

ORDINANCE NO. 3590

AN ORDINANCE OF THE CITY OF MESQUITE, TEXAS, APPROVING AMENDMENTS TO SECTIONS 1-6 OF THE AMENDED AND RESTATED PROJECT AND FINANCING PLAN FOR FALCON'S LAIR TAX INCREMENT FINANCE REINVESTMENT ZONE NUMBER FOUR, CITY OF MESQUITE, TEXAS; MAKING A FINDING OF FEASIBILITY; PROVIDING A REPEALER CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND DECLARING AN EMERGENCY.

WHEREAS, the City established Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four, City of Mesquite, Texas (the "Zone"), and established a Board of Directors for the Zone to promote development or redevelopment in the Zone pursuant to Ordinance No. 3303 approved by the City Council on June 7, 1999, in accordance with the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated (the "Act"); and

WHEREAS, the Board of Directors of Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four, City of Mesquite, Texas (the "Board"), on August 2, 2000, prepared and adopted a Revised Project Plan and Financing Plan pursuant to Ordinance No. 3380 approved by the City Council on August 7, 2000; and

WHEREAS, the Board, on May 1, 2002, prepared and adopted an Amended and Restated Project and Financing Plan pursuant to Ordinance No. 3503 approved by the City Council on May 20, 2002; and

WHEREAS, the Board, on January 27, 2003, prepared and adopted a Revision of the Amended and Restated Project and Financing Plan pursuant to Ordinance No. 3558 approved by the City Council on February 17, 2003; and

WHEREAS, the Board, on July 21, 2003, and prior to City Council consideration, has prepared and adopted amendments to Sections 1 - 6 of the Amended and Restated Project and Financing Plan (the "Plan"), a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference for the Zone, and is hereby submitted by the Board for approval; and

WHEREAS, the Plan is substantially consistent with the adopted original and revised plans for the Zone which were approved by the City Council on August 16, 1999, August 7, 2000, May 20, 2002, and February 17, 2003, respectively; and

WHEREAS, the amendments to the Plan are to the Plan's description verbiage only.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MESQUITE:

SECTION 1. That the facts and recitations contained in the preamble of this ordinance are hereby found and declared to be true and correct, and are incorporated herein for all purposes.


SECTION 2. That the City Council has reviewed the amendments to Sections 1 – 6 of the Amended and Restated Project and Financing Plan (the "Plan"), attached hereto as Exhibit "A," and finds the Plan to be feasible and hereby approves the Plan and its amendments.

SECTION 3. That all ordinances or portions thereof in conflict with the provisions of this ordinance, to the extent of such conflict, are hereby repealed. To the extent that such ordinances or portions thereof are not in conflict herewith, the same shall remain in full force and effect.

SECTION 4. That should any word, sentence, clause, paragraph or provision of this ordinance be held to be invalid or unconstitutional, the validity of the remaining provisions of this ordinance shall not be affected and shall remain in full force and effect.

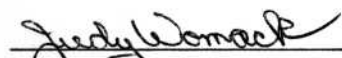
SECTION 5. That the need to regulate the Plan and its amendments for Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four of the City of Mesquite, and the need to protect the public interest, comfort and general welfare of the citizens of the City of Mesquite, creates an urgency and emergency for the preservation of the public health, safety and welfare, requires that this ordinance shall take effect immediately from and after its passage and publication of said ordinance as the law in such cases provides.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas, on the 21st day of July, 2003.



