

AN ORDINANCE OF THE CITY OF MESQUITE, TEXAS APPROVING AN UPDATE OF THE SERVICE AND ASSESSMENT PLAN AND ASSESSMENT ROLL FOR AUTHORIZED IMPROVEMENTS FOR THE IRON HORSE PUBLIC IMPROVEMENT DISTRICT (THE “**DISTRICT**”); MAKING AND ADOPTING FINDINGS; ACCEPTING AND APPROVING THE FISCAL YEAR 2020-2021 ANNUAL SERVICE PLAN UPDATE AND UPDATED ASSESSMENT ROLL FOR THE DISTRICT; REQUIRING COMPLIANCE WITH CHAPTER 372, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED; PROVIDING A CUMULATIVE REPEALER CLAUSE; PROVIDING FOR SEVERABILITY AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, on February 4, 2019, after due notice, the City Council of the City of Mesquite, Texas (the “**City Council**”), held a public hearing in the manner required by law on the advisability of certain public improvements described in a petition filed by MM Mesquite 50, LLC, a Texas limited liability company, as required by Sec. 372.009 of the Public Improvement District Assessment Act, Chapter 372, Texas Local Government Code (the “**Act**”) and made the findings required by Sec. 372.009(b) of the Act and, by Resolution No. 15-2019 adopted by a majority of the members of the City Council, authorized the Iron Horse Public Improvement District (the “**District**”) in accordance with its finding as to the advisability of certain public improvement projects and services; and

WHEREAS, on June 3, 2019, after notice, the City Council convened a public hearing at which all interested persons were given the opportunity to contend for or contest the Service and Assessment Plan, the Assessment Roll, and each proposed Assessment, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the purposes of the Assessments, the special benefits of the Assessments, and the penalties and interest on annual installments and on delinquent annual installments of the Assessments; and

WHEREAS, on June 3, 2019, 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, adopted Ordinance No. 4680 (the “**Assessment Ordinance**”) approving a Service and Assessment Plan for the District (the “**Service and Assessment Plan**”) and Assessment Roll and the levy of assessments on property in the District; and

WHEREAS, all capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Service and Assessment Plan; and

WHEREAS, on June 3, 2019, the City Council authorized the issuance of the City of Mesquite Special Assessment Revenue Bonds, Series 2019 (Iron Horse Public Improvement District Project) (the “**Bonds**”) secured directly and indirectly, respectively, by the assessments levied pursuant to the Assessment Ordinance; and

WHEREAS, Section 372.013 of the Act and the Service and Assessment Plan require that the Service and Assessment Plan and Assessment Roll be reviewed and updated annually for the purpose of determining the annual budget for improvements; and

WHEREAS, the annual service plan update for the District's Fiscal Year 2020-2021 attached hereto as Exhibit A and made a part hereof for all purposes (the "**FY 2020-2021 Annual Service Plan Update**"), and the updated Assessment Roll for Fiscal Year 2020-2021 attached thereto, conform the original Assessment Roll to the principal and interest payment schedule required for the Bonds and update the Assessment Roll to reflect prepayments, property divisions and changes to the cost and/or budget allocations for District public improvements that occur during the District's Fiscal Year 2020-2021, if any; and

WHEREAS, the City Council now desires to proceed with the adoption of this Ordinance which supplements the Assessment Ordinance and Service and Assessment Plan and approves and adopts the FY 2020-2021 Annual Service Plan Update and the updated Assessment Roll for Fiscal Year 2020-2021 attached thereto, in conformity with the requirements of the Act.

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

Section 1. Findings. The findings and determinations set forth in the preambles hereto are hereby incorporated by reference for all purposes and are hereby adopted.

Section 2. Annual Service Plan Update. The FY 2020-2021 Annual Service Plan Update with updated Assessment Roll, attached hereto as Exhibit A, is hereby accepted and approved and complies with the Act in all matters as required.

