

CITY OF LEWISVILLE
PUBLIC IMPROVEMENT DISTRICT NO. 4
(CASTLE HILLS)

ANNUAL SERVICE PLAN UPDATE
TO THE
ASSESSMENT/SERVICE PLAN

OCTOBER 15, 2018

Public Finance
Public Private Partnerships
Urban Economics
Clean Energy Bonds

Newport Beach, CA
Riverside, CA
San Francisco, CA
San Jose, CA
Houston, TX
Dallas, TX

TABLE OF CONTENTS

SECTION	PAGE
I. INTRODUCTION	1
II. DEFINITIONS	2
III. ANNUAL SERVICE PLAN UPDATE	4
IV. ASSESSMENT PLAN.....	8

EXHIBIT A – ASSESSMENT ROLL

I. INTRODUCTION

The Lewisville Castle Hills Public Improvement District No. 4 (the "PID"), which is located in the extraterritorial jurisdiction of the City of Lewisville (the "City"), was created by the City Council of the City of Lewisville (the "Council") by Resolution No. 3433-04-2007 (the "Resolution") on April 2, 2007 in accordance with the Public Improvement District Act, being Chapter 372 of the Texas Local Government Code (the "PID Act") to finance the costs of certain public improvements (the "Authorized Improvements") for the benefit of the property in the PID (the "Assessed Property"). An Assessment/Service Plan (the "Original Plan") was subsequently adopted by the Council on January 7, 2008 and Assessments in the amount of \$4,200,000 were levied. A Supplemental Assessment/Service Plan (the "Supplemental Plan") adopted on January 7, 2008 reduced the Assessments levied to \$3,325,000. Finally, an Amended Assessment/Service Plan (the "Amended Plan") was prepared and adopted by the City following a public hearing held on May 19, 2014; the Amended Plan levied Assessments in the amount of \$3,456,356.49.

Pursuant to Sections 372.013 and 372.014 of the PID Act, the Service Plan is to be reviewed and updated annually and is to include an Assessment Plan. This Annual Service Plan Update to the Amended Plan (the "Annual Plan Update") is comprised of the following four parts:

-) Definitions;
-) Service Plan Update;
-) Assessment Plan; and
-) Assessment Roll.

II. DEFINITIONS

The following capitalized terms shall have the meanings provided below, unless otherwise defined or the context clearly requires otherwise. For purposes of this Annual Plan Update, the words "shall" and "will" are mandatory, and the word "may" is permissive.

"Annual Interest Installment" means, with respect to each Parcel, each annual payment of annual interest on the Assessment, as shown on the Assessment Roll attached hereto, and calculated as provided in Section IV of this Annual Plan Update.

"Annual Service and Assessment Plan Update" means an annual update to the Service and Assessment Plan approved by the City pursuant to Section 372.013 of the PID Act.

"Assessed Property" means, for any year, Parcels within the PID upon which an Assessment has been levied.

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

"Assessment Ordinances" means Ordinance No. 3448-05-2007 approved by the City on May 23, 2007 (the "2007 Ordinance") levying Assessments on the Lots within the PID, Ordinance No. 3528-01-2008 approved by the City on January 7, 2008 (the "2008 Ordinance") approving a Supplemental Assessment/Service Plan and levying Assessments on the Lots within the PID, Ordinance No. 4074-05-2014 approved by the City on May 19, 2014 (the "2014 Ordinance") approving the Amended and Supplemented Assessment/Service Plan and levying Assessments on the Lots within the PID, and Ordinance No. 4392-07-2017 approved by the City on July 17, 2017 (the "2017 Ordinance") approving the Annual Service and Assessment Plan Update and reallocation of remaining Assessments on the Lots within the PID.

"Bonds" mean all bonds secured by Contract Revenues and Assessments, issued by the City in one or more series.

"Contract Revenues" mean those revenues received by the City from District 1-F pursuant to the Joint Utility Contract for the payment of debt service on the Bonds.