Mike Anderson
Mayor

ATTEST:



Judy Womack
City Secretary

APPROVED:



B. J. Smith
City Attorney

2003 Amended and Restated

Project and Finance Plan

*Falcon's Lair
Tax Increment Finance
Reinvestment Zone
Number Four,
City of Mesquite,
Texas*

July 21, 2003

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Section 1

Overview of Tax Increment Financing

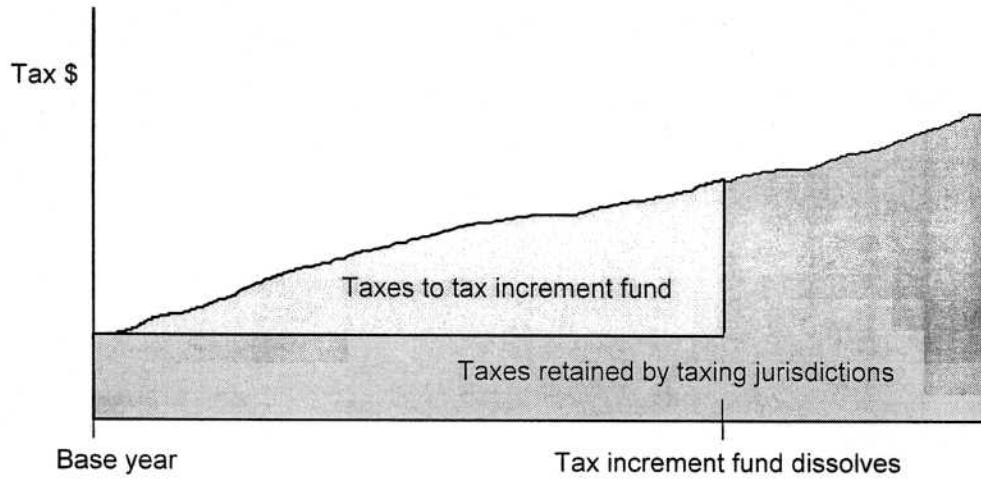
1. Tax increment financing is a method to finance public improvements within a defined area called a "reinvestment zone". These public improvements are intended to attract new development and increase the taxable value of real property within the zone. The primary statute governing tax increment financing is Chapter 311 of the Texas Tax Code; however, Section 403.302 of the Texas Local Government Code addresses tax increment financing as a factor in defining school district property values for purposes of equalizing wealth per student.

2. Only a municipality may designate a defined area as a reinvestment zone; however, once the designation has been made, other taxing jurisdictions (e.g., counties, hospital districts, and college districts) may elect to participate in the tax increment financing. Until September 1, 1999, an independent school district could also elect to participate without such participation having an adverse impact on its school equalization revenue from the state. Participation by other taxing jurisdictions is normally evidenced by a written participation agreement.

3. Taxes generated by the municipality and the other participating taxing jurisdictions due to the growth of real property value within a reinvestment zone are called "tax increments". These tax increments flow into a dedicated tax increment fund for a specified term of years. The tax increment fund is used to pay for, or reimburse the expense of constructing public improvements within the reinvestment zone. Money from the tax increment fund is disbursed according to a plan approved by the board of directors of the reinvestment zone. This board consists of five to 15 people appointed by the municipality and the participating taxing jurisdictions. The governing body of the municipality that designated the reinvestment zone must approve the plan after it is approved by the board. Exhibit A shows how taxes due to growth of real property values within a reinvestment zone flow to the municipality and other participating taxing jurisdictions and then into the tax increment finance fund.

4. The inclusion of real property within a reinvestment zone does not change the tax rates of any taxing jurisdiction or the amount of taxes paid to any taxing jurisdiction. Tax rates for each taxing jurisdiction are the same inside and outside the reinvestment zone.

Exhibit A:
Real Property Tax Flow with Tax Increment Financing



Section 2

Falcon's Lair TIF Background

1. Original Zone. The City Council (the "Council") of the City of Mesquite, Texas (the "City") designated the original boundaries of the Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four (the "Original Zone") by Ordinance No. 3303 on June 7, 1999. The Council approved a Project and Finance Plan for the construction of public improvements within the Original Zone (the "Original Plan") on August 16, 1999. The board of the Mesquite Independent School District ("MISD") voted on August 30, 1999 to participate with respect to its tax increment from the Original Zone with 100% of its tax increment generated by the growth of real property values within the Original Zone. The agreement by MISD to participate was entered into before September 1, 1999; therefore, the district's participation will not adversely affect its school equalization revenue from the state because the participation will not count as "taxable value" for purposes of determining wealth per student (i.e., the state's education equalization formula protects the participation).

