reimbursement Payment and any excess proceeds shall applied to redeem Subordinate Master PID Bonds. The Assessments shall not be reduced to an amount less than the outstanding Subordinate Master PID Bonds.

G. Payment of Assessments

1. Payment in Full

(a) The 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 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 Bonds.

(b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.

(c) Upon payment in full of an Assessment and all Prepayment Costs, the City shall deposit the payment in accordance with the Indenture; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.

(d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part in an amount sufficient to allow for a convenient redemption of Bonds as determined by the Administrator. Upon the payment of such amount for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the Act authorizes the City to collect interest and collection costs on the outstanding Assessment. An Assessment for a Parcel that is not paid in full will be collected in Annual Installments each year in the amounts shown in the Assessment Roll, which include interest on the outstanding Assessment and Administrative Expenses. The process and dates for payment of the Annual Installments shall be as determined by the Administrator.

Each Assessment for a Future Improvement Area shall bear interest at a rate of interest on the Bonds approved and issued by the City. The Annual Installments as listed on the Assessment Roll for Senior Master PID Bonds have been calculated using the actual interest rates for the Senior Master PID Bonds and the Subordinate Master PID Bonds. The Annual Installments may

not exceed the amount amounts shown on the Assessment Roll except as pursuant to any amendment or update to this Service and Assessment Plan.

The Annual Installments shall be reduced to equal the actual costs of repaying the 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 amounts received from the City pursuant to the CRAs and interest income on account balances.

The City reserves and shall have the right and option to refund the Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, decrease, or extend the term of the Annual Installment so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds.

H. Collection of Annual Installments

No less frequently than annually, the Administrator shall prepare, and the City Council shall approve, an Annual Service Plan Updates 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. Each Annual Installment shall be reduced by any credits applied under the applicable Indenture, such as capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, including any amounts received from the City pursuant to the CRAs and existing deposits for a prepayment reserve. For Senior master PID Bonds, Annual Installments shall 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. For Subordinate Master PID Bonds, Annual Installments shall be collected by the City (or such entity to whom the City directs) by hand billing on dates to be determined by the Administrator in accordance with the Indenture. Annual Installments shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City. The City Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The assessments shall have lien priority as specified in the PID Act.

Any sale of property for nonpayment of the delinquent Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such property as they become due and payable.

I. Surplus Funds Remaining in Senior Master PID Bond Account

If Senior Master PID Bond proceeds still remain after all of the Master PID Bond

Authorized Improvements are constructed and accepted by the City, the proceeds may be utilized to finance other Authorized Improvements.

Section VII

THE ASSESMENT ROLL

A. Master PID Assessment Roll

Each Parcel within the Master PID has been evaluated by the City Council (based on the PUD, developable area, proposed Owner Association Property and Public Property, the Authorized 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.

At this time it is impossible to determine with absolute certainty the amount of special benefit each Parcel within the PID will receive from the Authorized Improvements other than for Master PID Authorized Improvements. As such, at this time only Master PID Assessed Property will be assessed for the special benefits conferred upon the property because of the Master PID Authorized Improvements. Table IV-A summarizes the $6,040,032 in special benefit received by Master PID Assessed Property from the Master PID Authorized Improvements. The cumulative total for the Authorized Improvements to be funded by the Senior Master PID Bonds and Subordinate Master PID Bonds, is $5,192,350, which is less than the benefit received by Master PID Assessed Property, and as such the total assessment for all Parcels within the Master PID is $5,192,350. The Assessment for each Parcel within the Master PID is calculated based on the allocation methodologies described in Section IV.E. of this Service and Assessment Plan. The Assessment Roll for the Master PID is attached hereto as Appendix A.

B. Future Improvement Area Assessment Roll

As Improvement Area #1 and Future Improvement Areas are developed, this Service and Assessment Plan will be amended to determine the Assessment for each Parcel located within Improvement Area # 1 and Future Improvement Areas (e.g. Appendix A-1 will be added as the Assessment Roll for Improvement Area #1, etc.).