"Joint Utility Contract" means the 2007 Joint Utility Contract, as amended by an Amended and Restated Joint Utility Contract among the City, Denton County Fresh Water Supply District No. 1-A ("District 1-A"), and the PID providing for the issuance of up to \$35,000,000 in Bonds secured in part by Contract Revenues.

"Lot" means a tract of land described as a lot in a subdivision plat recorded in the Official Public Records of Denton County, Texas.

"Lot Type" means the type of Lot for purposes of allocation of special benefit.

"Non-Benefited Property" means Parcels within the boundaries of the PID that accrue no special benefit from the Authorized Improvements. Properties identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel are not assessed. If when Assessed Property is converted to Non-Benefited Property the Assessments may not be reallocated pursuant to the Assessment Plan herein because it would cause other landowners to bear an increased assessment, such property shall remain subject to the Assessments and shall prepay the Assessments as provided for the in this Amended and Restated Service and Assessment Plan prior to conversion to Non-Benefited Property.

"Parcel" means a parcel identified by either a tax map identification number assigned by the Denton County Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the real property records of Denton County. Each Lot described herein is a separate Parcel.

"PID Costs" mean the actual or budgeted costs, as applicable, of all or any portion of the Authorized Improvements that provide a special benefit to the Assessed Property and are allocated to the PID.

"Subdivision Plat" means a subdivision plat recorded in the Official Public Records of Denton County, Texas and subdividing a tract of land within the PID into Lots for assessment and/or development purposes.

III. ANNUAL SERVICE PLAN UPDATE

Section 372.013 of the PID Act requires that the Annual Plan Update (i) define the annual indebtedness and the projected costs of the Projects and (ii) cover a period of at least five (5) years.

A. PID BONDED INDEBTEDNESS

On February 18, 2008, the City issued Combination Contract Revenue and Special Assessment Capital Improvement Bonds in the aggregate amount of \$20,000,000 (the "Series 2008 Bonds"). On October 31, 2011, the City issued additional Combination Contract Revenue and Special Assessment Bonds in the aggregate amount of \$8,320,000 (the "Series 2011 Bonds"). These included \$2,965,000 of Utility System Bonds (the "2011 Utility Bonds") and \$5,355,000 of Road System Bonds (the "2011 Road Bonds"). On June 11, 2014, the City issued Combination Contract Revenue and Special Assessment Utility System Bonds in the aggregate amount of \$3,680,000 (the "Series 2014 Utility Bonds"). On July 26, 2017 the City issued Combination Contract Revenue and Special Assessment Refunding Bonds in the aggregate amount of \$13,350,000 (the "Series 2017 Bonds"). The Series 2008 Bonds, Series 2011 Bonds and Series 2014 Bonds are all secured by the Contract Revenues and by the Assessments. Assessments have been levied in an amount equal to or exceeding ten percent (currently 10.80%) of the total estimated original principal amount of the Bonds, as required by the Joint Utility Contract.

The consolidated sources and uses of funds for each of the Series 2008, 2011, 2014, and 2017 Bonds are shown in Tables III-1 below.

TABLE III-1
PUBLIC IMPROVEMENT DISTRICT NO. 4
(CASTLE HILLS)

