

**THE TRAILS AT COTTONWOOD CREEK
PUBLIC IMPROVEMENT DISTRICT**

CITY OF ROWLETT, TEXAS

**ANNUAL SERVICE PLAN UPDATE
(ASSESSMENT YEAR 9/15/22 - 9/14/23)**

**AS APPROVED BY CITY COUNCIL ON:
OCTOBER 11, 2022**

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

THE TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT

ANNUAL SERVICE PLAN UPDATE (ASSESSMENT YEAR 9/15/22 – 9/14/23)

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I. INTRODUCTION

The Trails at Cottonwood Creek Public Improvement District (the “PID”) was created pursuant to the PID Act and Resolution No. RES-032-20 approved by the City Council of Rowlett, Texas (the “City Council”) on March 17, 2020 to finance certain public improvement projects for the benefit of the property in the PID.

On May 18, 2021, the City of Rowlett, Texas (the “City”) approved the issuance of the City of Rowlett, Texas Special Assessment Revenue Bonds, Series 2021 (Trails at Cottonwood Creek Public Improvement District Neighborhood Improvement Area #1 Project) (the “NIA #1 Bonds”) in the aggregate principal amount of \$2,543,000, and the City of Rowlett, Texas Special Assessment Revenue Bonds, Series 2021 (Trails at Cottonwood Creek Public Improvement District Major Improvement Area Project) (the “MIA Bonds”) in the aggregate principal amount of \$5,065,000, were issued to finance, refinance, provide or otherwise assist in the acquisition, construction and maintenance of the public improvements provided for the benefit of the property in the PID.

A service and assessment plan (the “Service and Assessment Plan”) was prepared at the direction of the City identifying the public improvements (the “Authorized Improvements”) to be provided by the PID, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the PID for the costs of the Authorized Improvements. Pursuant to the PID Act, the Service and Assessment Plan must be reviewed and updated annually. This document is the annual update of the Service and Assessment Plan for 2022-23 (the “Annual Service Plan Update”).

The City also adopted the Neighborhood Improvement Area #1 (the “NIA #1”) Assessment Roll and the Major Improvement Area (the “MIA”) Assessment Roll attached as Appendix G and Appendix F, respectively, to the Service and Assessment Plan, identifying the assessments on each Parcel within the PID, based on the method of assessment identified in the Service and Assessment Plan. This Annual Service Plan Update also updates the Assessment Rolls for 2022-23.

Effective September 1, 2021, the Texas legislature passed House Bill 1543 as an amendment to the PID Act, requiring, among other things, (i) all Service and Assessment Plans and Annual Service Plan Updates be approved through City ordinance or order to be filed with the county clerk of each county in which all or part of the PID is located within seven days and (ii) include a copy of the notice form required by Section 5.014 of the Texas Property Code (the “PID Assessment Notice”) as disclosure of the obligation to pay PID Assessments. In light of these amendments to the PID Act, this Annual Service Plan Update includes a copy of the PID Assessment Notice as Appendix F and a copy of this Annual Service Plan Update will be filed with the county clerk in each county in which all or a part of the PID is located not later than seven (7) days after the date the governing body of the City approves this Annual Service Plan Update.

Section 372.013 of the PID Act, as amended, stipulates that a person who proposes to sell or otherwise convey real property that is located in the PID, except in certain situations described in

the PID Act, shall first give to the purchaser of the property a copy of the completed PID Assessment Notice. The PID Assessment Notice shall be given to a prospective purchase before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract. In the event a contract of purchase and sale is entered into without the seller provided the required notice, the purchaser, subject to certain exceptions described in the PID act is entitled to terminate the contract.

The PID Assessment Notice shall be executed by the seller and must be filed in the real property records of the County in which the property is located at the closing of the purchase and sale of the property.

Capitalized terms shall have the meanings set forth in the Service and Assessment Plan unless otherwise defined herein.

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II. UPDATE OF THE SERVICE PLAN

A. UPDATED SOURCES AND USES FOR PUBLIC IMPROVEMENTS

Major Improvements Sources and Uses

Pursuant to the Service and Assessment Plan adopted on May 18, 2021, the initial total estimated costs of the Major Improvements, including bond issuance costs, were equal to \$5,018,558. According to the Developer on September 6, 2022, the current estimated costs of the Major Improvements remain unchanged from the initial total estimated costs.

Table II-A-1 below summarizes the current sources and uses of funds required to (1) construct the Major Improvements, (2) establish the PID, and (3) issue the MIA Bonds. The actual costs spent to date according to the Developer's Quarterly Improvement Implementation Report dated June 30, 2022 are shown in Table II-A-1 below.