Section 3. Cumulative Repealer. This Ordinance shall be cumulative of all other ordinances and shall not repeal any of the provisions of such ordinances except for those instances where there are direct conflicts with the provisions of this Ordinance. Ordinances or parts thereof in force at the time this Ordinance shall take effect and that are inconsistent with this Ordinance are hereby repealed to the extent that they are inconsistent with this Ordinance. Provided however, that any complaint, action, claim or lawsuit which has been initiated or has arisen under or pursuant to such Ordinance on the date of adoption of this Ordinance shall continue to be governed by the provisions of that ordinance and for that purpose the ordinance shall remain in full force and effect.

Section 4. 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.

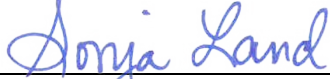
Section 5. Effective Date. This Ordinance shall take effect, and the provisions and terms of the FY 2020-2021 Annual Service Plan Update and the updated Assessment Roll for Fiscal Year 2020-2021 attached thereto, shall be and become effective upon passage and execution hereof.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas,
on this the 3rd day of August 2020.



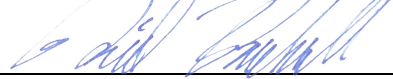
Bruce Archer
Mayor

ATTEST:



Sonja Land
City Secretary

APPROVED AS TO LEGAL FORM:



David L. Paschall
City Attorney

EXHIBIT A

IRON HORSE PUBLIC IMPROVEMENT DISTRICT
FISCAL YEAR 2020-2021 ANNUAL SERVICE PLAN UPDATE
AND UPDATED ASSESSMENT ROLL



IRON HORSE
PUBLIC IMPROVEMENT DISTRICT
2020 ANNUAL SERVICE PLAN UPDATE

AUGUST 3, 2020

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INTRODUCTION

Capitalized terms used in this Annual Service Plan Update shall have the meanings set forth in the Service and Assessment Plan (the “SAP”) or the Development Agreement, as applicable.

The District was created pursuant to the PID Act by Resolution No. 15-2019 on February 4, 2019 by the City Council to finance certain Authorized Improvements for the benefit of the property in the District.

On June 3, 2019, the City Council approved the SAP for the District by adopting Ordinance No. 4680, which included the Assessment Roll.

The SAP identified the Authorized Improvements to be provided by the District, the costs of the Authorized Improvements, the indebtedness to be incurred for the Authorized Improvements, and the manner of assessing the property in the District for the costs of the Authorized Improvements. Pursuant to the PID Act the SAP must be reviewed and updated annually. This document is the Annual Service Plan Update for 2020.

The City Council also adopted an Assessment Roll identifying the Assessment on each Parcel within the District, based on the method of assessment identified in the SAP. This Annual Service Plan Update also updates the Assessment Roll for 2020.

LISTED EVENTS¹

The following listed events have occurred in the District:

- On June 18, 2019, Megatel Homes, LLC, Megatel Homes II, LLC and Megatel Homes III, LLC (collectively, the “Megatel Homes Parties”) filed a lawsuit in Dallas County Texas District Court against various funds and entities associated with and controlled by UDF, various affiliates of CADG owned and controlled by Mehrdad Moayedi (the “Centurion Megatel Defendants”), and various affiliates of Buffington Land Group, Ltd. (the “Buffington Megatel Defendants”). The Megatel Homes Lawsuit alleges that UDF, CADG (and the various Centurion Megatel Defendants) and the Buffington Megatel Defendants were in a de facto partnership under which UDF financed the purchase and development of land to be developed into finished lots by the Centurion Megatel Defendants and the Buffington Megatel Defendants, which finished lots would in turn be purchased from the Centurion Megatel Defendants and the Buffington Megatel Defendants by the Megatel Homes Parties with financing also provided by UDF. The Megatel Homes Lawsuit sets forth five causes of action against various Centurion Megatel Defendants including breach of fiduciary duties, conspiracy to breach fiduciary duties, breach of the duty of good faith and fair dealing, and two counts of breach of contract. Such causes of action are in part based on allegations by the Megatel Parties that (i) various Centurion Megatel Defendants and UDF conspired to cut the Megatel Parties out of partnership projects so that such Centurion Megatel Defendants could liquidate them as unfinished lots to different homebuilders and thereby pay their debts to UDF and (ii) various Centurion Megatel Defendants and UDF pressured the Megatel Parties to release their rights to finished lots that the Megatel Parties were entitled to take down upon issuance of a notice of substantial completion, thereby causing substantial lost profits to the Megatel Parties. The Megatel Homes lawsuit seeks \$100 million dollars in damages.