SOURCES AND USES OF FUNDS
ALL SERIES OF BONDS

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>	<u>2008 BONDS</u>	<u>2011 BONDS</u>	<u>2014 BONDS</u>	<u>2017 BONDS</u>
PRINCIPAL	\$45,350,000.00	\$20,000,000.00	\$8,320,000.00	\$3,680,000.00	\$13,350,000.00
PLACEMENT AGENT FEES/DISCOUNT	(\$643,514.58)	(\$200,000.00)	(\$225,804.80)	(\$122,576.93)	(\$95,132.85)
IMPROVEMENT FUND EARNINGS	\$55,183.46	\$55,034.25	\$94.96	\$54.25	
TOTAL SOURCES OF FUNDS	\$44,761,668.88	\$19,855,034.25	\$8,094,290.16	\$3,557,477.32	\$13,254,867.15
<u>USE OF FUNDS</u>					
DEPOSIT TO ESCROW FUND FOR REFUNDED BONDS					\$12,822,388.29
CONSTRUCTION COSTS:					
WATER FACILITIES	\$2,944,581.31	\$1,411,249.46	\$254,029.10	\$1,279,302.75	\$0.00
SEWER FACILITIES	\$6,202,105.45	\$3,205,458.29	\$2,010,393.00	\$986,254.16	\$0.00
DRAINAGE FACILITIES	\$4,367,173.76	\$3,312,676.42	\$0.00	\$1,054,497.34	\$0.00
ROAD AND STREETS	\$11,437,202.15	\$7,980,523.30	\$3,456,678.85	\$0.00	\$0.00
DESIGN, ENGINEERING, ADMIN	\$2,806,168.75	\$2,114,017.66	\$692,151.09	\$0.00	\$0.00
SUBTOTAL CONSTRUCTION COSTS	\$27,757,231.42	\$18,023,925.13	\$6,413,252.04	\$3,320,054.25	\$0.00
NON-CONSTRUCTION COSTS:					
BOND COUNSEL	\$619,704.67	\$157,411.43	\$209,188.66	\$74,765.12	\$178,339.46
UNDERWRITER AND COUNSEL'S FEES	\$653,229.10	\$200,000.00	\$273,560.00	\$41,508.80	\$138,160.30
CAPITALIZED INTEREST	\$1,298,775.51	\$1,298,775.51	\$0.00	\$0.00	\$0.00
RESERVE FUND	\$837,000.00	\$5,000.00	\$832,000.00	\$0.00	\$0.00
ADMINISTRATIVE EXPENSE FUND	\$19,620.06	\$0.00	\$0.00	\$17,640.96	\$1,979.10
ISSUER'S COUNSEL	\$235,000.00	\$90,000.00	\$45,000.00	\$50,000.00	\$50,000.00
ISSUER'S FINANCIAL ADVISOR	\$92,500.00	\$30,000.00	\$12,500.00	\$25,000.00	\$25,000.00
TRUSTEE AND COUNSEL	\$112,250.00	\$21,500.00	\$53,000.00	\$17,000.00	\$20,750.00
PRINTING, MISCELLANEOUS, ADMIN	\$95,987.99	\$28,422.18	\$37,807.62	\$11,508.19	\$18,250.00
SUBTOTAL NON-CONSTRUCTION COSTS	\$16,786,455.62	\$1,831,109.12	\$1,463,056.28	\$237,423.07	\$13,254,867.15
TOTAL USES OF FUNDS	\$44,543,687.04	\$19,855,034.25	\$7,876,308.32	\$3,557,477.32	\$13,254,867.15

The City does not anticipate the issuance of additional bonds to finance all, or a portion, of the Authorized Improvements described below that provide a special benefit to the Assessed Property within the PID. A five-year projection of the anticipated issuance and annual indebtedness of PID bonds is shown in Table III-2.

<p align="center">TABLE III-2</p> <p align="center">PUBLIC IMPROVEMENT DISTRICT NO. 4</p> <p align="center">(CASTLE HILLS)</p> <p align="center">PROJECTED ANNUAL PID BOND ISSUANCE</p> <p align="center">AND</p> <p align="center">ANNUAL INDEBTEDNESS</p>					
YEAR	NEW INDEBTEDNESS	REFUNDING INDEBTEDNESS	BOND CALLS/ DEFEASANCES	SCHEDULED PAYMENTS	ANNUAL INDEBTEDNESS
THROUGH 2016	\$32,000,000	\$0	\$2,730,000	\$2,345,000	\$26,925,000
2017	\$0	\$13,350,000	\$14,175,000	\$715,000	\$25,385,000
2018	\$0	\$0	\$0	\$925,000	\$24,460,000
2019	\$0	\$0	\$0	\$980,000	\$23,480,000
2020	\$0	\$0	\$0	\$1,025,000	\$22,455,000
2021	\$0	\$0	\$0	\$1,045,000	\$21,410,000
2022	\$0	\$0	\$0	\$1,085,000	\$20,325,000
PROJECTED TOTAL	\$32,000,000	\$13,350,000	\$16,905,000	N/A	N/A

B. DESCRIPTION AND FINAL COSTS OF AUTHORIZED IMPROVEMENTS

The Authorized Improvements include the following items:

1. WATER SYSTEM IMPROVEMENTS

The water system improvements will consist of the construction of a water distribution system, which benefits the PID, connecting to the Upper Trinity Regional Water District's water supply system.