Table II-A-1
Current Sources and Uses – Major Improvements

Sources of Funds	Original Budget Estimates	Budget Revisions	Updated Budget	Spent to Date ¹	Remaining to be Funded
Bond par amount	\$5,065,000	\$0	\$5,065,000	\$1,464,523	\$3,600,477
Original Issue Discount	(\$46,442)	\$0	(\$46,442)	\$0	(\$46,442)
Developer Contributions	\$0	\$0	\$0	\$0	\$0
Total Sources	\$5,018,558	\$0	\$5,018,558	\$1,464,523	\$3,554,035
Uses of Funds					
<u>Major Improvements</u>					
Roadway Improvements	\$644,812	\$0	\$644,812	\$0	\$644,812
Sanitary Sewer Improvements	\$1,784,962	\$0	\$1,784,962	\$0	\$1,784,962
Drainage Improvements	\$453,094	\$0	\$453,094	\$0	\$453,094
Other soft and miscellaneous costs	\$818,956	\$0	\$818,956	\$147,789	\$671,167
<i>Subtotal: Major Improvements</i>	<i>\$3,701,824</i>	<i>\$0</i>	<i>\$3,701,824</i>	<i>\$147,789</i>	<i>\$3,554,035</i>
<u>Bond Issuance Costs</u>					
Debt Service Reserve Fund	\$311,650	\$0	\$311,650	\$311,650	\$0
Administrative Expenses	\$105,700	\$0	\$105,700	\$105,700	\$0
Capitalized Interest	\$472,049	\$0	\$472,049	\$472,049	\$0
Cost of Issuance	\$275,385	\$0	\$275,385	\$275,385	\$0
Underwriters Discount/ Underwriters Counsel	\$151,950	\$0	\$151,950	\$151,950	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$1,316,734</i>	<i>\$0</i>	<i>\$1,316,734</i>	<i>\$1,316,734</i>	<i>\$0</i>
Total Uses	\$5,018,558	\$0	\$5,018,558	\$1,464,523	\$3,554,035

1 – According to the Developer's Quarterly Improvement Implementation Report dated June 30, 2022. Pursuant to the LOM, the water system is dedicated to East Fork Special Utility District will be the provider of water service to the PID. Accordingly, the water improvements are not included in the approved costs for reimbursement. According to the Developer, the Authorized Improvements mainly include parks, offsite sewer and spine roads, which are in the final stages of development and are expected to commence in 4Q 2022 and continue through 2Q 2023.

Major Improvement Area Cost Variances

As stated in Table II-A-1 on the previous page, there are no significant variances to the Major Improvement Area improvements cost budget.

Neighborhood Improvement Area #1 Improvements Sources and Uses

Pursuant to the Service and Assessment Plan adopted on May 18, 2021, the initial total estimated costs of the Neighborhood Improvement Area #1 Improvements, including bond issuance costs, were equal to \$8,791,242. According to the Developer on September 6, 2022, the current estimated costs of the Neighborhood Improvement Area #1 Improvements remain unchanged from the original estimates.

Table II-A-2 on the following page summarizes the updated sources and uses of funds required to (1) construct the Neighborhood Improvement Area #1 Improvements, including the proportional share of the Major Improvement costs, (2) establish the PID, and (3) issue NIA #1 Bonds. The actual costs spent to date according to the Developer's Quarterly Improvement Implementation Report dated June 30, 2022 are shown in Table II-A-2 on the following page.

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Table II-A-2
Current Sources and Uses – Neighborhood Improvement Area #1

Sources of Funds	Original Budget Estimates	Budget Revisions	Updated Budget	Spent to Date ¹	Remaining to be Funded
Bond par amount	\$2,543,000	\$0	\$2,543,000	\$776,965	\$1,766,035
Bond Premium	\$14,107	\$0	\$14,107	\$0	\$14,107
Developer Contributions	\$6,234,135	\$0	\$6,234,135	\$872,037	\$5,362,098
Total Sources	\$8,791,242	\$0	\$8,791,242	\$1,649,002	\$7,142,240
Uses of Funds					
<i>Major Improvements</i>					
Roadway Improvements	\$218,571	\$0	\$218,571	\$0	\$218,571
Sanitary Sewer Improvements	\$605,047	\$0	\$605,047	\$0	\$605,047
Drainage Improvements	\$153,585	\$0	\$153,585	\$0	\$153,585
Other soft and miscellaneous costs	\$277,601	\$0	\$277,601	\$59,764	\$217,836
<i>Subtotal: Major Improvements</i>	<i>\$1,254,804</i>	<i>\$0</i>	<i>\$1,254,804</i>	<i>\$59,764</i>	<i>\$1,195,040</i>
<i>NIA #1 Improvements</i>					
Roadway Improvements	\$2,557,028	\$0	\$2,557,028	\$0	\$2,557,028
Sanitary Sewer Improvements	\$882,739	\$0	\$882,739	\$5,500	\$877,239
Drainage Improvements	\$1,398,646	\$0	\$1,398,646	\$0	\$1,398,646
Park Improvements	\$394,600	\$0	\$394,600	\$0	\$394,600
Other soft and miscellaneous costs	\$1,586,224	\$0	\$1,586,224	\$866,537	\$719,687
<i>Subtotal: NIA #1 Improvement</i>	<i>\$6,819,237</i>	<i>\$0</i>	<i>\$6,819,237</i>	<i>\$872,037</i>	<i>\$5,947,200</i>
<i>Bond Issuance Costs</i>					
Debt Service Reserve Fund	\$155,130	\$0	\$155,130	\$155,130	\$0
Administrative Expenses	\$105,700	\$0	\$105,700	\$105,700	\$0
Capitalized Interest	\$215,081	\$0	\$215,081	\$215,081	\$0
Cost of Issuance	\$165,000	\$0	\$165,000	\$165,000	\$0
Underwriters Discount/ Underwriters Counsel	\$76,290	\$0	\$76,290	\$76,290	\$0
<i>Subtotal: Bond Issuance Costs</i>	<i>\$717,201</i>	<i>\$0</i>	<i>\$717,201</i>	<i>\$717,201</i>	<i>\$0</i>
Total Uses	\$8,791,242	\$0	\$8,791,242	\$1,649,002	\$7,142,240

¹ – According to the Developer’s Quarterly Improvement Implementation Report dated June 30, 2022. Pursuant to the LOM, the water system is dedicated to East Fork Special Utility District will be the provider of water service to the PID. Accordingly, the water improvements are not included in the approved costs for reimbursement. According to the Developer, the Authorized Improvements mainly include parks, offsite sewer and spine roads, which are in the final stages of development and are expected to commence in 4Q 2022 and continue through 2Q 2023.