PARCEL SUBDIVISION

No Parcels have been subdivided in the District.

¹ Per the Developer, Megatel filed a Notice of Nonsuit of the State Court Lawsuit without obtaining relief of any kind from the Centurion Megatel Defendants. The Centurion Megatel Defendants had moved for sanctions and intends to pursue a claim for the filing of a frivolous lawsuit.

PARCEL AND HOME SALES UPDATE

Per the Quarterly Report dated March 31, 2020, as required by the Continuing Disclosure Agreement for the District, no Parcels have been sold to home builders, no homes have been built, no homes are under construction, and no homes have been sold to end users. There are an anticipated 198 townhomes, 57 row homes, 51 bungalow homes, and 30 villas to be built in the District. There is also an additional 17.864 acres of land anticipated to be subdivided into 3 General Retail Tracts.

OUTSTANDING ASSESSMENT

The District has an outstanding Assessment of \$10,050,000.00.

TIRZ ANNUAL CREDIT

The Annual Installment for an Assessed Property shall receive a TIRZ No. 1 Annual Credit Amount equal to the TIRZ No. 1 Revenue generated by the Assessed Property for the previous Tax Year (i.e. TIRZ No. 1 Revenue collected from the Assessed Property for Tax Year 2020 shall be applied as the TIRZ No. 1 Annual Credit Amount applicable to the Assessed Property's Annual Installment to be collected in Tax Year 2021), but in no event shall the TIRZ No. 1 Annual Credit Amount exceed the amounts shown below pursuant to the SAP. No TIRZ No. 1 Revenue was generated by the Assessed Property for the previous Tax Year. Therefore, no TIRZ No. 1 Annual Credit Amount is applied to the Annual Installment due January 31, 2021.

Lot Type	Maximum TIRZ No. 1 Credit per Unit ¹	TIRZ No. 1 Credit per Unit Applied to Annual Installment
<i>Residential Tract</i>		
Lot Type 1 (townhomes)	\$ 1,296	\$ -
Lot Type 2 (row homes)	\$ 1,414	\$ -
Lot Type 3 (bungalows)	\$ 1,590	\$ -
Lot Type 4 (villas)	\$ 1,708	\$ -
<i>General Retail Tract</i>		
Future General Retail	\$ 9,645	\$ -

Notes:

1) Residential Tract "Units" shown per Lot. General Retail Tract "Units" shown per acre.

ANNUAL INSTALLMENT DUE 1/31/2021

- **Principal and Interest** – The total principal and interest required for the Annual Installment is \$582,962.50.

- **Annual Collection Costs** – The cost of administering the District and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of outstanding Assessment remaining on the Parcel. The total Annual Collection Costs budgeted for the Annual Installment is \$76,000.00.
- **Delinquency and Prepayment Reserve** – The Delinquency and Prepayment Reserve Requirement, as defined in the Indenture, is equal to \$552,750.00 and has not been met. As such, the Delinquency and Prepayment Reserve Account will be funded with Additional Interest on the outstanding Assessment, resulting in a Delinquency and Prepayment Reserve amount due of \$50,250.00.

Due January 31, 2021	
Principal	\$ -
Interest	582,962.50
Annual Collection Costs	76,000.00
Additional Interest	50,250.00
Total Annual Installment	\$ 709,212.50

See **Exhibit B** for the debt service schedule for the PID Bonds as shown in the official statement.

PREPAYMENT OF ASSESSMENTS IN FULL

No prepayments in full have occurred in the District.

PARTIAL PREPAYMENTS OF ASSESSMENTS

No partial prepayments have occurred within the District.