2. WASTEWATER IMPROVEMENTS

The acquisition or construction of a wastewater collection system, which benefits the PID, connecting to the City's sanitary sewer collection and treatment system.

3. DRAINAGE

The drainage improvements will consist of the acquisition or construction of a stormwater drainage system which benefits the PID.

4. STREETS AND ROADWAYS

The acquisition or construction of streets or roadways and improvements thereto to provide access to and through all property within the PID.

5. FINAL COST OF AUTHORIZED IMPROVEMENTS

The final cost of the Authorized Improvements is \$27,757,231.42. Table III-3 shows the final costs of the Authorized Improvements by category.

TABLE III-3	
PUBLIC IMPROVEMENT DISTRICT NO. 4 (CASTLE HILLS)	
FINAL COST OF AUTHORIZED IMPROVEMENTS BY CATEGORY	
<u>CATEGORY</u>	<u>FINAL COST</u>
WATER FACILITIES	\$2,944,581.31
SEWER FACILITIES	\$6,202,105.45
DRAINAGE FACILITIES	\$4,367,173.76
STREET AND ROADWAY FACILITIES	\$11,437,202.15
DESIGN, ENGINEERING & ADMINISTRATION	\$2,806,168.75
TOTAL EXPENDITURES	\$27,757,231.42

IV. ASSESSMENT PLAN

Section 372.015 of the PID Act states that the governing body of the municipality shall apportion the cost of an improvement to be assessed against property in an improvement district, and the apportionment shall be made on the basis of special benefits accruing to the property because of the improvement. More specifically, the PID Act provides that the costs of the improvements may be assessed (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited.

A. METHOD OF ASSESSMENT

The City Council determined that the PID Costs should be allocated to the Assessed Property on the basis of the benefit received by each parcel, as reflected by the valuation methodology, without regard to which Authorized Improvements have been completed and installed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements allocated to the PID on Parcels similarly benefited. In determining the relative value of Parcels, the City Council has taken into consideration (i) the type, size and number of lots; (ii) current and projected home prices; (iii) the costs of the Authorized Improvements; and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements. Three Lot Types have been established. Lot Type A includes all residential Lots of Assessed Property less than or equal to 5,000 square feet. Lot Type B includes all residential Lots of Assessed Property greater than 5,000 square feet. Lot Type C includes all non-residential Lots of Assessed Property.

Total Assessments in the amount of \$3,456,356.49 have been levied pursuant to the Amended Plan. All lots have fully prepaid the principal amount of their Assessments. Table IV-1 below summarizes the assessment per lot type prior to and after recalculation of assessments by lot type pursuant to the Annual Service and Assessment Plan Update approved by the City on July 17, 2017.

TABLE IV-1 PUBLIC IMPROVEMENT DISTRICT NO. 4 (CASTLE HILLS) ASSESSMENTS BY LOT TYPE			
LOT TYPE	LOTS/ACRES	ASSESSMENT PER LOT TYPE	TOTAL ASSESSMENTS
ORIGINAL			
RESIDENTIAL:			
LOT TYPE A (LOT SIZE ≤ 5,000 SF)	163	\$2,106.22	\$343,313.86
LOT TYPE B (LOT SIZE > 5,000 SF)	693	\$3,580.57	\$2,481,335.01
COMMERCIAL:			
LOT TYPE C	45.53	\$3,580.57	\$163,036.32
AMENDED			
RESIDENTIAL:			
LOT TYPE A (LOT SIZE ≤ 5,000 SF)	91	\$1,126.06	\$102,471.10
LOT TYPE B (LOT SIZE > 5,000 SF)	150	\$1,914.29	\$287,143.96
COMMERCIAL:			
LOT TYPE C	41.3	\$1,914.29	\$79,056.24
TOTAL RESIDENTIAL:	1,097	N/A	\$3,214,263.93
TOTAL COMMERCIAL	86.83	N/A	\$242,092.56
GRAND TOTAL	N/A	N/A	\$3,456,356.49