Neighborhood Improvement Area #1 Improvement Cost Variances

As stated in Table II-A-2 above, there are no significant variances to the Neighborhood Improvement Area #1 Improvements’ cost budget.

B. FIVE YEAR SERVICE PLAN

According to the PID Act, a service plan must cover a period of five years.

The projected Major Improvement Area Annual Installments over a period of five years are shown in Table II-B-1 on the following page.

Table II-B-1
Major Improvement Area
Projected Annual Installments (2021-2028)

Assessment Year ending September 15	Principal Payments	Interest Expense	Administrative Expenses ¹	Prepayment & Delinquency Reserves	Capitalized Interest or Other Available Credits ²	Annual PID Installments ³
2021-22	\$0	\$263,537	\$39,600	\$0	(\$303,137)	\$0
2023	\$0	\$208,513	\$43,100	\$0	(\$251,613)	\$0
2024	\$103,000	\$208,513	\$36,414	\$25,325	\$0	\$373,252
2025	\$107,000	\$204,650	\$37,142	\$24,810	\$0	\$373,602
2026	\$111,000	\$200,638	\$37,885	\$24,275	\$0	\$373,798
2027	\$115,000	\$196,475	\$38,643	\$23,720	\$0	\$373,838
2028	\$119,000	\$192,163	\$39,416	\$23,145	\$0	\$373,723
Total	\$555,000	\$1,474,489	\$272,200	\$121,275	(\$554,750)	\$1,868,213

1 – Projected Administrative Expenses for Assessment Year 2021 were funded at closing of the MIA Bonds.

2 – Other available credits include but are not necessarily limited to interest income earned in the Reserve Fund or excess funds available from the trust accounts.

3 – Assessment years ending 2021-2023 reflect actual Annual Installments and are net of applicable investment income and other credits. Assessment years 2024 through 2028 reflect projected Annual Installments and will be updated in future annual service plan updates.

The projected Neighborhood Improvement Area #1 Annual Installments over a period of five years are shown in Table II-B-2 below.

Table II-B-2
Neighborhood Improvement Area #1
Projected Annual Installments (2021-2028)

Assessment Year ending September 15	Principal Payments	Interest Expense	Administrative Expenses ¹	Prepayment & Delinquency Reserves	Capitalized Interest or Other Available Credits ²	Annual PID Installments ³
2021-22	\$0	\$120,076	\$39,600	\$0	(\$159,676)	\$0
2023	\$0	\$95,005	\$43,100	\$0	(\$138,105)	\$0
2024	\$60,000	\$95,005	\$36,414	\$12,715	\$0	\$204,134
2025	\$62,000	\$93,130	\$37,142	\$12,415	\$0	\$204,687
2026	\$63,000	\$91,193	\$37,885	\$12,105	\$0	\$204,183
2027	\$65,000	\$89,224	\$38,643	\$11,790	\$0	\$204,657
2028	\$66,000	\$87,193	\$39,416	\$11,465	\$0	\$204,073
Total	\$316,000	\$670,826	\$272,200	\$60,490	(\$297,781)	\$1,021,734

1 – Projected Administrative Expenses for Assessment Year 2021 were funded at closing of the NIA #1 Bonds.

2 – Other available credits include but are not necessarily limited to interest income earned in the Reserve Fund or excess funds available from the trust accounts.

3 – Assessment years ending 2021-2023 reflect actual Annual Installments and are net of applicable investment income and other credits. Assessment years 2024 through 2028 reflect projected Annual Installments and will be updated in future annual service plan updates.

C. STATUS OF DEVELOPMENT

Major Improvement Area

According to the Developer's Quarterly Improvement Implementation Report dated June 30, 2022, the expected completion date for the Major Improvement Area Improvements is the second quarter of 2023.

According to the Developer, construction has continued at a steady pace. Delays in the expected completion date for the Major Improvement Area Improvements were due to material backorders and construction crews experiencing bouts of COVID-19 among their personnel. Material delays have caused the utility contractor to start and stop various tasks as materials arrive. The contractor has remained on site and is working to install the material as it arrives.

According to the Developer, only the water lines that require HDPE Pipe at Storm Sewer Crossings remain to be installed as of September 13, 2022.

According to the Developer, Earthwork was 90% complete in the first quarter of 2022. Retaining walls were constructed in the second quarter of 2022. The utility contractor moved on site in the second quarter of 2022 after a 90 day material delay; material was previously estimated for arrival in the first quarter of 2022. The utility contractor is 80% complete with onsite work. The remaining 20% is reliant on material that is forthcoming.

According to the Developer, paving will commence in the fourth quarter of 2022 and will require 90 to 120 days to complete. The City will initiate annexation proceedings for Vinson Road (the spine road connection) in the third quarter of 2022. Dallas County will require the City to annex Vinson Road before the Spine Road may tie into Vinson Road.

Improvement Area #1

According to the Developer's Quarterly Improvement Implementation Report dated June 30, 2022, the expected completion date for the Improvement Area #1 Improvements is the second quarter of 2023.

According to the Developer, construction has continued at a steady pace. Delays in the expected completion date for the Improvement Area #1 Improvements were due to material backorders and construction crews experiencing bouts of COVID-19 among their personnel. Material delays have caused the utility contractor to start and stop various tasks as materials arrive. The contractor has remained on site and is working to install the material as it arrives.

According to the Developer, only the water lines that require HDPE Pipe at Storm Sewer Crossings remain to be installed as of September 13, 2022.