2. 2000 Amended and Restated Project and Finance Plan. The Original Plan was amended and restated in July 2000 (the "2000 Plan"). The 2000 Plan reflected a revised land use plan and new zoning for property within the Original Zone (which revised land use plan and zoning were approved by the Council on July 17, 2000). The 2000 Plan also reflected updated development and revenue forecasts consistent with the revised land use plan and zoning (including updated floor area ratio estimates, updated appraised value estimates per square foot of improvements, updated public improvement cost estimates, and updated estimates of construction timing). The 2000 Plan did not, however, modify the boundaries of the Original Zone. The 2000 Plan was approved by the Council on August 7, 2000 as Ordinance No. 3380, and it superseded and replaced, in its entirety, the Original Plan.

3. 2002 Amended and Restated Project and Finance Plan. The 2002 Amended and Restated Project and Finance Plan (the "2002 Plan") reflected the following changes:

(a) The boundaries of the Original Zone are unaffected by this 2002 Plan; however, the overall boundaries of the Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four were expanded to include additional area (the "Expansion Area"), as more particularly described in Section 3 of the 2002 Plan (the Original Zone together with the Expansion Area are hereinafter referred to as the "Expanded Zone");

(b) The public infrastructure improvements to be constructed to attract new development within the Expanded Zone were revised and expanded, as more particularly described in Section 4 of the 2002 Plan;

(c) Revenue forecasts were updated to reflect revised land uses;

- (d) Estimates of floor area ratios were updated;
- (e) Estimates of appraised value per square foot of improvements were updated; and
- (f) Estimates of costs and construction timing were updated.

The 2002 Plan was approved by the Council on May 5, 2002 and superseded and replaced, in its entirety, the 2000 Plan. The Falcon's Lair Tax Increment Finance Reinvestment Zone Number Four, as represented by the Expanded Zone and described by this 2002 Plan, shall be referred to as the "Expanded TIF".

4. 2003 Amended and Restated Project and Finance Plan. The 2003 Amended and Restated Project and Finance Plan (the "2003 Plan") reflected the following changes:

- (a) The estimated project cost for the Developer or District for the Earthwork was increased \$6,910,820. Total Project Costs for the Developer or District shown on Schedule 9.2 increased from \$18,372,209 to \$25,283,029;
- (b) Dates for advancement of cash by the Developer or District for Public Improvement Projects shown on Schedule 9.2 were revised;
- (c) The interest rate assumed for reimbursement to the District was revised from 5.5% to 7.5%;
- (c) The net present value interest rate was revised from 5% to 5.5%;
- (d) Reimbursement pay out to the District for its Expanded Zone Project costs increased 4 years-from 2016 to 2020; and
- (e) Changes also occurred on Schedule 1 in the amount of Estimated Cumulative Receipts paid to the City and MISD and the Net Present Value of those Receipts.

5. MISD Participation. The MISD will only participate with respect to its tax increment due to the growth of real property values within the Original Zone (as approved by its Board on August 30, 1999).

6. City Participation. The City will participate with respect to its tax increment due to growth of real property values within the Expanded Zone (including both the Original Zone and the Expansion Area).

Section 3 Boundaries and Appraised Value

1. Original Zone. The boundaries of the Original Zone shown on the attached Exhibit B are the same as approved by the City on June 7, 1999 by Ordinance No. 3303 and by the MISD Board on August 30, 1999. The Original Zone boundaries were unaffected by 2000 Plan, the 2002 Plan or the 2003 Plan.