BOND FUND

P3Works has reviewed the following bond accounts related to the District as of March 31, 2020 and each account contains the amount shown below:

Account	3/31/2020 Balance
Pledged Revenue Fund	\$0.00
Bond Fund	
Capitalized Interest Account	\$291,481.25
Principal and Interest Account	\$0.00
Project Fund	
Improvement Account	\$4,578,819.70
Developer Improvement Account	\$7,247.04
Cost of Issuance Account	\$25,737.50
Reserve Fund	
Bond Reserve Account	\$763,200.00
Delinquency and Prepayment Reserve Account	\$250,776.00
Redemption Fund	\$0.00
Rebate Fund	\$0.00
Administrative Fund	\$46,345.70

AUTHORIZED IMPROVEMENTS

Per the Quarterly Report dated March 31, 2020, the Authorized Improvements are currently under construction, and are expected to be complete in the third quarter of 2020. The following is a table demonstrating the total budget for the Authorized Improvements, the amount spent to date, and the cost to complete the Authorized Improvements.

Authorized Improvements			
Authorized Improvements	Budget	Spent to Date ¹	% Complete
Street	\$ 2,888,267	\$ 159,726	5.53%
Water	1,021,836	877,777	85.90%
Sanitary Sewer	783,883	751,658	95.89%
Storm Drainage	1,443,678	901,414	62.44%
Soft Costs	939,707	618,319	65.80%
District Formation Costs	497,629	516,656	103.82%
Total	\$ 7,575,000	\$ 3,825,550	50.50%

Notes:

Per the Quarterly Report dated 3/31/2020.

SERVICE PLAN – FIVE YEAR BUDGET FORECAST

The PID Act requires the annual indebtedness and projected costs for the Authorized Improvements to be reviewed and updated in the Annual Service Plan Update, and the projection shall cover a period of not less than five years. See below for the Annual Installments for the District.

		Iron Horse PID				
Annual Installments Due		1/31/2021	1/31/2022	1/31/2023	1/31/2024	1/31/2025
Principal		\$ -	\$ 155,000.00	\$ 165,000.00	\$ 170,000.00	\$ 180,000.00
Interest		582,962.50	582,962.50	575,212.50	566,962.50	558,462.50
	(1)	\$ 582,962.50	\$ 737,962.50	\$ 740,212.50	\$ 736,962.50	\$ 738,462.50
Additional Interest	(2)	\$ 50,250.00	\$ 50,250.00	\$ 49,475.00	\$ 48,650.00	\$ 47,800.00
Annual Collection Costs	(3)	\$ 76,000.00	\$ 77,520.00	\$ 79,070.40	\$ 80,651.81	\$ 82,264.84
Total Annual Installment	(4) = (1) + (2) + (3)	\$ 709,212.50	\$ 865,732.50	\$ 868,757.90	\$ 866,264.31	\$ 868,527.34

EMINENT DOMAIN PREPAYMENT

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

For the Assessed Property that is subject to the Taking as described in the preceding paragraph, the Assessment that was levied against the Assessed Property (when it was included in the Taken Property) prior to the Taking shall remain in force against the remaining Assessed Property (the Assessed Property less the Taken Property), (the **“Remaining Property”**) following the reclassification of the Taken Property as Non-Benefitted Property, subject to an adjustment of the Assessment applicable to the Remaining Property after any required Prepayment as set forth below. The owner will remain liable to pay in Annual Installments, or payable as otherwise provided by this Service and Assessment Plan, as updated, or the PID Act, the Assessment that remains due on the Remaining Property, subject to an adjustment in the Annual Installments applicable to the Remaining Property after any required Prepayment as set forth below. Notwithstanding the foregoing, if the Assessment that remains due on the Remaining Property exceeds the Maximum Assessment, the owner will be required to make a Prepayment in an amount necessary to ensure that the Assessment against the Remaining Property does not exceed the Maximum Assessment, in which case the Assessment and Annual Installments applicable to the Remaining Property will be reduced by the amount of the partial Prepayment.

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

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

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

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

ASSESSMENT ROLL

The list of current Parcels within the District, the corresponding total Assessments, and current Annual Installment are shown on the Assessment Roll attached hereto as **Exhibit A**. The Parcels shown on the Assessment Roll will receive the bill for the 2020 Annual Installment which will be delinquent if not paid by January 31, 2021.

EXHIBIT A – ASSESSMENT ROLL

Property ID	Tract	Outstanding Assessment	Installment Due 1/31/21
65146264410030500	Tract 2A	\$ 1,668,307.74	\$ 117,729.82
65146264410030200	Tract 3	\$ 1,489,729.98	\$ 105,127.87
65146264410030000	Tract 1D, Tract 1C, Tract 1B-2, Tract 1C, Tract 1B-1 and Tract 1A	\$ 3,260,463.37	\$ 230,085.71
65007456510010000	Tract 1A and Tract 1C	\$ 348,934.95	\$ 24,623.78
65007456510010200	Tract 1A and Tract 1C	\$ 952,223.66	\$ 67,196.91
65007456510010300	Tract 1A	\$ 505,233.02	\$ 35,653.49
381620000A0040000	Tract 1C and Tract 1B-1	\$ 949,931.21	\$ 67,035.13
381620000A0040100	Tract 1A	\$ 137,188.41	\$ 9,681.17
381620000A0010000	Tract 1A	\$ 518,844.40	\$ 36,614.02
65146264410030800	Tract 2B	\$ 219,143.26	\$ 15,464.59
Total		\$ 10,050,000.00	\$ 709,212.50

Notes:

1) For billing purposes, the outstanding Assessment and Annual Installments due January 31, 2021 are allocated pro rata to the Property IDs based on acreage.

EXHIBIT B – DEBT SERVICE SCHEDULE

BOND DEBT SERVICE

City of Mesquite, Texas
 Special Assessment Revenue Bonds, Series 2019
 (Iron Horse Public Improvement District Project)
 ~REVISED FINAL NUMBERS~

Dated Date 06/27/2019
 Delivery Date 06/27/2019

Period Ending	Principal	Coupon	Interest	Debt Service
09/30/2020			709,271.04	709,271.04
09/30/2021			582,962.50	582,962.50
09/30/2022	155,000	5.000%	582,962.50	737,962.50
09/30/2023	165,000	5.000%	575,212.50	740,212.50
09/30/2024	170,000	5.000%	566,962.50	736,962.50
09/30/2025	180,000	5.250%	558,462.50	738,462.50
09/30/2026	190,000	5.250%	549,012.50	739,012.50
09/30/2027	200,000	5.250%	539,037.50	739,037.50
09/30/2028	210,000	5.250%	528,537.50	738,537.50
09/30/2029	220,000	5.250%	517,512.50	737,512.50
09/30/2030	235,000	5.750%	505,962.50	740,962.50
09/30/2031	245,000	5.750%	492,450.00	737,450.00
09/30/2032	260,000	5.750%	478,362.50	738,362.50
09/30/2033	275,000	5.750%	463,412.50	738,412.50
09/30/2034	295,000	5.750%	447,600.00	742,600.00
09/30/2035	310,000	5.750%	430,637.50	740,637.50
09/30/2036	330,000	5.750%	412,812.50	742,812.50
09/30/2037	345,000	5.750%	393,837.50	738,837.50
09/30/2038	370,000	5.750%	374,000.00	744,000.00
09/30/2039	390,000	5.750%	352,725.00	742,725.00
09/30/2040	410,000	6.000%	330,300.00	740,300.00
09/30/2041	440,000	6.000%	305,700.00	745,700.00
09/30/2042	465,000	6.000%	279,300.00	744,300.00
09/30/2043	495,000	6.000%	251,400.00	746,400.00
09/30/2044	525,000	6.000%	221,700.00	746,700.00
09/30/2045	555,000	6.000%	190,200.00	745,200.00
09/30/2046	595,000	6.000%	156,900.00	751,900.00
09/30/2047	630,000	6.000%	121,200.00	751,200.00
09/30/2048	670,000	6.000%	83,400.00	753,400.00
09/30/2049	720,000	6.000%	43,200.00	763,200.00
	10,050,000		12,045,033.54	22,095,033.54