According to the Developer, Earthwork was 90% complete in the first quarter of 2022. Retaining walls were constructed in the second quarter of 2022. The utility contractor moved on site in the

second quarter of 2022 after a 90 day material delay; material was previously estimated for arrival in the first quarter of 2022. The utility contractor is 80% complete with onsite work. The remaining 20% is reliant on material that is forthcoming.

According to the Developer, paving will commence in the fourth quarter of 2022 and will require 90 to 120 days to complete. The City will initiate annexation proceedings for Vinson Road (the spine road connection) in the third quarter of 2022. Dallas County will require the City to annex Vinson Road before the Spine Road may tie into Vinson Road.

See Appendix C for 2022 assessed values of all Parcels within the PID.

D. ANNUAL BUDGET – MAJOR IMPROVEMENT AREA

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty Annual Installments of principal and interest beginning with the tax year following the issuance of the MIA Bonds, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the MIA Bonds commencing with the issuance of the MIA Bonds. The effective interest rate on the MIA Bonds for 2022-23 is 4.12 percent. Pursuant to Section 372.018 of the PID Act, the interest rate for that Assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the MIA Bonds (4.12 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2022-23, and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under an applicable Trust Indenture capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the MIA Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan and applicable Trust Indenture.

Annual Installments to be Collected for 2022-23

The budget for the Major Improvement Area of the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table II-D-1 below.

Table II-D-1
Budget for the MIA
Annual Installments to be Collected for 2022-23

	MIA Bonds
Interest payment on March 15, 2023	\$104,256
Interest payment on September 15, 2023	\$104,256
Principal payment on September 15, 2023	\$0
<i>Subtotal debt service payments</i>	<i>\$208,513</i>
Administrative expenses	\$43,100
Excess interest for prepayment and delinquency reserves	\$0
<i>Subtotal Expenses</i>	<i>\$251,613</i>
Available reserve fund income	\$0
Available capitalized interest account	(\$208,513)
Available Administrative Expense account	(\$43,100)
<i>Subtotal funds available</i>	<i>(\$251,613)</i>
Annual Installments	\$0

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 15, 2023, in the amount of \$104,256 and on September 15, 2023, in the amount of \$104,256, which equal interest on the outstanding Major Improvement Area Assessments balance of \$5,065,000 for six months each and an effective interest rate of 4.12 percent. Annual Installments to be collected include a principal amount of \$0 due on September 15, 2023. As a result, the total principal and interest due for MIA Assessments in 2022-23 is estimated to be equal to \$208,513.

Administrative Expenses

Administrative expenses include the City, Trustee, Administrator, auditor, dissemination agent, and contingency fees. As shown in Table II-D-2 on the following page, the total Major Improvement Area administrative expenses to be collected for 2022-23 are estimated to be \$43,100.

Table II-D-2
Administrative Budget Breakdown

Description	2022-23 Estimated Budget (9/15/22-9/14/23)
City	\$5,000
Administrator	\$25,000
Trustee	\$4,000
Auditor	\$3,500
Dissemination Agent	\$3,500
Contingency	\$2,100
Total	\$43,100

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments for excess interest for prepayment and delinquency reserves are anticipated to begin collection in Assessment Year ending 2024. As a result, there are no Annual Installments for excess prepayment and delinquency reserves to be collected for 2022-23.

Available Reserve Fund Income

As of July 31, 2022, there is not a significant balance in the Reserve Fund. As a result, there is no Reserve Fund income anticipated to be available to pay a portion of the MIA Bonds debt service for 2022-23.

Available Capitalized Interest Account

According to Section 6.4(c) of the Indenture, Capitalized Interest funds shall be used for payment of all interest due on March 15, 2023 and September 15, 2023. As a result, there is \$208,513 anticipated to be available to reduce the MIA Annual Installment for 2022-23.

Available Administrative Expense Account

As of July 31, 2022, the balance in the Administrative Expense Fund was \$90,147. As a result, there is \$43,100 anticipated to be available in the Administrative Expense Fund to reduce the MIA Annual Installment for 2022-23.

E. ANNUAL INSTALLMENTS PER UNIT - MAJOR IMPROVEMENT AREA

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the MIA Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of the Major Improvement Area.

According to the Service and Assessment Plan, 571 units representing 513.63 total Equivalent Units are anticipated to be built within the Major Improvement Area of the PID. Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$0 (i.e. $(\$208,513 - \$208,513) \div 513.63 = \$0$) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$0 (i.e. $(\$43,100 - \$43,100) \div 513.63 = \$0$). As a result, the total Annual Installment to be collected from each Equivalent Unit within the Major Improvement Area will be \$0 for each Parcel within the Major Improvement Area. The Annual Installment to be collected from each Parcel within the Major Improvement Area is calculated by multiplying the Annual Installment for each Equivalent Unit of \$0 by the total estimated Equivalent Units for each Parcel in the Major Improvement Area for 2022-23.

The Annual Installment due to be collected from each Land Use Class in Neighborhood Improvement Area #1 for 2022-23 is shown in Table II-E-1 below.

Table II-E-1
Annual Installment Per Unit – Major Improvement Area

Land Use Class	Annual Installment per Equivalent Unit	Equivalent Unit Factor	Annual Installment Per Unit
50 Ft Lots	\$0.00	1.00	\$0.00
40 Ft Lots	\$0.00	0.89	\$0.00
Townhomes	\$0.00	0.79	\$0.00

The list of Parcels within the Major Improvement Area of the PID, the estimated number of units to be developed on the current residential Parcels, the total Assessment, the Annual Assessment, the Administrative Expenses, and the Annual Installment to be collected for 2022-23 are shown in the assessment roll summary attached hereto as Appendix E.