B. TERMS OF THE ASSESSMENTS

1. AMOUNT OF ASSESSMENTS

The Assessment for each Parcel is shown on the Assessment Roll, and no Assessment shall be changed except as authorized by this Annual Plan Update or the PID Act. The Assessments shall not exceed the amount required to repay the portion of the principal amount of the Bonds payable from Assessments and shall be collected with interest in an amount to pay a portion of the principal and interest on the Bonds.

2. REDUCTION OF ASSESSMENTS

If after all Authorized Improvements have been constructed and acquired the actual PID Costs are less than the PID Costs used to calculate the Special Assessments, resulting in excess Bond proceeds being available to redeem Bonds, then the Special Assessment for each Parcel shall be reduced by an equal percentage such that the sum of the resulting reduced Special Assessments for all Parcels equals the original principal amount of the Bonds payable from Assessments reduced for the application of such excess Bond proceeds to redeem Bonds. The Assessments shall not be reduced to an amount less than the amount required to repay the portion of the outstanding Bonds secured by Special Assessments.

3. REALLOCATION OF ASSESSMENTS FOR PARCELS LOCATED WITHIN THE PID

a. UPON SUBDIVISION PRIOR TO RECORDING OF SUBDIVISION PLAT

Upon the subdivision of any Assessed Property without the recording of a Subdivision Plat, the Assessments shall be reallocated for the Assessed Property prior to the subdivision equally among the new subdivided Lots by dividing the outstanding principal amount of the Assessments for each Parcel existing prior to the subdivision among the newly created Parcels based on the Lot Type of the newly created parcel. Newly divided Parcels that are categorized as Lot Type A or Lot Type B will bear the Lot Type A or Lot Type B per lot assessment and any Parcels categorized as Lot Type C will bear the Lot Type C per acre assessments. The Assessment on the newly divided Parcels shall not exceed the Assessment amount for the applicable Lot Type. The City will approve an updated Assessment Roll in the Plan Update each year showing the reallocation of assessments.

The calculation of the estimated number of Lots or acreage by Lot Type shall be confirmed by the City Council in an update to the Amended Plan. The estimate as confirmed shall be conclusive.

The reallocation of an Assessment for any Parcel may not exceed the Assessment prior to the reallocation and, to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an update to the Amended Plan and Assessment Roll approved by the City Council.

b. UPON SUBDIVISION BY A RECORDED SUBDIVISION PLAT

Upon the subdivision of any Assessed Property by the recording of a Subdivision Plat, the Assessments shall be reallocated for the Assessed Property prior to the subdivision among the new subdivided Lots by dividing the outstanding principal amount of the Assessments for each Parcel existing prior to the subdivision among the newly created Parcels based on the Lot Type of the newly created parcel. Newly divided Parcels that are categorized as Lot Type A or B will bear the Lot Type A or B per lot assessment and any Parcels categorized as Lot Type C will bear the Lot Type C per acre assessments. The City will approve an updated Assessment Roll in the Annual Plan Update each year showing the reallocation of assessments.

The calculation of the estimated number of Lots or acreage by Lot Type shall be confirmed by the City Council in an update to this Amended Plan. The estimate as confirmed shall be conclusive.