C. Annual Assessment Roll Updates

The Administrator shall prepare, and the City Council shall review and approve, annual updates to the 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 Act: (i) the identification of each Parcel (ii) the Assessment for each Parcel, including any adjustments authorized by this Service and Assessment Plan or in the PID Act; (iii) the Annual Installment for the Parcel for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.C of this Service and Assessment Plan.

Once Bonds are issued, the Assessment Roll shall be updated, which update may be done in the next Annual Service Plan Update, to reflect any changes resulting from the issuance of the Bonds. This update shall reflect the actual interest on the Bonds at which the Annual Installments

shall be paid, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the Bonds and Developer funds.

Section VIII

MISCELLANEOUS PROVISIONS

A Administrative Review

The City shall serve as the Administrator until the Property is final platted at which time this practice will be re-examined and the City may elect to designate a third party to serve as Administrator. The City shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the Act, an owner of an Assessed Parcel claiming that a calculation error has been made in the Assessment Roll, including the calculation of the Annual Installment, shall send a written notice describing the error to the City 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. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the City Council for approval, to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the City Council for determination. Any amendments made to the Assessment Roll pursuant to calculation errors shall be made pursuant to the PID Act.

B Termination of Assessments

Each Assessment shall terminate on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the termination of an Assessment, and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the City shall provide the owner of the affected Parcel a recordable "Notice of the PID Assessment Termination."

C Cost Savings/Cost Overruns

Savings from one line item may be applied to a cost increase in another line item. These transfers, however, are limited to the portion of the savings related to the PID's share of the costs, and these savings may be applied only to the PID's share of the increase in the costs of another line item. With respect to CRA Improvements, cost savings and cost overruns shall be handled in accordance with the terms and conditions set forth in the applicable CRA.

D Cost Overruns

In the event there are cost overruns and the proceeds of the Subordinate Master PID Bonds and the funds in the Master PID Bond Holdback are not sufficient to fund the CRA Improvements specified in the Service and Assessment Plan, the Developer may request an additional amount of debt issuance of up to $750,000 of bonds commencing in year 2012 with the first assessments to occur in 2014 to provide additional contingency funding.

E Amendments

Amendments to the Service and Assessment Plan can be made as permitted by the PID Act and under Texas law.

F Administration and Interpretation of Provisions

The City Council shall administer (or cause the administration of) the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act, and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Indenture, such determination shall be conclusive.

G Severability

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan, or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the City Council in adopting this Service and Assessment Plan that no part 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 Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the City.

If a conflict exists between the terms of this Service and Assessment Plan and a CRA, the terms and conditions of the applicable CRA shall control.

Appendix A

Master PID Assessment Roll

Appendix A
Assessment by Parcel

Tax Parcel #	Assessable Acres	Senior Master PID Bond Assessment	Subordinate Master PID Bonds	Total Assessment
201733	239.99	$ 2,860,000.00	$ 2,332,349.75	$ 5,192,349.75
Total	239.99	$ 2,860,000.00	$ 2,332,349.75	$ 5,192,349.75