F. ANNUAL BUDGET – NEIGHBORHOOD IMPROVEMENT AREA #1

NIA #1 - Annual Installments – 2022-23

The Assessment imposed on any Parcel may be paid in full at any time. If not paid in full, the Assessment shall be payable in thirty Annual Installments of principal and interest beginning with the tax year following the issuance of the NIA #1 Bonds, of which twenty-nine (29) Annual Installments remain outstanding.

Pursuant to the Service and Assessment Plan, each Assessment shall bear interest at the rate on the NIA #1 Bonds commencing with the issuance of the NIA #1 Bonds. The effective interest rate on the NIA #1 Bonds for 2022-23 is 3.74 percent per annum. Pursuant to Section 372.018 of the PID Act, the interest rate for that assessment may not exceed a rate that is one-half of one percent higher than the actual interest rate paid on the debt. Accordingly, the effective interest rate on the NIA #1 Bonds (3.74 percent) plus an additional interest of one-half of one percent are used to calculate the interest on the Assessments. These payments, the “Annual Installments” of the Assessments, shall be billed by the City in 2022 and will be delinquent on February 1, 2023.

Pursuant to the Service and Assessment Plan, the Annual Service Plan Update shall show the remaining balance of the Assessments, the Annual Installment due for 2022-23, and the Administrative Expenses to be collected from each Parcel. Administrative Expenses shall be allocated to each Parcel pro rata based upon the amount the Annual Installment on a Parcel bears to the total amount of Annual Installments in the PID as a whole that are payable at the time of such allocation. Each Annual Installment shall be reduced by any credits applied under applicable documents including the Service and Assessment Plan and Trust Indenture such as capitalized interest and interest earnings on any account balances and by any other funds available to the PID.

Annual Budget for the Repayment of Indebtedness

Debt service will be paid on the NIA #1 Bonds from the collection of the Annual Installments. In addition, Administrative Expenses are to be collected with the Annual Installments to pay expenses related to the collection of the Annual Installments. The additional interest collected with the Annual Installments will be used to pay the prepayment and delinquency reserve amounts as described in the Service and Assessment Plan and applicable Trust Indenture.

Neighborhood Improvement Area #1 Annual Installments to be Collected for 2022-23

The budget for Neighborhood Improvement Area #1 of the PID will be paid from the collection of Annual Installments collected for 2022-23 as shown in Table II-F-1 below.

Table II-F-1
Budget for the NIA #1 Annual Installments
to be Collected for 2022-23

	NIA #1 Bonds
Interest payment on March 15, 2023	\$47,503
Interest payment on September 15, 2023	\$47,503
Principal payment on September 15, 2023	\$0
<i>Subtotal debt service payments</i>	<i>\$95,005</i>
Administrative expenses	\$43,100
Excess interest for prepayment and delinquency reserves	\$0
<i>Subtotal Expenses</i>	<i>\$138,105</i>
Available reserve fund income	\$0
Available capitalized interest account	(\$95,005)
Available Administrative Expense account	(\$43,100)
<i>Subtotal funds available</i>	<i>(\$138,105)</i>
Annual Installments	\$0

Debt Service Payments

Annual Installments to be collected for principal and interest include interest due on March 15, 2023 in the amount of \$47,503 and on September 15, 2023 in the amount of \$47,503, which equal interest on the outstanding NIA #1 Assessments balance of \$2,543,000 for six months each and an

effective interest rate of 3.74 percent. Annual Installments to be collected include a principal amount of \$0 due on September 15, 2023. As a result, the total principal and interest due for NIA #1 Assessments in 2022-23 is estimated to be equal to \$95,005.

Administrative Expenses

Administrative expenses include the City, Trustee, Administrator, auditor, dissemination agent, and contingency fees. As shown in Table II-F-2 below, the total NIA #1 administrative expenses to be collected for 2022-23 are estimated to be \$43,100.

Table II-F-2
Administrative Budget Breakdown

Description	2022-23 Estimated Budget (9/15/22-9/14/23)
City	\$5,000
Administrator	\$25,000
Trustee	\$4,000
Auditor	\$3,500
Dissemination Agent	\$3,500
Contingency	\$2,100
Total	\$43,100

Excess Interest for Prepayment and Delinquency Reserve

Annual Installments for excess interest for prepayment and delinquency reserves are anticipated to begin collection in Assessment Year ending 2024. As a result, there are no Annual Installments for excess prepayment and delinquency reserves to be collected for 2022-23.

Available Reserve Fund Income

As of July 31, 2022, there is not a significant balance in the Reserve Fund. As a result, there is no Reserve Fund income anticipated to be available to pay a portion of the NIA #1 Bonds debt service for 2022-23.

Available Capitalized Interest Account

According to Section 6.4(c) of the Indenture, Capitalized Interest funds shall be used for payment of all interest due on March 15, 2023 and September 15, 2023. As a result, there is \$95,005 anticipated to be available to reduce the NIA #1 Annual Installment for 2022-23.

Available Administrative Expense Account

As of July 31, 2022, the balance in the Administrative Expense Fund was \$91,863. As a result, there is \$43,100 anticipated to be available in the Administrative Expense Fund to reduce the MIA Annual Installment for 2022-23.

G. ANNUAL INSTALLMENTS PER UNIT - NEIGHBORHOOD IMPROVEMENT AREA #1

According to the Service and Assessment Plan, the Annual Installments shall be collected in an amount sufficient to pay principal and interest on the NIA #1 Bonds, to fund the Prepayment Reserve and Delinquency Reserve described in the Service and Assessment Plan, and to cover Administrative Expenses of NIA #1.