2. Expanded Zone. The Expanded TIF set forth in the 2002 Plan includes all the property within the Expanded Zone. The Expanded Zone includes the Original Zone and the Expansion Area, as shown on the attached Exhibit B. The Expansion Area includes:

(a) An approximately 88-acre tract owned by the City (the "Lawson Road Tract") and located on both sides of Lawson Road just north of the intersection of I-20 and Lawson Road;

(b) An approximately 30-acre tract owned by the City (the "30-Acre Tract") and generally located between the Original Zone and the City's wastewater treatment facility;

(c) An approximately 86-acre tract that is privately owned (the "86-Acre Tract") and located south of the Original Zone (which 86-Acre Tract is currently zoned for single-family uses);

(d) Additional land that is privately owned, that is contiguous to the Original Zone, and that may be developed under the existing "404 Fill Permit" (the "Additional Developed Land"); and

(e) At the request of the City, additional land owned by the City (the "Additional City Land") that may (in the future when the projects costs set forth in this 2002 Plan have been fully reimbursed to the parties that have advanced such costs) be developed using tax increments from the Original Zone or Expansion Area, as permitted by law.

(f) The Expanded Zone boundaries were unaffected by the 2003 Plan.

3. Current Appraised Value. Schedule 2, "Base Value of Expanded Zone", identifies taxable real property accounts that are wholly or partly within the Expanded Zone. The estimated value of the property within the Expanded Zone assumes that the property within these accounts has a uniform value. All property within the Expanded Zone, except a portion of the City-owned tracts and Interstate Highway I-20, is currently undeveloped and being used for agriculture (including an agricultural exemption from taxes). Based on appraisals by the Dallas Central Appraisal District (as of July 2001), the real property with the Expanded Zone has an estimated value of \$43,676.

Exhibit B
Expanded Zone

Exhibit B
Expanded Zone

Section 4 Development Proposals

1. Development Opportunity. The Expanded TIF includes property located on the north and south sides of Interstate Highway I-20 in the general vicinity of Lawson Road in the southeast part of the City. Interstate I-20 is a major part of the NAFTA trade corridor and is the primary east-west interstate highway from far east to far west Texas, passing through both Dallas and Fort Worth. The City, the landowner, Falcon's Lair, LP (the "Owner"), and the developer, Koll Development Company (the "Developer") believe there is a current demand along this portion of the I-20 corridor for retail, office, warehouse, light industrial, and other commercial uses that require freeway visibility and freeway access.
2. Need for Public Infrastructure. Notwithstanding the high freeway visibility offered by property within the Expanded TIF, direct access to I-20 is very limited. The Original Zone does not contain an interchange or frontage roads. In addition, a significant portion of the property is located within the 100-year flood plain and requires reclamation in accordance with an existing "404 Fill Permit" that has been approved and issued by the U.S. Army Corps of Engineers. Additional roadway, water, sewer, and drainage improvements must also be constructed. The needed infrastructure will require a significant commitment of funds from one or more of the City, Owner, Developer, or the Falcon's Lair Utility and Reclamation District (the "Utility District"), and without such commitment, the property will not be developed in the foreseeable future (perhaps for 20 years or more). If the needed infrastructure is not constructed, the commercial users that are expected to develop within the Expanded TIF will be forced to alternative locations along the I-20 corridor.
3. Public Infrastructure Improvements. The public infrastructure improvements necessary to develop the property within the Expanded TIF include, but are not limited to, the following: (i) a four-lane, divided main road that will provide north-south arterial access to the property on both sides of I-20; (ii) an interchange at the intersection of the main road and I-20; (iii) on and off ramp frontage roads for direct east-bound and west-bound access to I-20 at the interchange; (iv) internal roads to collect traffic within the property and direct it to the main road and to the I-20 interchange and frontage roads; (v) water, wastewater, drainage, and other utility improvements; (vi) floodplain reclamation and other related drainage improvements contemplated by the "404 Fill Permit"; and (vii) other site-specific public improvements, including utilities. The exact design of the public improvements will be determined by the City, Owner, Developer, and Utility District as reasonably necessary to achieve the objectives of this 2003 Plan; however, all improvements must be generally consistent with those described in this Section 4.3. The cost of the public infrastructure improvements will be advanced by the City, Owner, Developer, or Utility District, as set forth on Schedule 9.1 and Schedule 9.2.

(a) Public improvements funded by the City. Schedule 9.1, "Estimated Public Improvement Costs - Cash Advanced by the City", identifies the I-20 interchange improvements within the Original Zone for which the City has financial responsibility. The estimated costs for the improvements are shown in 2002 dollars, however the out-year timing of the costs is shown in inflated dollars. All costs shown on Schedule 9.1 are "project" costs for which the City will receive reimbursement from the tax increment funds for the Original Zone, as more fully described in Section 5 of this 2003 Plan. The costs shown on Schedule 9.1 are estimates only, and if they are exceeded, the excess will also be a "project" cost eligible for reimbursement. The City is not, however, obligated for any costs in excess of the Schedule 9.1 amounts (see Section 6.2, "City Cost Cap").

(b) Public improvements funded by Owner, Developer or Utility District. Schedule 9.2, "Estimated Public Improvement Costs - Cash Advanced by Developer or District", identifies the public improvements for which Owner, Developer, or Utility District has financial responsibility. The public improvements are separately identified for the Original Zone and the Expansion Area. The estimated costs for the improvements are shown in 2002 dollars, however the out-year timing of the costs is shown in inflated dollars. All costs shown on Schedule 9.2 are "project" costs for which Owner, Developer, or Utility District will receive reimbursement from the tax increment funds for the Original Zone and Expansion Area, as more fully described in Section 5 of this 2003 Plan. The costs shown on Schedule 9.2 are estimates only, and if they are exceeded, the excess will also be a "project" cost eligible for reimbursement (subject to limitations specified in Section 12 (a) of the Master Development Agreement).

4. Private Taxable Improvements.

(a) Modified Concept Plan. Developer has prepared a modified conceptual development plan for the Expanded TIF, which plan is attached herewith as Exhibit C (the "Modified Concept Plan"). The Modified Concept Plan reflects the uses for which there is a current demand along the I-20 corridor, including retail, office, warehouse, light industrial, and other commercial uses. These uses will be attracted to the Expanded TIF due to the high visibility from I-20, direct access to I-20, and the availability of all necessary utilities. All property within the Expanded TIF is currently zoned to allow the uses shown on the Modified Concept Plan.

(b) Estimate of Anticipated Development. Schedule 3, "Estimated Development in Original Zone", and Schedule 4, "Estimated Development in Expanded Zone" provide a detailed estimate of anticipated private, taxable development within the Original Zone and Expanded Zone. Based on these schedules, it is estimated that approximately 21.4 million square feet of land will be available for development if the above-described public improvements are constructed. It is further estimated that approximately 8.4 million square feet of development (valued at over \$672 million in 2002 dollars) will occur (including

retail, office, flex, and industrial) within the Expanded Zone at an average floor area ratio of 0.39 and an average value of \$80 per square foot. Schedule 5, "Estimated Timing of Taxable Development", estimates the timing of the anticipated taxable development for both the Original Zone and Expanded Zone. Schedule 6, "Estimated Annual Appraised Value", estimates the increase in appraised value of real property within the Original Zone and Expanded Zone from the base year of 1999 through 2029 (with a total appraised value of \$1.123 billion in 2029).

Exhibit C
Modified Concept Plan

Section 5 Cash Flow

1. Revenue to Tax Increment Fund. The 2003 Plan contemplates that the City, Owner, Developer, or Utility District will advance funds for the construction of the public infrastructure improvements necessary to attract new private development to the Expanded TIF. The ability of City, Owner, Developer or Utility District to be reimbursed for such costs will depend on future revenues into the tax increment funds for the Original Zone and the Expansion Area. The actual amount of such future revenues will depend on the growth of appraised value of real property within the Expanded TIF, on the tax rates of the City and MISD, upon collection rates, and upon the duration of the Expanded TIF. Only tax on real property values in excess of the values as of the taxable base year will be available for the tax increment funds (the funds cannot receive personal property tax or sales tax).

(a) Appraised value. Schedule 6, "Estimated Annual Appraised Value", provides an estimate of how the appraised value of real property within the Original Zone and Expanded Zone will increase from the base year of 1999 through 2029. In 2029, the Expanded Zone is estimated to have an appraised value in excess of \$1.123 billion (contrasted with approximately \$95,000 under the "no-fill" scenario).

(b) Tax rate. It has been assumed that the 2001 tax rates for the City and MISD will remain constant for the duration of the Expanded TIF.

(c) Tax collection. It has been assumed that 99% of taxes will be collected.

(d) Duration. The duration of the Expanded TIF (i.e., January 1, 2000 through December 31, 2025) is unchanged from the Original Plan approved by Ordinance No. 3303 on June 7, 1999. If all the reimbursement obligations to the City, Owner, Developer, and Utility District are satisfied before 2025, the City may terminate the Expanded TIF.

2. Reimbursement to the City - Original Zone Project Costs. The City has an obligation under the 2003 Plan to advance funds for the I-20 interchange improvements within the Original Zone (see Section 4 and Schedule 9.1). The exact cost of the improvements may change from the estimates contained in Schedule 9.1; and, to the extent actual costs exceed the estimates, the excess will be considered a "project" cost and will be eligible for reimbursement. The City is not, however, obligated for any costs in excess of the Schedule 9.1 amounts (see Section 6.2, "City Cost Cap"). The City may execute an agreement with the board of directors for the Expanded TIF for the reimbursement of such costs, including interest at a rate that bears a reasonable relationship to interest rates applicable to the City. The City will be entitled to such reimbursement only if tax increment funds contributed by the City and MISD are

available from the Original Zone. In the event such funds are insufficient, none of the MISD, Owner, Developer or Utility District shall be responsible for such reimbursement. Schedule 10.1, "TIF Reimbursement Schedule for City, 'Project Costs' for Original Zone, Using Tax Increments from Original Zone", sets forth the estimated schedule upon which the City will be reimbursed.

(a) City priority. Schedule 10.1 reflects that the City is entitled to reimbursement for its Original Zone project costs on a priority basis from all City and MISD tax increment revenues deposited into the tax increment fund from the Original Zone. This priority is established by Schedule 10.1 as a fixed annual amount identified on the schedule as "TIF cash for City debt service". Any deficiency in the amount of TIF revenue available for the City's priority reimbursement of a given year will carry forward to the next year or years until such deficiency is recovered.

(b) City administration fees. Schedule 10.1 reflects that the City will also be entitled to a priority reimbursement of an annual administration fee in the amount of \$30,000 for expenses incurred in the administration of the Expanded TIF. This fee will be paid from tax increment revenues from the Original Zone. Any deficiency in the amount of TIF revenue available for the City's priority reimbursement of a given year will carry forward to the next year or years until such deficiency is recovered.

(c) City reimbursement. Schedule 10.1 estimates that, based on the priority described above, the City will be fully reimbursed for its Original Zone project costs in 2014, at which time the tax increment fund for the Original Zone will reflect a balance.

3. Reimbursement to Developer or Utility District - Original Zone Project Costs. Owner, Developer, or Utility District has an obligation under the 2003 Plan to advance funds for public improvements within the Original Zone (see Section 4 and Schedule 9.2). The exact cost of such improvements may change from the estimates contained in Schedule 9.2; and, to the extent actual costs exceed the estimates, the excess will still be considered a "project" cost and will be eligible for reimbursement (subject to limitations specified in Section 12 (a) of the Master Development Agreement). Owner, Developer or Utility District may execute an agreement with the board of directors for the Expanded TIF for the reimbursement of such costs, including interest at a rate that bears a reasonable relationship to interest rates applicable to Utility District. Owner, Developer or Utility District will be entitled to such reimbursement only if tax increment funds contributed by the City and MISD are available from the Original Zone. In the event such funds are insufficient, neither the City nor MISD shall be responsible for such reimbursement. Schedule 10.2, "TIF Reimbursement Schedule for Developer or District, 'Project Costs' for Original Zone, Using Tax Increments from Original Zone", sets forth the estimated schedule upon which Owner, Developer or Utility District will be reimbursed.

(a) Developer priority. As described in Section 2(a) above, Schedule 10.1 reflects that the City is entitled to be reimbursed for its Original Zone project costs on a priority basis. Any deficiency of the amount due the City in given year will carry forward to the next year or years until such deficiency is recovered. To the extent tax increment revenues from the Original Zone during any year exceed the City's priority amounts or previous year or year's deficiency in priority amounts, the excess will be available to reimburse Owner, Developer or Utility District.

(b) Developer/Utility District reimbursement. Schedule 10.2 estimates that, after respecting the City's priority described in Section 2(a) above, Owner, Developer or Utility District will be fully reimbursed for their Original Zone project costs in 2015, at which time the tax increment fund for the Expansion Area will have a balance. The board of directors of the Expanded TIF reserves the right to repay principal and interest earlier than shown if cash flow to the tax increment fund permits.

4. Reimbursement to Developer or Utility District - Expansion Area Project Costs. Owner, Developer, or Utility District has an obligation under the 2003 Plan to advance funds for public improvements within the Expansion Area (see Section 4 and Schedule 9.2). The exact cost of such improvements may change from the estimates contained in Schedule 9.2; and, to the extent actual costs exceed the estimates, the excess will be considered a "project" cost (subject to limitations specified in Section 12 (a) of the Master Development Agreement) and will be eligible for reimbursement. Owner, Developer or Utility District may execute an agreement with the board of directors for the Expanded TIF for the reimbursement of such costs, including interest at a rate that bears a reasonable relationship to interest rates applicable to Utility District. Owner, Developer or Utility District will be entitled to such reimbursement only if tax increment funds contributed by the City are available from the Expansion Area. In the event such funds are insufficient, the City shall not be responsible for such reimbursement. Schedule 11, "TIF Reimbursement Schedule for Developer or District, Project Costs for Expansion Area, Using Tax Increments from the Expansion Area", sets forth the estimated schedule upon which Owner, Developer or Utility District will be reimbursed. Schedule 11 estimates that Owner, Developer or Utility District will be fully reimbursed for their Expansion Area project costs in 2020, at which time the tax increment fund for the Expansion Area will have a balance. The board of directors of the Expanded TIF reserves the right to repay principal and interest earlier than shown if cash flow to the tax increment fund permits.

5. Revenues Retained by Taxing Jurisdictions - 2001 through 2029. Schedule 1, "Summary of Building Areas and Cash Flows (2001 through 2029)", compares the total anticipated revenues (including real property, business personal property, and sales tax) to the City and MISD assuming the "no-fill" development scenario (i.e., assuming that the above-described public improvements are not constructed) with the total anticipated revenues assuming the development estimated by Schedule 5 (i.e., assuming the public improvements are constructed). The City's estimated revenues (in

inflated dollars, net of cash to the tax increment funds) increase from \$10,026 to approximately \$155 million. MISD's revenues (in inflated dollars, net of cash to the tax increment funds) increase from \$12,148 to approximately \$125 million. Schedule 7, "Estimated Real Property Tax Collected, Contributed to TIF and Retained if No Fill, No Development", and Schedule 8, "Estimated Real Property Tax Collected, Contributed to TIF and Retained if Development as Planned", provide detailed annual estimates of real property taxes. Schedule 12, "Total Revenues Retained by MISD and City", provides a revenue analysis that includes business personal property tax and sales tax.

Section 6 Agreements

The City, MISD, Owner, Developer, and Utility District have entered into a Master Development Agreement (the "Master Agreement") to implement the provisions and intent of the previously approved 2002 Plan (including the provisions and intent of the Exhibits and Schedules) and will incorporate revisions required as a result of amendments made in this 2003 Amended Financing Plan that will contain provisions necessary for the City and Utility District to issue bonds to fund their obligations to construct public improvements (as generally described in Schedule 9.1 and Schedule 9.2, respectively). The Master Agreement also includes provisions to address the following:

1. City Funding.

(a) Funding method. The City will determine the method by which it will fund its obligations to construct the I-20 interchange improvements contemplated by this 2003 Plan (as described in Section 4 and Schedule 9.1).

(b) Funding benchmark. The City will be obligated to fund the design and construction of the I-20 interchange improvements when Utility District issues bonds to fund its obligations to construct the public improvements required by the 2003 Plan (as described in Section 4 and Schedule 9.2) and when the interchange construction fund (described in Section 6.3 below) has been established. The City's funding obligation will be evidenced by an enforceable agreement (either separate from or part of the Master Agreement) approved by Utility District's bond counsel and underwriter.

(c) Interchange pre-design costs. When the Master Agreement is approved, the City will fund the I-20 interchange pre-design activities identified in the Master Agreement as necessary to obtain governmental approvals for the interchange.

2. City Cost Cap. The City will not be obligated to fund the cost of the I-20 interchange improvements in excess of the amount set forth on Schedule 9.1. If the cost exceeds the Schedule 9.1 amount, the City will have no obligation to fund the excess, and the excess will be paid by Owner.

3. Interchange Reimbursement Account. Owner, Developer, or Utility District will reimburse the City for a portion of the City's cost for the design and construction of the I-20 interchange improvements as specified in the Master Development Agreement.

4. Land Transfers. When Utility District issues bonds to fund its obligations to construct the public improvements required by the 2003 Plan (as described in Section 4

and Schedule 9.2), the City will simultaneously transfer to Owner or Developer the Lawson Road Tract and the 30-Acre Tract. The transfers will be free and clear of all liens and encumbrances except easements and other standard matters of record. In addition, at the time of the transfer, the Lawson Road Tract shall be zoned or encumbered by deed restrictions that establish minimum development standards comparable to those contained in the PD zoning for the Falcon's Lair-South Tract (Mesquite City Ordinance No. 3379).

5. Additional Optional Improvements. The City reserves the right, subject to any required approval of the board of directors of the Expanded TIF, to revise the 2003 Plan to include additional public improvements that the City will fund as "project" costs and for which the City will seek reimbursement from tax increment revenues. The City shall not, however, have a right to reimbursement for the cost of such additional improvements until the tax increment revenues from the Original Zone and Expansion Area have first been used to reimburse the City, Owner, Developer, and Utility District for their respective "project" costs included in the 2003 Plan.

6. Additional Required Improvements. The City agrees to pay \$1.5 million for the construction of water and sewer improvements to serve the initial development within the Expanded Zone located east of Lumley Road. The City further agrees to pay \$1.733 million for the construction of additional water and sewer improvements to serve development within the Expanded Zone within six years (or earlier if needed to serve major users). The City's obligation to fund these amounts will be evidenced by an enforceable agreement (either separate form or part of the Master Agreement) approved by the Utility District's bond counsel and underwriters.

7. Drainage Variance. The City will not be obligated to issue any bonds for the design or construction of the I-20 interchange improvements until Owner or Developer has complied with the City's drainage regulations.

8. City Dedications. The City will convey to the State of Texas (or otherwise dedicate to the public) any City-owned land that is required for the public improvements to be constructed pursuant to the 2003 Plan.

9. Arbitration. The Master Agreement provides that all disputes in connection with the Expanded TIF, the 2003 Plan and the Master Agreement shall be subject to binding arbitration.

10. Benefited Party. Any party, including the City, Owner, Developer, and Utility District, who provides funding for any of the public improvements contemplated by the 2003 Plan to be constructed as a "project cost" will be entitled to reimbursement as set forth in the 2003 Plan and, to the extent applicable, the Master Agreement. The 2003 Plan and the Master Agreement shall inure to the benefit of any party who provides such project cost funding (and to their respective heirs, successors, and assigns). Any such benefited party may assign to any lender (or to any trustee on behalf of bondholders or other similarly situated beneficiaries), in whole or in part, the rights of

such party to reimbursement under the 2003 Plan and the Master Agreement. An assignment of such reimbursement rights (which may occur without the consent of any other party) shall not release the assignor of its duties and obligations under the 2003 Plan or the Master Agreement and shall not obligate the assignee to perform such duties and obligations or to be responsible or liable for the assignor's failure to perform such duties and obligations.