Appendix A
Annual Installments – ALL PARCELS

Installment Due Date (a)	Senior Master PID Bonds			Subordinate Master PID Bonds			Prepayment Reserve	Delinquency Reserve	Administrative Expenses (f)	Annual Installment
	Principal	Interest (b)	Net Debt Service (c)	Principal	Interest (d)	Net Debt Service (e)				
01/31/11	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
01/31/12	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 25,000.00	$ 25,000.00
01/31/13	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 25,500.00	$ 25,500.00
01/31/14	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 26,010.00	$ 26,010.00
01/31/15	$ 45,000.00	$ 231,568.76	$ 276,568.76	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 26,530.20	$ 303,098.96
11/01/15	$ -	$ -	$ -	$ 1,189,364.90	$ 125,635.10	$ 1,315,000.00	$ 5,720.00	$ 680.00	$ -	$ 1,315,000.00
01/31/16	$ 70,000.00	$ 227,743.76	$ 297,743.76	$ -	$ -	$ -	$ -	$ -	$ 27,060.80	$ 324,804.56
11/01/16	$ -	$ -	$ -	$ 1,142,984.85	$ 172,015.15	$ 1,315,000.00	$ -	$ -	$ -	$ 1,315,000.00
01/31/17	$ 95,000.00	$ 221,793.76	$ 316,793.76	$ -	$ -	$ -	$ -	$ -	$ 27,602.02	$ 344,395.78
01/31/18	$ 125,000.00	$ 213,718.76	$ 338,718.76	$ -	$ -	$ -	$ -	$ -	$ 28,154.06	$ 366,872.82
01/31/19	$ 155,000.00	$ 203,093.76	$ 358,093.76	$ -	$ -	$ -	$ -	$ -	$ 28,717.14	$ 386,810.90
01/31/20	$ 190,000.00	$ 190,112.50	$ 380,112.50	$ -	$ -	$ -	$ -	$ -	$ 29,291.48	$ 409,403.98
01/31/21	$ 230,000.00	$ 174,200.00	$ 404,200.00	$ -	$ -	$ -	$ -	$ -	$ 29,877.31	$ 434,077.31
01/31/22	$ 275,000.00	$ 154,937.50	$ 429,937.50	$ -	$ -	$ -	$ -	$ -	$ 30,474.86	$ 460,412.36
01/31/23	$ 330,000.00	$ 131,906.26	$ 461,906.26	$ -	$ -	$ -	$ -	$ -	$ 31,084.36	$ 492,990.62
01/31/24	$ 385,000.00	$ 105,918.76	$ 490,918.76	$ -	$ -	$ -	$ -	$ -	$ 31,706.04	$ 522,624.80
01/31/25	$ 449,000.00	$ 75,600.00	$ 520,600.00	$ -	$ -	$ -	$ -	$ -	$ 32,340.17	$ 552,940.17
01/31/26	$ 515,000.00	$ 40,556.26	$ 555,556.26	$ -	$ -	$ -	$ -	$ -	$ 32,986.97	$ 588,543.23
	$ 2,860,000.00	$ 1,971,150.08	$ 4,831,150.08	$ 2,332,349.75	$ 297,650.25	$ 2,630,000.00	$ 28,600.00	$ 35,000.00	$ 432,335.42	$ 7,893,485.50

(a) The 1/31/XX dates represent Installment due dates for the Senior Master PID Bond which are intended to cover the March 1 and September 1 payments.
(b) Net of Capitalized Interest.
(c) Does not include reserve fund earnings or any other funds which could reduce net debt service.
(d) Subordinate Master PID Bonds are capital appreciation bonds, therefore interest accrues until principal payment date.
(e) Reimbursement Payments equaling the net debt service, including accrued interest, for the Subordinate Master PID Bonds are pledged to the Trustee, which are intended to reduce the net debt service to $0. Until the Reimbursement Payments are received by the Trustee, the Assessment will remain on each parcel and the Installment will be due as scheduled.
(f) Preliminary Estimate. The administrative charges will be revised in Annual Service Plan Updates based on actual costs.