According to the Service and Assessment Plan, 194 units, representing 174.11 total Equivalent Units, were anticipated to be built within NIA #1 of the PID. Accordingly, the net principal and interest portion of Annual Installment to be collected from each Equivalent Unit will be \$0 (i.e. $(\$95,005 - \$95,005) \div 174.11 = \$0$) and the net Administrative Expenses to be collected from each Equivalent Unit will be \$0 (i.e. $(\$43,100 - \$43,100) \div 174.11 = \$0$). As a result, the total Annual Installment to be collected from each Equivalent Unit within NIA #1 will be \$0. The Annual Installment to be collected from each Parcel within NIA #1 is calculated by multiplying the Annual Installment for each Equivalent Unit of \$0 by the total estimated Equivalent Units for each Parcel in NIA #1 for 2022-23.

The Annual Installment due to be collected from each Land Use Class in NIA #1 for 2022-23 is shown in Table II-G-1 below.

Table II-G-1
Annual Installment Per Unit – NIA #1

Land Use Class	Annual Installment Per Equivalent Unit	Equivalent Unit Factor	Annual Installment Per Unit
50 Ft Lots	\$0.00	1.00	\$0.00
40 Ft Lots	\$0.00	0.89	\$0.00
Townhomes	\$0.00	0.79	\$0.00

The list of Parcels within NIA #1 of the PID, the number of units to be developed on the current residential Parcels, the corresponding total Equivalent Units, the total outstanding Assessment, the annual principal and interest, the Administrative Expenses, and the Annual Installment to be collected for 2022-23 are shown in the Assessment Roll Summary attached hereto as Appendix D.

H. BOND REDEMPTION RELATED UPDATES

MIA Bonds

The MIA Bonds were issued in 2021. Pursuant to Section 4.3 of the MIA Trust Indenture, the City reserves the right and option to redeem the Major Improvement Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **September 15, 2029**, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the applicable Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the MIA Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City accordingly.

NIA #1 Bonds

The NIA #1 Bonds were issued in 2021. Pursuant to Section 4.3 of the NIA #1 Trust Indenture, the City reserves the right and option to redeem the NIA #1 Bonds before their scheduled maturity dates, in whole or in part, on any interest payment date on or after **September 15, 2029**, such redemption date or dates to be fixed by the City, at the redemption prices and dates shown in the applicable Trust Indenture.

The Administrator has conducted a preliminary evaluation of the current refunding market conditions, recent PID bond refunding transactions, and other relevant factors. Based on this preliminary evaluation, the Administrator believes a refunding of the NIA #1 Bonds does not appear viable at this time. The Administrator will continue to monitor the refunding market conditions, applicable PID bond refunding transactions, and other relevant factors to determine if refunding becomes viable in the future and will inform the City accordingly.

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III. UPDATE OF THE ASSESSMENT PLAN

The Service and Assessment Plan adopted by the City Council describes that the Authorized Improvement costs shall be allocated to the Assessed Property equally based on the equivalent number of residential dwelling units anticipated to be built on each Parcel once such property is fully developed, and that such method of allocation will result in the imposition of equal shares of the Authorized Improvement costs to Parcels similarly benefited.

Assessment Methodology

This method of assessing property, as updated in prior Annual Service Plan Updates, has not been changed and Assessed Property will continue to be assessed as provided for in the Service and Assessment Plan.

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IV. UPDATE OF THE ASSESSMENT ROLL

Pursuant to the original Service and Assessment Plan, the Assessment Rolls shall be updated each year to reflect:

- (i) the identification of each Parcel
- (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by the Service and Assessment Plan or in the PID Act;
- (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and
- (iv) payments of the Assessment, if any, as provided by Section VI.I of the Service and Assessment Plan.

The summary of updated Assessment Rolls is shown in Appendix D and Appendix E of this report. Each Parcel in the PID is identified, along with the Assessment on each Parcel and the Annual Installment to be collected from each Parcel. Assessments are to be reallocated for the subdivision of any Parcels.

A. PARCEL UPDATES

According to the Service and Assessment Plan, upon the subdivision of any Parcel, 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 each new subdivided Parcel.
- B = the Assessment for the Parcel prior to subdivision.
- C = the estimated Equivalent Units to be built on each newly subdivided Parcel
- D = the sum of the estimated Equivalent Units to be built on all of the new subdivided Parcels

The calculation of the estimated number of units to be built on a Parcel shall be performed by the Administrator and confirmed by the City Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

B. PREPAYMENT OF ASSESSMENTS

As of July 31, 2022, there have been no prepayment of Assessments for any Parcel within the PID.