The reallocation of an Assessment for any Parcel may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an update to the Amended Plan and Assessment Roll approved by the City Council.

c. UPON CONSOLIDATION

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for an Assessed Property may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be calculated and reflected in an update to the Amended Plan and Assessment Roll approved by the City Council.

d. UPON CHANGE IN USE OR LOT TYPE

Upon a change in land use from single-family residential to commercial or from Lot Type A or Lot Type B to Lot Type C for Assessed Property, the Assessments shall be reallocated for the Assessed Property upon the change in land use by assessing the new Lot Type created as a result of the change in use an Assessment equal to, but not to exceed, the per acre assessment assessed for Lot Type C pursuant to the Amended Plan and issuing an updated Assessment Roll showing the reallocation of Assessments. The number of Lots and total Assessment for each Lot Type will then be revised accordingly in the next Annual Plan Update.

Upon a change in land use from commercial to single-family residential and therefore from Lot Type C to Lot Type A or B for Assessed Property, the Assessments shall be reallocated for the Assessed Property upon the change in land use by assessing each new Lot created as a result of the change in use an Assessment equal to, but not to exceed, the per lot assessment assessed for the new Lot Type pursuant to the Amended Plan and issuing an updated Assessment Roll showing the reallocation of Assessments. Any acreage that is not divided into a Lot Type A or B shall remain in Lot Type C and shall be assessed on a per acre basis. The number of Lots and total Assessment for each Lot Type will then be revised accordingly in the next Annual Plan Update.

The calculation of the estimated number of Lots or acreage by Lot Type shall be confirmed by the City Council in an update to the Amended Plan. The estimate as confirmed shall be conclusive.

The reallocation of an Assessment for any Parcel may not exceed the Assessment prior to the reallocation and to the extent the reallocation of Assessments would cause the Assessment per lot to exceed the Lot Type A per lot amount or the Assessment per acre to exceed the Lot Type C per acre amount, the amount exceeding the Assessments prior to the change in land use or subdivision of the Parcel shall be prepaid by such amount by the party requesting the change in land use or subdivision of the Parcel. Any reallocation pursuant to this section shall be reflected in an update to the Amended Plan and Assessment Roll approved by the City Council.

C. PAYMENT OF ASSESSMENTS

1. PAYMENT IN FULL OR IN PART

Pursuant to the provision of Section 372.018(f) of the Act, an Assessment may be prepaid at any time by paying the unpaid amount of the Assessment plus the interest accrued and penalties that have been imposed prior to the date of payment of the Assessment. An Assessment must be prepaid in full at the time an owner of a lot

subject to the Assessment applies for a building permit to construct a structure on such tract. The Assessments shall be billed an Annual Interest Installment in each year as reflected in the Assessment Roll.

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

Upon payment in full of an Assessment, the City shall deposit the payment in accordance with the trust agreement; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Interest Installments thereof shall automatically terminate.

Once an Assessment is paid in full, the City is hereby authorized to grant a release relating to the Parcel subject to the Assessment. The form of such release shall be as determined by the City to comply with state law and shall effectuate the release of the City's lien on such Parcel subject to the Assessment upon payment in full of the Assessment.

2. PAYMENT IN ANNUAL INSTALLMENTS

Prior to the payment in full of any Assessment for a Parcel, Annual Interest Installments will be collected each year in the amounts shown in the Assessment Roll. It is anticipated that the Denton County Tax Assessor/Collector or Denton County Fresh Water Supply District No. 1-A will bill and collect the Annual Interest Installments on behalf of the City of Lewisville. Payment of the Annual Interest Installments began with tax bills mailed in 2009.

Each Assessment shall bear interest of no more than the actual interest rate paid on the Bonds or, after issuance of multiple series of bonds, the interest on Assessments shall be calculated as a weighted average of the interest paid on the Bonds. The Assessments and Annual Interest Installments as levied shall be reduced to equal the actual costs of repaying the Bonds attributable to repayment from Assessments, when issued, taking into consideration any other available funds for these costs, such as interest income on account balances. The calculation of the weighted average interest rate on the bonds is shown in Table IV-2 on the following page.

<p align="center">TABLE IV-2</p> <p align="center">PUBLIC IMPROVEMENT DISTRICT NO. 4</p> <p align="center">(CASTLE HILLS)</p> <p align="center">WEIGHTED AVERAGE INTEREST RATE CALCULATION</p>							
CALENDAR YEAR	2008 BONDS		2011 BONDS		2014 BONDS		WEIGHTED AVERAGE INTEREST RATE*
	ANNUAL INTEREST	BEGINNING OUTSTANDING PRINCIPAL	ANNUAL INTEREST	BEGINNING OUTSTANDING PRINCIPAL	ANNUAL INTEREST	BEGINNING OUTSTANDING PRINCIPAL	
2008	\$1,350,000	\$20,000,000					6.750%
2009	\$1,341,225	\$19,870,000					6.750%
2010	\$1,317,937	\$19,525,000					6.750%
2011	\$1,277,775	\$18,930,000					6.750%
2012	\$1,239,975	\$18,370,000	\$437,801	\$8,320,000			6.286%
2013	\$1,233,225	\$18,270,000	\$437,801	\$8,320,000			6.284%
2014	\$1,199,475	\$17,770,000	\$437,801	\$8,320,000	\$137,662	\$3,680,000	5.962%
2015	\$1,095,863	\$16,235,000	\$437,801	\$8,320,000	\$137,662	\$3,680,000	5.919%
2016	\$1,057,388	\$15,665,000	\$437,801	\$8,320,000	\$136,163	\$3,630,000	5.907%
2017	\$1,016,212	\$15,055,000	\$437,801	\$8,320,000	\$133,763	\$3,550,000	5.897%
* Total interest divided by total outstanding principal.							

The City, Denton County Fresh Water Supply District No. 1-A, or Denton Tax Assessor/Collector will invoice each owner of property for the Annual Interest Installment at the same time as the City's annual property tax bill, and the Annual Interest Installments shall be due and payable, and incur penalty and interest for unpaid Annual Interest Installments in the same manner as provided for the City's property taxes. Thereafter, subsequent Annual Interest Installments shall be due in the same manner in each succeeding calendar year until the assessment together with interest as provided herein has been paid in full. Failure of an owner to receive an Annual Interest Installment, either on the property tax bill or via a separate bill from the Denton County Fresh Water Supply District No. 1-F, shall not relieve the owner of the responsibility for the assessment. Delinquent Assessments or Annual Interest Installments shall incur Delinquent Collection Costs. The City may provide for other means of collecting the Annual Interest Installments to the extent permitted under the PID Act.

Assessments are personal obligations of the person owning the property assessed in the year an Assessment and/or Annual Interest Installment payment becomes due, and only to the extent of such Assessment and/or Annual Interest Installment(s). Any sale of property for nonpayment of the Assessment and/or Annual Interest Installments shall be subject to the lien established for the

remaining unpaid Assessment and/or Annual Interest Installments against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Assessment and Annual Interest Installments against such property as they become due and payable.

If a Parcel or portion thereof is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel or portion thereof to become Non-Benefited Property, the owner of such Parcel or portion thereof shall pay to the District the full amount of the Assessment, plus all interest due thereon, for such Parcel or portion thereof prior to any such transfer or act.

If an Annual Interest Installment has been billed prior to payment in full of an Assessment, the Annual Interest Installment shall be due and payable and shall be credited against the payment-in-full amount. Upon payment in full of an Assessment and all interest on the Assessment to the date of payment in full, the City shall deposit the payment to a separate account whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Interest Installments thereof shall automatically terminate.

D. UPDATE OF ASSESSMENT ROLL

The Assessment Roll is to be updated each year to reflect (i) each Parcel within the PID and (ii) the applicable Lot Type, Assessment, and Annual Interest Installment.

The Assessment Roll is attached as Exhibit A. All lots have fully prepaid the principal amount of their Assessments.

EXHIBIT A

**CITY OF LEWISVILLE
PUBLIC IMPROVEMENT DISTRICT No. 4
(CASTLE HILLS)**

ASSESSMENT ROLL