Appendix A
Annual Installments – Tax parcel # 201733

Installment Due Date (a)	Senior Master PID Bonds			Subordinate Master PID Bonds			Prepayment Reserve	Delinquency Reserve	Administrative Expenses (f)	Annual Installment
	Principal	Interest (b)	Net Debt Service (c)	Principal	Interest (d)	Net Debt Service (e)				
01/31/11	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
01/31/12	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 25,000.00	$ 25,000.00
01/31/13	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 25,500.00	$ 25,500.00
01/31/14	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 26,010.00	$ 26,010.00
01/31/15	$ 45,000.00	$ 231,568.76	$ 276,568.76	$ -	$ -	$ -	$ 5,720.00	$ 8,580.00	$ 26,530.20	$ 303,098.96
11/01/15	$ -	$ -	$ -	$ 1,189,364.90	$ 125,635.10	$ 1,315,000.00	$ 5,720.00	$ 680.00	$ -	$ 1,315,000.00
01/31/16	$ 70,000.00	$ 227,743.76	$ 297,743.76	$ -	$ -	$ -	$ -	$ -	$ 27,060.80	$ 324,804.56
11/01/16	$ -	$ -	$ -	$ 1,142,984.85	$ 172,015.15	$ 1,315,000.00	$ -	$ -	$ -	$ 1,315,000.00
01/31/17	$ 95,000.00	$ 221,793.76	$ 316,793.76	$ -	$ -	$ -	$ -	$ -	$ 27,602.02	$ 344,395.78
01/31/18	$ 125,000.00	$ 213,718.76	$ 338,718.76	$ -	$ -	$ -	$ -	$ -	$ 28,154.06	$ 366,872.82
01/31/19	$ 155,000.00	$ 203,093.76	$ 358,093.76	$ -	$ -	$ -	$ -	$ -	$ 28,717.14	$ 386,810.90
01/31/20	$ 190,000.00	$ 190,112.50	$ 380,112.50	$ -	$ -	$ -	$ -	$ -	$ 29,291.48	$ 409,403.98
01/31/21	$ 230,000.00	$ 174,200.00	$ 404,200.00	$ -	$ -	$ -	$ -	$ -	$ 29,877.31	$ 434,077.31
01/31/22	$ 275,000.00	$ 154,937.50	$ 429,937.50	$ -	$ -	$ -	$ -	$ -	$ 30,474.86	$ 460,412.36
01/31/23	$ 330,000.00	$ 131,906.26	$ 461,906.26	$ -	$ -	$ -	$ -	$ -	$ 31,084.36	$ 492,990.62
01/31/24	$ 385,000.00	$ 105,918.76	$ 490,918.76	$ -	$ -	$ -	$ -	$ -	$ 31,706.04	$ 522,624.80
01/31/25	$ 445,000.00	$ 75,600.00	$ 520,600.00	$ -	$ -	$ -	$ -	$ -	$ 32,340.17	$ 552,940.17
01/31/26	$ 515,000.00	$ 40,556.26	$ 555,556.26	$ -	$ -	$ -	$ -	$ -	$ 32,986.97	$ 588,543.23
	$ 2,860,000.00	$ 1,971,150.08	$ 4,831,150.08	$ 2,332,349.75	$ 297,650.25	$ 2,630,000.00	$ 28,600.00	$ 35,000.00	$ 432,935.42	$ 7,893,485.50

(a) The 1/31/XX dates represent Installment due dates for the Senior Master PID Bond which are intended to cover March 1 and September 1 payments.
(b) Net of Capitalized Interest.
(c) Does not include reserve fund earnings or any other funds which could reduce net debt service.
(d) Subordinate Master PID Bonds are capital appreciation bonds, therefore interest accrues until principal payment date.
(e) Reimbursement Payments equaling the net debt service, including accrued interest, for the Subordinate Master PID Bonds are pledged to the Trustee, which are intended to reduce the net debt service to $0. Until the Reimbursement Payments are received by the Trustee, the Assessment will remain on each parcel and the Installment will be due as scheduled.
(f) Preliminary Estimate. The administrative charges will be revised in Annual Service Plan Updates based on actual costs.

Appendix B

Authorized Improvements

Appendix B
Authorized Improvements

PROJECT	PROJECT NAME	TOTAL COST
Macro Road	Decker Lake Road (a)	$4,020,903
	SUBTOTAL	**$4,020,903**
Macro Wastewater	6" Force Main	$2,128,560
	15" Gravity Main	$488,700
	Lift Station	$1,153,875
	4" Force Main	$524,538
	Lift Station	$678,750
	SUBTOTAL	**$4,974,423**
Macro Water	Water Line 1 - 19,684 LF of 48" Water Line	$10,557,832
	Line 4 - 24" main from FM 969 and FM 973 to Decker Lake Road	$2,211,368
	SUBTOTAL	**$12,769,199**
Ponds	PARCEL 1	$484,376
	PARCEL 2	$968,752
	SUBTOTAL	**$1,453,129**
Collector Roads	PARCEL 1	$443,312
	PARCEL 2	$383,040
	PARCEL 3	$443,312
	PARCEL 4	$766,082
	PARCEL 5	$443,312
	PARCEL 6	$766,082
	PARCEL 7	$443,312
	PARCEL 8	$632,152
	PARCEL 9	$632,152
	PARCEL 10	$948,227
	PARCEL 11	$948,227
	SUBTOTAL	**$6,849,212**
TOTAL		**$30,066,865**

Note: Lines shaded grey indicate Master PID Bond Authorized Improvements.