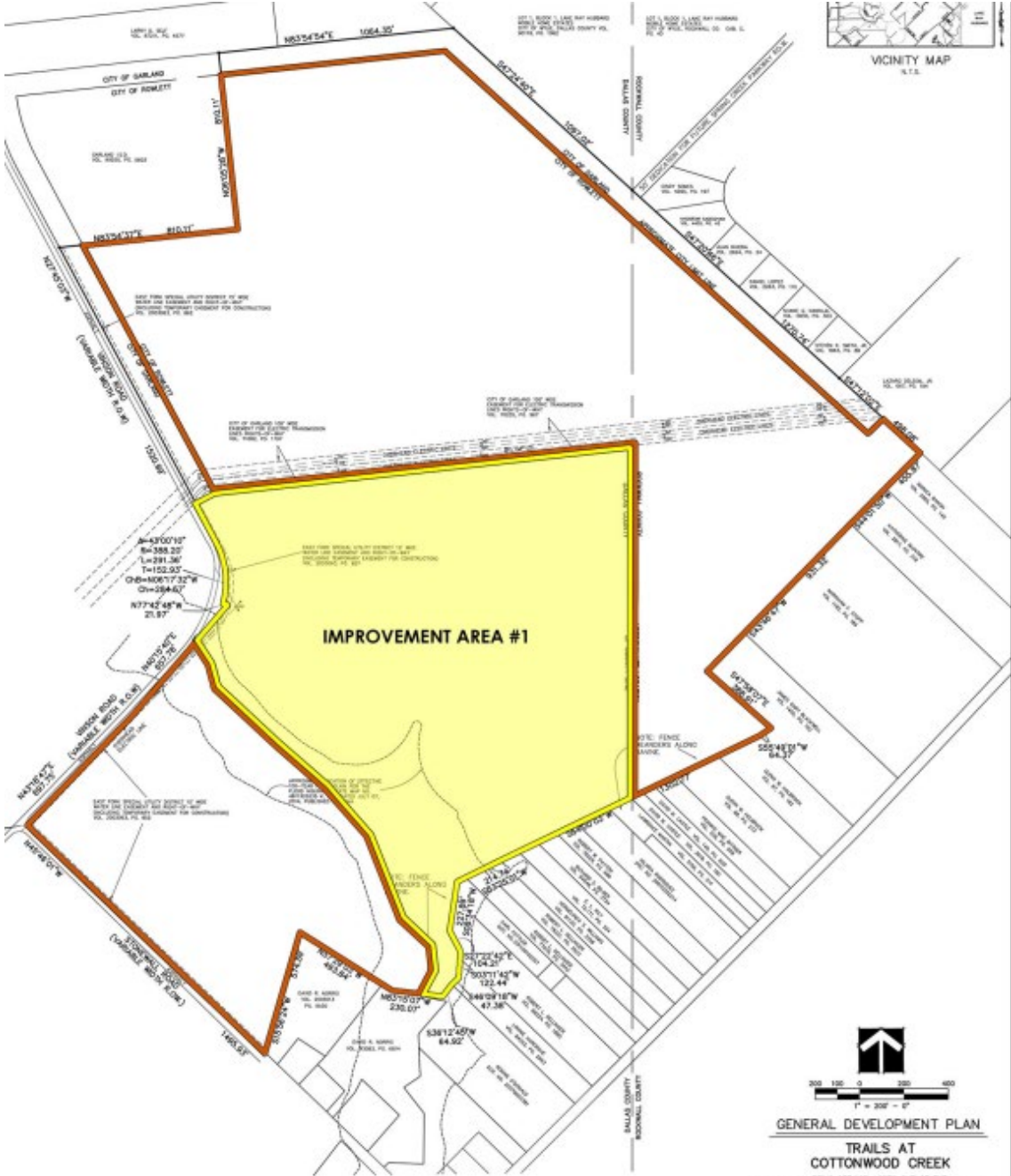
The complete Assessment Roll is available for review at Rowlett City Hall, located at 4000 Main Street, Rowlett, Texas 75088.

APPENDIX A
PID MAP

PID MAP



NEIGHBORHOOD IMPROVEMENT AREA #1 AND MAJOR IMPROVEMENT AREA MAP



- MASTER IMPROVEMENT AREA
- IMPROVEMENT AREA #1

NOTE:
THE LOT AND CURB IS SUBJECT TO CHANGE AND SHALL BE

GENERAL DEVELOPMENT PLAN
TRAILS AT COTTONWOOD CREEK

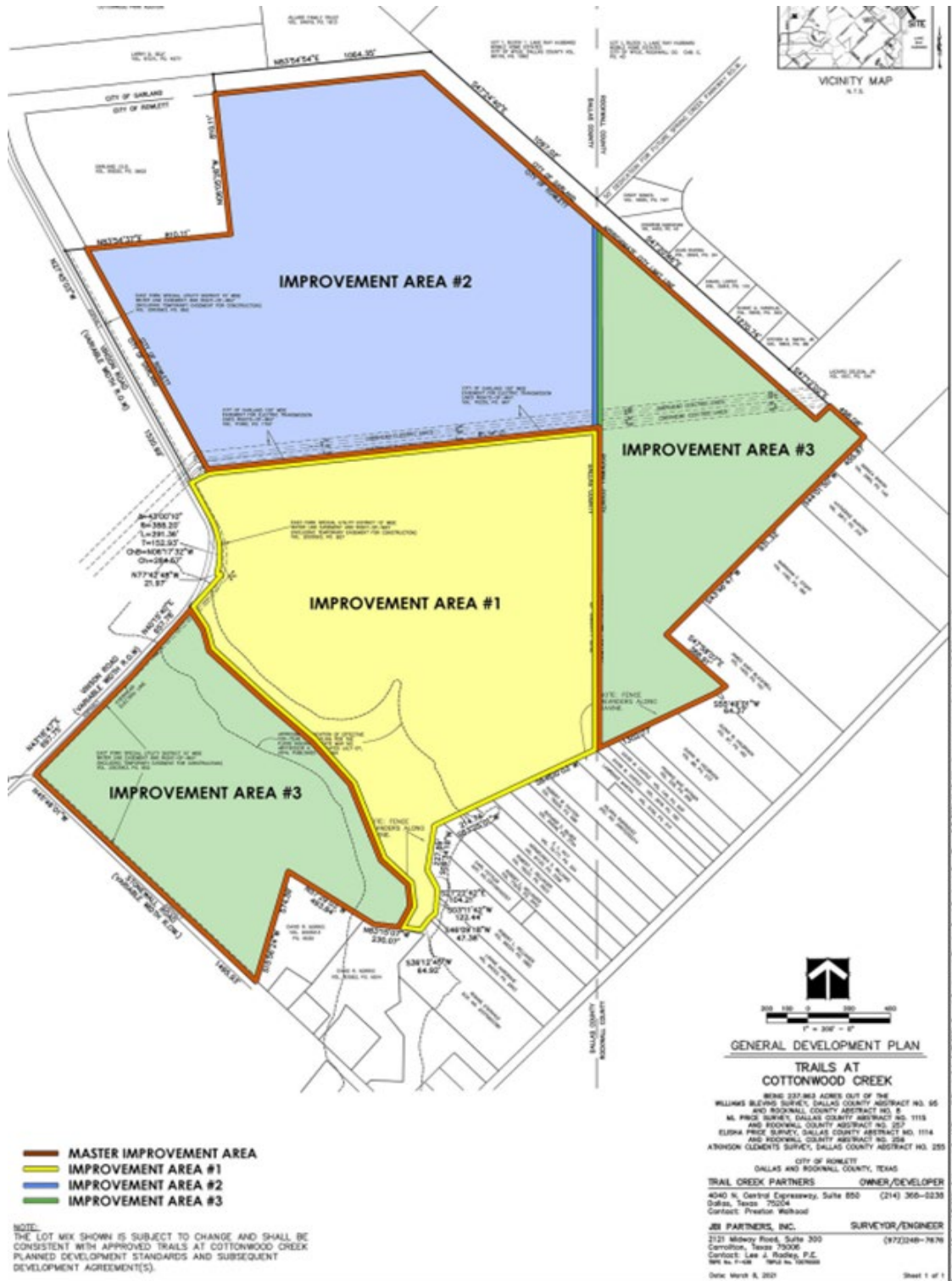
BEING 237.863 ACRES OUT OF THE
WILLIAMS BLEVINS SURVEY, DALLAS COUNTY ABSTRACT NO. 95
AND ROSSWALL COUNTY ABSTRACT NO. 8
ML PRICE SURVEY, DALLAS COUNTY ABSTRACT NO. 1115
AND ROSSWALL COUNTY ABSTRACT NO. 227
ELISHA PRICE SURVEY, DALLAS COUNTY ABSTRACT NO. 1114
AND ROSSWALL COUNTY ABSTRACT NO. 228
ATINSON CLEMENTS SURVEY, DALLAS COUNTY ABSTRACT NO. 255

CITY OF ROSSWALL
DALLAS AND ROSSWALL COUNTY, TEXAS

TRAIL CREEK PARTNERS **OWNER/DEVELOPER**
4040 N. Central Expressway, Suite 800 (214) 366-2239
Dallas, Texas 75204
Contact: Preston Walkwood

JBS PARTNERS, INC. **SURVEYOR/ENGINEER**

FUTURE NEIGHBORHOOD IMPROVEMENT AREA MAP



APPENDIX B
PREPAID PARCELS

APPENDIX B

As of July 31, 2022, there have been no prepayment of Assessments for any Parcel within the PID.

APPENDIX C
ASSESSED VALUE

**Trails at Cottonwood Creek PID
2022 Assessed Value**

Parcel	2022 Assessed Value¹
65009569510010000	\$7,150,370
65025577510530000	\$63,000
65111431510110100	\$105,610
10084	\$170
13149	\$290
Total	\$7,319,440

1 - Assessed Value per Dallas County Appraisal District and Rockwall County Appraisal District online records as of September 6, 2022.

APPENDIX D
NEIGHBORHOOD IMPROVEMENT AREA #1 ASSESSMENT ROLL – 2022-23

**TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT
NEIGHBORHOOD IMPROVEMENT AREA #1 ASSESSMENT ROLL
2022-23**

Parcel ID	Outstanding Assessments	% of Assessment for allocating 2022-23 Annual Installment	Prinicipal	Interest	Administrative Expense	Excess Interest for Reserves	2022-23 Annual Installment
65009569510010000	\$2,543,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$2,543,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

APPENDIX E
MAJOR IMPROVEMENT AREA ASSESSMENT ROLL – 2022-23

TRAILS AT COTTONWOOD CREEK PUBLIC IMPROVEMENT DISTRICT
MAJOR IMPROVEMENT AREA ASSESSMENT ROLL
2022-23

Parcel ID	Outstanding Assessments	% of Assessment for allocating 2022-23 Annual Installment	Prinicpal	Interest	Administrative Expense	Excess Interest for Reserves	2022-23 Annual Installment
65009569510010000, 65025577510530000, 65111431510110100, 10084, 13149	\$5,065,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$5,065,000.00	100.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

APPENDIX F
PID ASSESSMENT NOTICE

PID Assessment Notice

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT TO
CITY OF ROWLETT, TEXAS
CONCERNING THE FOLLOWING PROPERTY

[insert property address]

As the purchaser of the real property described above, you are obligated to pay assessments to the City of Rowlett, Texas (the "City"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the Trails at Cottonwood Creek Public Improvement District (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the City. The exact amount of each annual installment will be approved each year by the City Council in the Annual Service Plan Update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the City or MuniCap, Inc., the District Administrator for the City, located at 600 E. John Carpenter Fwy, Suite 150, Irving, Texas 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll-free) and email at txpid@municap.com.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

Date: _____

Signature of Seller

Signature of Seller

The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

Date: _____

Signature of Purchaser

Signature of Purchaser

STATE OF TEXAS

§

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed, in the capacity stated and as the act and deed of the above-referenced entities as an authorized signatory of said entities.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas