

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: S&P: "Applied For" (Insured)

"Applied For" (Underlying)

(See "BOND INSURANCE", "BOND INSURANCE RISK FACTORS" and "RATING" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated: August 18, 2020

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein.

The Corporation will designate the Bonds as "Qualified Tax Exempt Obligations" for financial institutions.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

(Ellis County, Texas)

\$5,000,000*

SALES TAX REVENUE BONDS, SERIES 2020

Dated: August 1, 2020

Due: September 1, as shown on page ii

The \$5,000,000* Sales Tax Revenue Bonds, Series 2020 (the "Bonds") are special obligations of the Midlothian Community Development Corporation (the "Corporation" or the "Issuer"). The Bonds are issued pursuant to a bond resolution (the "Resolution") to be adopted by the Board of Directors of the Corporation (the "Board") on August 25, 2020 and in accordance with certain provisions of the Development Corporation Act, currently codified at Chapters 501 and 505, Texas Local Government Code, as amended (previously codified as Article 5190.6, Texas Revised Civil Statutes Annotated, as amended) (collectively, the "Act"). The Bonds, together with the outstanding Parity Bonds and any Additional Parity Obligations, as defined herein, hereafter issued, are payable from and secured by a lien on and pledge of the Pledged Revenues, as defined herein, which include the receipts from a ½ of 1% sales and use tax collected within the boundaries of the City of Midlothian, Texas (the "City") for the benefit of the Corporation. THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY OF MIDLOTHIAN, TEXAS (the "CITY"), ELLIS COUNTY, ANY AGENCY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE FULL FAITH, THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, ELLIS COUNTY, ANY AGENCY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See "THE BONDS – Security for Payment", "SECURITY FOR THE BONDS" and "THE SALES TAX – Investor Considerations" herein.)

Interest on the Bonds will accrue from August 1, 2020 (the "Dated Date") as shown above and will be payable initially on March 1, 2021, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) improvements to park and recreational facilities throughout the City, (ii) improvements to Midlothian Community Park located at 3601 South 14th Street in the City, and (iii) paying the costs of issuance of the Bonds.

The Bonds maturing on and after September 1, 2030 are subject to optional redemption prior to maturity on September 1, 2029 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. (See "THE BONDS – Redemption Provisions" herein.)

The Corporation has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

STATED MATURITY SCHEDULE

(See page ii)

The Bonds are offered for delivery when, as and if issued and received by the initial purchaser named below (the "Underwriter") and subject to approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Locke Lord LLP, Dallas, Texas. The Bonds are expected to be available for delivery through DTC on or about September 23, 2020.

HILLTOPSECURITIES

*Preliminary, subject to change.

STATED MATURITY SCHEDULE*
(September 1)
Base CUSIP 597839^(a)

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.
<u>9/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾	<u>9/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾
2021	\$170,000				2031	\$250,000			
2022	185,000				2032	260,000			
2023	195,000				2033	265,000			
2024	200,000				2034	275,000			
2025	205,000				2035	285,000			
2026	215,000				2036	295,000			
2027	220,000				2037	305,000			
2028	225,000				2038	315,000			
2029	235,000				2039	325,000			
2030	240,000				2040	335,000			

(Interest to accrue from the Dated Date)

The Bonds maturing on and after September 1, 2030 are subject to optional redemption prior to maturity on September 1, 2029 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. (See "THE BONDS – Redemption Provisions" herein.)

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
104 W Avenue E
Midlothian, Texas 76065
(972) 775-7102

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Expires (January)</u>	<u>Occupation</u>
Alyn Nix	President	2021	Manager – Lowes Home Improvement
Jan Davis	Vice President	2022	Realtor
Jessica Ward	Secretary	2022	Quality Assurance Analyst – Wells Fargo Home Mortgage
TJ Henley	Treasurer	2021	Business Owner
Ron Bland	Member	2021	Midlothian ISD
Allen Moorman	Member	2021	CEO at True Texas Benefits
Jeffery Campbell	Member	2022	Allied Security Services

CITY COUNCIL

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Reno	Mayor	2020*
Justin Coffman	Mayor Pro-Tem	
	Councilmember, Place 5	2021
Wayne Sibley	Councilmember, Place 1	2020*
Mike Rodgers	Councilmember, Place 2	2020*
Ted Miller	Councilmember, Place 3	2022
Clark Wickliffe	Councilmember, Place 4	2022
Vacant*	Councilmember, Place 6	

*Election postponed to November 3, 2020 due to COVID-19.

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>
Christopher Dick	City Manager	13 years
Ann Honza	Finance Director	5 years
Sue Mckenrick	Assistant Finance Director	18 years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Pattillo, Brown and Hill, L.L.P. Waco, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission, this document constitutes an "Official Statement" of the Corporation with respect to the Bonds that has been "deemed final" by the Corporation as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Preliminary Official Statement, which includes the cover page, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the Corporation that the Corporation believes to be reliable, but the Corporation and the City make no representation as to the accuracy of such information. In addition, certain information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Corporation, City, Financial Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or other matters described herein since the date hereof. (See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Corporation's undertaking to provide certain information on a continuing basis.)

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

NONE OF THE CORPORATION, THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR ANY POTENTIAL BOND INSURER OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The yield at which the Bonds are offered to the public may vary from the initial offering yields on page ii of the Official Statement. In addition, the Underwriter may allow concessions of discounts from the initial offering prices of the Bonds to dealers and others.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND/OR ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. (See "OTHER PERTINENT INFORMATION – Forward-Looking Statements Disclaimer" herein.)

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The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information and to the definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	Midlothian Community Development Corporation (the "Corporation") is a non-profit industrial development corporation created by the City of Midlothian, Texas (the "City") pursuant to Section 4B of the Development Corporation Act of 1979 (now the Development Corporation Act), formerly Article 5190.6, Texas Revised Civil Statutes, as amended, and now operating, existing and governed by the recodified provisions of such Act, as codified in Chapters 501 and 505, Texas Local Government Code, as amended (the "Act"), and is organized exclusively for the public purposes authorized by the Act. See "THE CORPORATION" herein. The City's 2020 estimated population is 32,603.
The Bonds	The Bonds are special obligations of the Corporation issued pursuant to a resolution (the "Resolution") to be adopted by the Board of the Corporation on August 25, 2020, and approved by the City Council of the City on August 25, 2020 in accordance with the Act. (See "THE BONDS – Authorization" herein.)
Paying Agent/ Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Corporation intends to use the Book-Entry-Only System of DTC (defined herein). (See "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar" and "BOOK-ENTRY-ONLY SYSTEM" herein.)
Redemption Provisions	The Bonds maturing on and after September 1, 2030 are subject to optional redemption prior to maturity on September 1, 2029 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. (See "THE BONDS – Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Qualified Tax-Exempt Obligations	The Corporation will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Security	The Bonds, together with other outstanding sales tax revenue bonds, are payable solely from and are secured by a lien on and pledge of certain Pledged Revenues which include the gross receipts from a ½ of 1% sales and use tax (the "Sales Tax") levied and collected within the City for the benefit of the Corporation and from amounts on deposit in the Debt Service Fund and, if necessary, the Reserve Fund. The Sales Tax was authorized at an election held on August 8, 1998. The total rate of all State and local sales and use taxes levied in the City is currently 8¼%. The Bonds are not obligations of the State of Texas, the City, Ellis County or any other political subdivision and shall never be payable from ad valorem taxes. See "THE BONDS – Security for Payment", "SECURITY FOR THE BONDS" and "THE SALES TAX" herein. In addition, a debt service reserve surety policy will be delivered at closing to fund the reserve fund requirement for the Bonds under the terms of the Resolution. (See "BOND INSURANCE" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) improvements to park and recreational facilities throughout the City, (ii) improvements to Midlothian Community Park located at 3601 South 14 th Street in the City and (iii) paying the costs of issuance of the Bonds.
Rating	A municipal bond rating application has been made to S&P Global Ratings, a business unit of S&P Global Inc. ("S&P"). The current underlying rating of the Corporations outstanding bonds is "A+". An explanation of the significance of such rating, once received, may be obtained from S&P. (See "RATING" herein.) No representation is hereby made that the Corporation will use municipal bond insurance in connection with the issuance of the Bonds. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

Bond Insurance	The Corporation has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner in which the Bonds may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Additional Bonds	The Corporation has reserved the right to issue additional bonds, secured by a lien on and pledged of Pledged Revenues on a parity with the Bonds and the outstanding Parity Bonds as described in “SECURITY FOR THE BONDS - Additional Parity Obligations” herein.
Delivery	When issued, anticipated on or about September 23, 2020.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT
relating to
\$5,000,000*
MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, SERIES 2020

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, and Appendices hereto, is to set forth information regarding the issuance by the Midlothian Community Development Corporation (the "Corporation" or the "Issuer") of its \$5,000,000* Sales Tax Revenue Bonds, Series 2020 (the "Bonds").

The Bonds are being issued pursuant to certain provisions of the Development Corporation Act, including provisions of Chapters 501 and 505, Texas Local Government Code, as amended (the "Act"), and pursuant to the provisions of a resolution (the "Resolution") to be adopted by the Board of Directors of the Corporation (the "Board") on August 25, 2020. The City Council of the City (defined below) will approve the Resolution at its August 25, 2020 meeting. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. (See "Appendix D - Selected Provisions of the Resolution" herein.)

The creation of the Corporation was approved by the City Council of the City of Midlothian, Texas (the "City") to act on behalf of the City to study and fund all permissible projects prescribed by the Act, and a Certificate of Incorporation for the Corporation was issued by the Secretary of State of the State of Texas on or about November 6, 1998. At an election held within the City on August 8, 1998, the voters of the City approved a one half percent (1/2%) sales and use tax to be levied within the City (the "Sales Tax") which, pursuant to the Act, may be pledged to secure obligations of the Corporation. The imposition of the Sales Tax became effective on January 1, 1999, and the Corporation began to receive such sales tax receipts on or about March 1, 1999. The Sales Tax, together with all other State of Texas (the "State") and municipal sales and use taxes levied within the City, produces a total sales and use tax rate of 8¼% percent, the maximum rate currently permitted by State law. See "THE SALES TAX."

There follows in this Official Statement brief descriptions of the Bonds and their security, the Corporation, the City and its economy, and the Resolution. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Corporation.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the Corporation's undertaking to provide certain information on a continuing basis.

All financial and other information presented in this Official Statement has been provided by the Corporation and the City from their records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. (See "OTHER PERTINENT INFORMATION - Forward-Looking Statements Disclaimer" herein.)

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. The Bond are secured by a dedicated 1/8% sales tax (see "THE SALES TAX" herein) and a reduction in economic activity in the City may result in a negative impact on sales tax collections and the City's operations and maintenance expenses funded with sales taxes. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, utility system revenue and other fees and charges may negatively impact the City's operating budget and overall financial condition, as well as the Corporation's ability to maintain funds sufficient to meet its ongoing debt service obligations.

*Preliminary, subject to change.

The financial and operating data contained herein are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City or the Corporation.

The City and the Corporation continue to monitor the spread of COVID-19 and are working with local, State, and national agencies to address the potential impact of the Pandemic upon the City and the Corporation. While the potential impact of the Pandemic on the City and the Corporation cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's and the Corporation's operations and financial condition, and the effect could be material.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount	\$ _____
[Net] Original Issue Reoffering Premium	_____
Accrued Interest	_____
Total Sources of Funds	\$ _____
<u>Uses of Funds</u>	
Deposit to Project Construction Fund	\$ _____
Cost of Issuance (including insurance premium, if any)	_____
Underwriter's Discount	_____
Accrued Interest Deposit to Debt Service Fund	_____
Total Uses of Funds	\$ _____

THE BONDS

General

The Bonds will be dated August 1, 2020 (the "Dated Date"), and interest payable on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Bonds is payable initially on March 1, 2021 and on each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued only as fully registered bonds in denominations of \$5,000 principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable on or before each interest payment date by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the registration books maintained by the Paying Agent/Registrar on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds and amounts due at maturity or upon prior redemption will be payable only upon presentation of such Bonds at the designated corporate trust office of the Paying Agent/Registrar at maturity or upon prior redemption; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a more complete description of such system.)

In the event the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day when banking institutions located in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day when banking institutions are so authorized to close. Payment on such later day will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Authorization

The Bonds are special obligations of the Corporation issued pursuant to the Resolution and in accordance with the Constitution and the general laws of the State, including the Act. The City Council of the City will adopt a resolution approving the Resolution as a condition to the issuance of the Bonds.

Security for Payment

The Bonds, together with other outstanding Parity Bonds and any Additional Bonds (as defined below) hereafter issued, are payable solely from and are secured by a lien on and pledge of certain revenues of the Corporation (the "Pledged Revenues") which include the gross receipts from a ½% sales and use tax (the "Sales Tax") levied and collected within the City for the benefit of the Corporation and from amounts on deposit in the Debt Service Fund and the Reserve Fund, each as described below. The Sales Tax was authorized at an election held on August 8, 1998. The total rate of all State and local sales and use taxes levied in the City is currently 8¼%. The Bonds are not obligations of the State, the City, Ellis County or any other political subdivision and shall never be payable from ad valorem taxes.

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (i) improvements to park and recreational facilities throughout the City, (ii) improvements to Midlothian Community Park located at 3601 South 14th Street in the City and (iii) paying the costs of issuance of the Bonds.

The Corporation intends to avail itself of certain provisions of the Act, including Section 501.073(a), to undertake the Projects. In accordance with the Act, the Corporation published the requisite notice and conducted hearings regarding each respective Project. The City Council adopted a resolution authorizing the Projects after a reading held on March 10, 02020 and approved the Projects and the expenditures related thereto.

Redemption Provisions

Optional Redemption: The Issuer reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2030 on September 1, 2029, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar (defined herein), at the redemption price of par plus accrued interest to the date fixed for redemption.

Not less than thirty (30) days prior to a redemption date for the Bonds, the Corporation shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

In addition to the manner of providing notice of redemption of Bonds as described above, the Paying Agent/Registrar shall give notice of redemption of Bonds by United States mail, first-class, postage prepaid, at least thirty (30) days prior to a redemption date to the Municipal Securities Rulemaking Board (the "MSRB").

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the Corporation shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The Corporation has never defaulted in the payment of its revenue debt.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"). A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Amendments

In the Resolution, the Issuer has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the registered owners of the Bonds, (ii) grant additional rights or security for the benefit of the registered owners of the Bonds, (iii) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the registered owners of the Bonds, (iv) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the Corporation, do not materially adversely affect the interests of the registered owners of the Bonds.

The Resolution further provides that the registered owners of the Bonds aggregating in principal amount a majority of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the Corporation; provided, however, that without the consent of 100% of the registered owners of the Bonds then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal payable on any outstanding Bonds; (iv) modifying the terms of payment of principal of or interest on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Resolution for further provisions relating to the amendment thereof.

Defeasance

The Resolution provides that the Corporation may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the Corporation payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Corporation adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Corporation adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Resolution. Upon making such deposit in the manner described, such Bonds shall no longer be deemed outstanding obligations secured by the Resolution, but will be payable only from the funds and government obligations deposited into escrow and will not be considered debt of the Corporation for purposes of taxation or applying any limitation on the Corporation's ability to issue debt for any other purpose. Furthermore, all rights of the Corporation to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the Corporation: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Unspent Moneys in Project Construction Fund

Upon the completion of the construction of the Projects financed with proceeds of the Bonds, the Corporation shall cause any funds remaining on deposit in the Project Construction Fund created by the Resolution to be transferred to the credit of the Debt Service Fund created by the Resolution and use such transferred funds to pay debt service on the Bonds coming due after such transfer.

Default and Remedies

The Resolution provides that upon the failure of the Corporation to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or default in the performance or observance of any other covenant, agreement or obligation of the Corporation in the Resolution, the failure to perform which materially, adversely affects the rights of the Registered Owners, including, but not limited to, their prospect or ability to be repaid, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the Corporation, the registered owners may seek a writ of mandamus to compel Corporation officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Corporation's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Even if a judgment against the Corporation could be obtained, it could not be enforced by direct levy and execution against the Corporation's property. Further, the registered owners cannot themselves foreclose on property within the Corporation or sell property within the Corporation to enforce the lien on the Pledged Revenue to pay the principal of and interest on the Bonds. Furthermore, the Corporation, as an entity acting on behalf of the City, is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Pledged Revenues, such provision is subject to particular circumstances and Bankruptcy Court interpretation. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). In the Resolution, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar to Cede & Co. Interest on the Bonds is payable by check or draft mailed on or before each interest payment date by the Paying Agent/Registrar, to the registered owner at the last known address as it appears on the registration books maintained by the Paying Agent/Registrar on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds and amounts due at maturity or upon prior redemption will be payable only upon presentation of such Bonds at the designated corporate trust office of the Paying Agent/Registrar at maturity or upon prior redemption; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the fifteenth day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, Bond certificates will be printed and delivered to the registered owners and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer or Exchange of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required (1) to make any transfer or exchange during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

Replacement Bonds

In the Resolution, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, the City, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Corporation, the City, and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices given pursuant to the Resolution, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or notices given pursuant to the Resolution, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate in the aggregate principal amount of each maturity will be issued and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as "Participants". DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the City, or the Underwriter takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

SECURITY FOR THE BONDS

Pledge Under the Resolution

The Bonds are special obligations of the Corporation and, together with the outstanding Parity Bonds and any Additional Bonds, are payable solely from and secured only by a lien on and pledge of the Pledged Revenues. The Resolution defines "Pledged Revenues" to be the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law. See "APPENDIX D - SELECTED PROVISIONS OF THE RESOLUTION" herein.

UNDER THE RESOLUTION, THE BONDS AND THE OUTSTANDING PARITY BONDS, INCLUDING INTEREST PAYABLE THEREON, CONSTITUTE OBLIGATIONS OF THE CORPORATION, PAYABLE SOLELY FROM, AND SECURED BY A LIEN ON AND PLEDGE OF, THE PLEDGED REVENUES AND NOT FROM ANY OTHER REVENUES, PROPERTIES OR INCOME OF THE CORPORATION. THE BONDS DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF TEXAS, OR OF THE CITY, OR ELLIS COUNTY, OR ANY AGENCY, POLITICAL CORPORATION OR SUBDIVISION THEREOF. THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE, ELLIS COUNTY, THE CITY AND ANY OTHER AGENCY, POLITICAL CORPORATION OR SUBDIVISION OF THE STATE HAS NOT BEEN PLEDGED FOR THE PAYMENT OF THE BONDS, EXCEPT AS DESCRIBED HEREIN.

The Sales Tax Remittance Agreement

Pursuant to an agreement (the "Sales Tax Remittance Agreement") between the City and the Corporation, the City has agreed to maintain an escrow fund at an official depository bank of the City (the "Sales Tax Fund") and shall deposit the Corporation's pro rata share of all sales and use tax receipts of the City into the Sales Tax Fund to be held pending transfer of the amounts on deposit therein to the Revenue Fund established by the Resolution. The Sales Tax Remittance Agreement provides that until such time as the Comptroller of Public Accounts of the State of Texas (the "Comptroller") is able to determine and report the amount of the Sales Tax levied for the benefit of the Corporation, the City will transfer to the Sales Tax Fund the portion of total sales and use tax receipts of the City which has been levied for the benefit of the Corporation, and will allocate the cost of any rebate or charge-back applicable to Corporation on the same pro rata basis. On the 25th day of each month, the City shall direct its depository bank to transfer the amounts on deposit in the Sales Tax Fund to the Corporation for deposit into the Revenue Fund for use in accordance with the Resolution. Under the terms of the Sales Tax Remittance Agreement, the City has covenanted and agreed that so long as Bonds are outstanding the City will take and pursue all possible action under the Act and other State law by which the City derives its power to cause the Sales Tax to be levied and collected continuously at the rate of ½ of 1%, or to the extent permitted by law and the City will not cause a reduction, abatement or exemption in the Sales Tax or in the rate at which it is authorized to be collected.

General Covenant Regarding the Sales Tax

The Municipal Sales and Use Tax Act provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act. The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the Texas Legislature without the consent of the City or the Corporation. See "THE SALES TAX – Investor Considerations" herein.

In the Resolution, the Corporation covenants and agrees that, while any of the Bonds are outstanding, the Sales Tax will be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, at the current rate or, under certain circumstances at a rate higher if permitted by applicable law, in the manner and to the maximum extent permitted by applicable law; and to cause no reduction in the rate of the Sales Tax below the current rate; and that any repeal of the right and power to levy and collect the Sales Tax will not be effective until all of the Bonds have been paid in full or until they are lawfully defeased in accordance with the Resolution.

Flow of Funds

The Issuer shall transfer or cause to be transferred Pledged Revenues on deposit in the Revenue Fund, and deposit to the credit of the Debt Service Fund the amounts, at the times, as follows: (1) such amounts, in substantially equal monthly installments, deposited on or before the 10th day of each month hereafter, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and (2) such amounts, in substantially equal monthly installments, deposited on or before the 10th day of each month, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds (including sinking fund payments on any "term bonds") on the next succeeding principal payment date or mandatory sinking fund payment date. For a more detailed discussion of the application of monies deposited in the various funds and accounts, and the purposes thereof, see "APPENDIX D - SELECTED PROVISIONS OF THE RESOLUTION" herein. As described in "THE BONDS - Unspent Moneys in the Project Construction Fund", under certain circumstances moneys on deposit in the Project Construction Fund may be transferred to the Debt Service Fund and used to pay debt service on the Bonds. Should this occur, the result may be that transfers of Pledged Revenues may not be required to pay interest on and principal of the Bonds in the manner described above.

Reserve Fund Requirements

The Reserve Fund shall be maintained in an amount equal to the Required Reserve Amount. The Resolution defines Required Reserve Amount to mean the maximum annual principal and interest requirement of the Parity Bonds. When and so long as the money and investments in the Reserve Fund are not less than the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund. When and if the Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Bonds or any Additional Bonds, beginning on the 10th day of the month following the delivery of the Bonds to the purchasers thereof, and continuing for sixty months, the Corporation shall transfer or cause to be transferred Pledged Revenues on deposit in the Revenue Fund, and deposit to the credit of the Reserve Fund an amount equal to 1/60 of the difference determined as of such delivery date between the amount in the Reserve Fund and the Required Reserve Amount. When and if the Reserve Fund at any time contains less than the Required Reserve Amount due to any cause or condition other than the issuance of any Additional Bonds, then, subject and subordinate to making the required deposits to the credit of the Debt Service Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose. The Corporation may withdraw and use, for any purpose not inconsistent with the provisions of the Act, all surplus in the Reserve Fund over the Required Reserve Amount; provided, however, that prior to making such withdrawal, such withdrawal and the use thereof must be authorized and approved by official action of the governing body of the City.

The Required Reserve Amount for the Bonds will be funded through the issuance of a debt service reserve surety policy. See "BOND INSURANCE" herein.

Additional Parity Bonds

The Resolution provides that in addition to the right to issue obligations of inferior lien, the Issuer reserves the right to issue bonds, notes or other evidences of indebtedness which, together with the Bonds, are equally and ratably secured by a parity pledge of and claim on the Pledged Revenues (the "Additional Bonds"). Such Additional Bonds may not be issued unless and until each of the following conditions have been met:

- (1) The President and the Secretary of the Board of the Corporation sign a written certificate to the effect that the Corporation is not in default as to any covenant, condition or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the resolutions authorizing same, and that the Debt Service Fund and the Reserve Fund each contains the amount then required to be therein;
- (2) An independent certified public accountant, or independent firm of certified public accountants, signs a written certificate to the effect that, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Bonds, the Pledged Revenues were, in his or its opinion, at least equal to 1.50 times the average annual principal and interest requirements (computed on a fiscal year basis) of all Parity Bonds and Additional Bonds to be outstanding after the issuance of then proposed Additional Bonds; and
- (3) The governing body of the City by official action approves the issuance of the Bonds, as required by the Act.

THE SALES TAX

The Sales Tax is a ½ of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at an election held on August 8, 1998. The Comptroller began collecting the Sales Tax on transactions within the City beginning on January 1, 1999. The Tax Code prohibits a municipality from increasing its sales and use tax or adopting an additional sales and use tax if, as a result of such adoption or increase, the combined rate of all sales and use taxes imposed by the municipality and all other political subdivisions of the State having territory in the municipality would exceed two percent (2%) at any location in the municipality. The total rate of all State (6¼%) and local (2%) sales and use taxes levied in the City is currently 8¼%. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The imposition, computation, administration, governance, abolition and use of the

Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds, and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, personal services, cable television services, motor vehicle parking and storage services, the repair, remodel, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, Internet access services, and distribution utility of transmission or delivery of service directly to an electricity end-use customer whose consumption of electricity is subject to taxation under Chapter 151 of the Texas Tax Code. Many items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g., by restaurants, lunch counters, etc.), health care supplies (including prescription medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles, and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes except that the following are exempt from the sales taxes: mixed beverages, ice or nonalcoholic beverages that are subject to State alcohol taxes (there is no local component of the State alcohol taxes and, thus, the City would not receive any revenue with respect to such sales) and alcoholic beverages when sold to the holder of a private club registration permit under certain circumstances. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations, senior citizen organizations, and university and college student organizations. Also, State law provides an exemption from sales taxes on items purchased under a certain bids or written contracts in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years. In general, a sale of a taxable item is deemed to occur within the municipality in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6 ¼% sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied by the State is 8¼% (which includes the ½% Sales Tax levied for the benefit of the Corporation).

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. **The City does tax the residential use of gas and electricity.**

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax, including sales tax for tangible personal property used in manufacturing, processing, or fabrication operations with a useful life of at least six months that became totally exempt from sales tax in 1995. Subject to the right of the governing body of the City to repeal the sales tax holiday, during a three day period beginning the Friday before eight days prior to the earliest possible first day of school, articles of clothing, footwear, qualifying backpacks and school supplies with a cost less than \$100 are exempt from the sales tax as is 20% of the value of information services and data processing services. The first \$25 of a monthly charge for Internet access is exempt from sales tax (see however "THE SALES TAX – Investor Considerations" herein for a description of the state of sales taxation on Internet access), as is 20% of the value of information services and data processing services. Sales tax is due on over-the-counter drugs and medicines labeled with a national FDA drug code.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 sales and use tax dollars in a calendar month or less than \$1,500 in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than \$1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. Otherwise, the Comptroller mails the monthly allocation check which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax. **The City does participate in this program.**

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold ½% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1¼% of the amount of the prepayment in addition of the ½% allowed for the cost of collecting the sales and use tax.

Investor Considerations

Sales Tax Volatility and Potential Changes in Sales Tax Base. The source of security for the Bonds will be receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of the revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality.

Recent Legislation. The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the State and national level. Internet sales have likely resulted in a decrease in Sales Tax revenue to the Corporation. However, in June of 2018, the U.S. Supreme Court, in reversal of a principle set out by the Court in 1992 (Quill Corp. v. North Dakota, 504 U.S. 298 (1992)), determined that the Commerce Clause of the U.S. Constitution would not prohibit state and local governmental entities from collecting sales tax on goods sold to buyers for delivery in a state, even though a business that made the sale didn't have a physical presence in the state. (See South Dakota v. Wayfair, Inc., 2018 U.S. Lexis 3835 (2018)).

During the most recently concluded session of the Texas Legislative in June, 2019, two bills were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in South Dakota v. Wayfair, Inc. H.B. 1525, effective October 1, 2019, amends Chapters 151, 321 and 323, Texas Tax Code, by amending the definitions of "seller" and "retailer" to include a "Marketplace" provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. In other words, H.B. 1525 requires an online marketplace (e.g., Ebay, Amazon, or Walmart) to collect sales taxes on marketplace sales instead of potentially requiring each individual seller on that marketplace to do so. Additionally, it requires the sales taxes associated with marketplace sales to be sourced to the destination to which the marketplace goods are shipped. H.B. 2153, effective October 1, 2019, amends the Texas Tax Code by giving remote sellers the option to either: (1) collect and remit the actual sales taxes owed based upon the shipping destination; or (2) collect a simplified "single local use tax rate" of roughly 1.75 percent on all sales. Remote sellers who collect the single local use tax rate send the money to the Comptroller, who remits the revenue to local taxing entities based upon their existing proportion of the local sales tax base.

In response to this legislation passed during the 2019 legislative session, the Comptroller published proposed rule changes affecting orders made on the internet; the proposed rule changes add Section 3.334(c)(6), Texas Administrative Code, which states that "internet orders are not received at a place of business of the seller in Texas." The new rule is intended to address the current difficulty of identifying exactly where internet orders are received. Under the current rule, sales taxes on internet orders made by Texas residents can potentially be sourced to the community in Texas where a given place of business is located. Under the proposed rule, sales taxes on internet orders made by Texas residents would not automatically be sourced to the community where the place of business is located but would be determined according to the method of placing the internet order and whether it is fulfilled at the seller's place of business. The comment period for the proposed rule ended on April 3, 2020 and the Comptroller is currently analyzing comments received. The Comptroller is required to make a final determination on the proposed rule by July 3, 2020.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8¼%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8¼% (including State sales tax and the City sales taxes, which include the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax which will secure the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied, and the City (and hence the Corporation, as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year. (See "Table 5 – SALES TAX COLLECTIONS – City of Midlothian CDC", and Table 6 – SALES TAX COLLECTIONS – City of Midlothian, Texas" in Appendix A for more detail on actual sales and use tax collections over the past few years).

Tax receipts received by the Corporation may be adversely impacted by the effects of COVID-19 on economic activity in the City. See "INFECTIOUS DISEASE OUTBREAK – COVID-19".

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the ½ of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projection of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.

Historical information regarding the State's sales tax base, gross sales within the City, and sales within the City which are subject to the State sales and use tax is included herein, and while the Corporation has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the City will provide sufficient Sales Tax receipts to pay the Bonds and Additional Parity Obligations, if any. (See "TABLE 5 – SALES TAX COLLECTIONS – City of Midlothian CDC" in Appendix A hereto.)

The Streamlined Sales and Use Tax Agreement Project

The Streamlined Sales and Use Tax Agreement Project. In 1992 the U.S. Supreme Court ruled that states cannot force retailers without a physical presence in the consumer's state to collect sales taxes. The Court reasoned that the current patchwork of roughly 7,500 taxing jurisdictions across the country is too complex and burdensome, particularly for online retailers. In order to collect sales taxes, the Court ruled, states will need to simplify the existing sales tax collection system. The National Governors Association, among others, has promoted model legislation designed to simplify the collection of sales tax collection programs to address the Supreme Court's ruling. In early 2000, representatives of state government and the business community formed the Streamlined Sales Tax Project ("SSTP") to develop measures to design, test and implement a sales and use tax system that radically simplifies sales and use taxes. On November 12, 2002, 34 states, including Texas, and the District of Columbia involved in the Streamlined Sales Tax Implementing States ("SSTIS") process approved the Streamlined Sales and Use Tax Agreement (the "SSUTA") based upon recommendations put forth by the SSTP. The SSUTA goes into effect when 10 states comprising at least 20 percent of the population of states imposing a sales tax have come into compliance, which has now occurred. However, collection by generators of sales and use taxes on remote sales remains voluntary under the SSUTA until either Congress or the Supreme Court acts to make such collection mandatory.

In 2001, the Texas Legislature adopted the Simplified Sales and Use Tax Administration Act, which is codified at Chapter 142, Texas Tax Code. Chapter 142 in general does not include substantive changes to Texas sales tax law, but it merely authorizes the Comptroller to participate in the development of the SSUTA. Based upon such negotiations, the Comptroller is authorized to make recommendations to the Texas Legislature, and the Legislature must enact any changes to State sales and use tax laws that may be needed to bring the State into full compliance with SSUTA. A key aspect of the SSUTA, which is slated to take effect under the terms of the model agreement in 2005, relates to the source jurisdiction for sales tax activity. In January 2005, the Comptroller announced that she would defer the implementation of that provision because "several members of the Texas Legislature as well as many business owners around the state have raised concerns about the significant and far-reaching effects of these changes." The SSUTA includes the destination of use as the relevant jurisdiction for taxing economic activity, as opposed to the jurisdiction in which a sale originates. At present, destination sourcing of sales transactions has not been authorized by Texas law, except for

services and goods sold into a jurisdiction where the seller has a presence. The State as a whole would likely increase overall sales tax collections if destination sourcing of all sales tax transactions should become law in the State, and there could be some benefits for many if not all governments that collect sales taxes if the provisions of SSUTA are enacted in the State. However, governmental entities that have a higher than average concentration of sales tax payers engaged in commercial activities that include sales of personal property delivered to other jurisdictions, could experience a material decline in sales tax collections if destination sourcing of all sales tax transactions should become law. The Corporation has not undertaken a review of the impact that the destination sourcing of sales tax transactions would have on the Corporation, but notes that the top sales tax payers in the City generally consist of restaurants and retail business where delivery of goods occurs on site. The Corporation cannot predict whether Texas law will be modified in a way that will include destination sourcing of all sales tax activities.

BOND INSURANCE

The Corporation has applied for municipal bond insurance on the Bonds. The Corporation shall notify the Underwriter upon obtaining a commitment from a municipal bond insurance company (the "Bond Insurer") concerning the Bonds. The premium for a municipal bond insurance policy (the "Policy") shall be paid by the Corporation. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Bond Insurer and the Policy.

BOND INSURANCE RISK FACTORS

The Corporation has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Corporation has yet to determine whether any insurance will be purchased with the Bonds. If a Policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the Corporation which is recovered by the Corporation from the Bond owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the Corporation unless the Bond Insurer chooses to pay such amounts at an earlier date.

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE BONDS – Default and Remedies". The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Pledged Revenues pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "RATING" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

Neither the Corporation, the City, nor the Underwriter have made independent investigation into the claims paying ability of any potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Corporation to pay principal and interest on the Bonds and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Bonds.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, a business unit of S&P Global Inc., and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The Corporation invests funds in instruments authorized by Texas law in accordance with the City's investment policy. The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. Authority to manage the City's investment program is derived from the PFIA and the City's charter and reconfirmed by the adoption of an investment policy (the "Investment Policy") by the City Council. An Investment Committee, consisting of the City Manager, Director of Finance and any other designated Investment Officer(s), meets at least quarterly to determine operational strategies and to monitor investment results. Management responsibility for the investment program has been delegated to the City's Finance Director and the Board's Treasurer and may be further delegated to the City's contracted Investment Advisor as designated Investment Officers. Both State law and the City's investment policies and procedures are subject to change.

Under State law, the Corporation is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Corporation deposits; or (ii) where (a) the funds are invested by the Corporation through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Corporation as required by law or (ii) a depository institution that has its main office or a branch office in the State that is selected by the Corporation; (b) the broker or the depository institution selected by the Corporation arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Corporation; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Corporation appoints the depository institution selected under (a) above, a custodian as described by Section 2257.04(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Corporation with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation, held in the Corporation's name and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 365 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Corporation may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The Corporation may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Corporation retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The Corporation is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) relevant provisions of the PFIA. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Under State law, an investment officer is required to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (1) the governing investment policy and (2) statutory provisions governing the issuance of debt obligations.

Authorized Investments

The following are authorized investments under the Investment Policy:

- Obligations of the United States of America, its agencies and instrumentalities, excluding mortgage backed securities, with a maximum stated maturity of three (3) years. Reserve funds may only include securities with a maximum stated maturity of five years.
- Fully insured or collateralized certificates of deposit of banks doing business in the State collateralized in accordance with the Investment Policy, under a written agreement, and with a maximum stated maturity of one year.
- Fully collateralized direct repurchase agreements with a defined termination date, secured in accordance with the Investment Policy and placed with a primary securities dealer. All repurchase agreement transactions shall be governed by an executed Bond Market Repurchase Agreement. Maximum stated maturity shall be 90 days except for flex repurchase agreements. Bond proceeds may be invested in a single flex repurchase agreement the maximum stated maturity of which shall be matched to the expenditure plan of the bonds.
- Constant dollar, Texas local government investment pools as defined by the Act and specifically approved by resolution of the City Council
- AAA-rated SEC registered money market mutual funds which strive to maintain \$1 net asset value at all times
- Depository accounts of designated depositories
- State and local government debt from any US state, rated A or better by a nationally recognized rating agency with a maximum maturity of three years to stated maturity.
- FDIC insured brokered certificates of deposit securities from a bank in any US state, delivered versus payment to the City's safekeeping agent, not to exceed one year to maturity. Before purchase, the Investment Officer or Adviser must verify the FDIC status of the bank on www.fdic.gov to insure that the bank is FDIC insured.

If additional types of securities are approved for investment by public funds by State statute, they will not be eligible for investment by the City until the Investment Policy has been amended and the amended version has been adopted by the City Council.

Unauthorized Investments

Under the PFIA, the city is not authorized to invest its funds and funds under its control in the following:

- Interest-Only mortgaged backed securities (IO) whose payment represents only the coupon payments on outstanding principal balances of underlying mortgage.
- Principal-Only mortgage backed securities (PO) whose payment represents only the principal stream from underlying mortgages.
- Collateralized mortgage obligations (CMO) with a stated final maturity date of greater than 10 years.
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the change in a market index.

The following investments have not been authorized as eligible investments under the Investment Policy:

- Commercial paper
- Bankers acceptances

Current Investments

As of May 31, 2020 (unaudited), all of the Corporation’s investable funds were invested as follows:

Type of Investment	Amount of Investment	Percentage Of Portfolio
Federal Agency Coupon Securities	\$ 500,464.55	6.60%
TexPool	6,879,265.06	90.65%
Wells Fargo Bank	209,456.85	2.75%
Total	\$7,589,186.46	100.00%

As of such date, the market value of such investments (as determined by the Corporation by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Corporation are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Comptroller exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool represents to its investors that it operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT

The Corporation does not anticipate the additional issuance of debt in the next twelve months.

The Corporation will continue to explore opportunities for economic development and may make commitments with respect to funds on hand available for such purpose or from moneys to be received subject to the flow of funds under the Resolution or through the issuance of Additional Parity Obligations.

THE CORPORATION

The Corporation is a public instrumentality and non-profit Type B corporation created by and acting on behalf of the City under the authority of the Act. The Corporation is organized for the purpose of benefiting and accomplishing public purposes of the City by promoting, assisting and enhancing the community as pertains to economic development activities within the City.

The affairs of the Corporation are managed by a seven (7) member Board of Directors appointed by a majority vote of the City Council of the City. The Corporation operates under the State of Texas Certificate of Incorporation, Charter #01512348-01, dated November 6, 1998; and also under general powers and duties as defined in the Act. The Articles of Incorporation provide that all members meet the residency requirement for a city of less than 20,000 population, in that directors of a Type B Corporation may be residents of the city and of the county in which most of the city limits is located. All voting rights are vested solely in the Board. The Corporation’s by-laws provide the Board to meet monthly, and the meetings are governed by the Texas Open Meetings Act. The Directors serve without compensation.

The fiscal year of the Corporation runs concurrently with the City beginning the first day of October and ending on the last day of September each year. At least thirty days prior to the commencement of each fiscal year of the Corporation, the Board must adopt a proposed budget of expected revenues and expenditures. The budget does not become effective until the same has been approved by a majority vote of the City Council.

All proceeds from the issuance of debt instruments issued by the Corporation shall be deposited and invested as provided in the resolution, order, indenture or other documents authorizing their issuance. All other monies of the Corporation shall be deposited, secured and/or invested in the manner provided for the deposit, security and/or investment of the public funds of the City. The Corporation’s financial statements must be audited at least once each fiscal year by an outside independent certified public accounting firm selected by the Corporation and approved by the City Council.

Any bonds issued by the Corporation shall be issued (1) upon approval of the City Council and (2) in accordance with the applicable provisions of the Act.

RATINGS

A municipal bond rating application has been made to S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The Corporation's currently outstanding debt has an underlying rating of "A+". An explanation of the significance of any rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel will rely upon (a) the Issuer's federal tax certificate and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the Issuer is conditioned on compliance by the Issuer with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a *de minimis* amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution", on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Bonds will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations". **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a *de minimis* amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations".**

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Corporation has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Corporation is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

Annual Reports

The Corporation will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under Tables numbered 2, 5 and 7 of Appendix A and the information of the general type included in Appendix E. The Corporation will update and provide this information within six months after the end of each fiscal year ending in or after 2020. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Corporation will provide notice that the audited financial statements are not available and will provide unaudited financial information of the type described in the

preceding paragraph and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix E or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation. The Corporation's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year following the end of its fiscal year, unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten Business Days (defined below) after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds (provided, however, that the Bonds are issued as "taxable obligations"); (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Corporation, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect securities holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provision for credit enhancement (though the Corporation has made application to municipal bond insurance companies and will consider the purchase of such insurance after an analysis of such bids) or liquidity enhancement for the Bonds.

The term "Business Day" means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated trust office of the Paying Agent/Registrar (currently, its Dallas, Texas office) is located are authorized by law or executive order to close. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation.

For these purposes, as used in clauses 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; and the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time.

Availability of Information from EMMA

All information and documentation filing required to be made by the Corporation in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format via EMMA in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal

amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the last five years, the Corporation has complied in all material respects with all continuing disclosure undertakings made by it in accordance with the Rule, except as follows: the Corporation did not timely file an S&P Bond Upgrade that occurred on February 22, 2019 when the Corporations Series 2014 sales tax and revenue bonds were upgraded from an "A-" to an "A+". The filing and the Notice of Late Filing was made on August 6, 2020.

OTHER PERTINENT INFORMATION

Legal Matters

The Issuer will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Initial Bond is a valid and legally binding special obligation of the Corporation, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Resolution, are valid and legally binding obligations of the Corporation. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions or subcaptions "THE BONDS" (other than the information under the subcaptions "Payment Record", "Use of Bond Proceeds" and "Default and Remedies", as to which no opinion is expressed), "SECURITY FOR THE BONDS", "REGISTRATION, TRANSFER AND EXCHANGE" "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Agreements", as to which no opinion is expressed), and the subcaptions "Legal Matters" (except for the last two sentences of the second paragraph thereof, to which no opinion is expressed), "Registration and Qualification of Bonds for Sale", and "Legal Investments and Eligibility to Security Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and "SELECTED PROVISIONS OF THE RESOLUTION" in Appendix D, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Resolution. The legal opinion may accompany the Bonds deposited with DTC or may be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Corporation and the City in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Locke Lord LLP, Dallas, Texas. The fees of Underwriter's Counsel are contingent upon the delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the respective attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Corporation assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriter to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. The Corporation will cooperate, at the Underwriter's written request and expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the Corporation shall not be required to execute a general or special consent to service of process in any jurisdiction.

Litigation

At the time of this Official Statement, neither the Issuer nor the City is a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either State or federal) which, if decided adversely to the Issuer or the City, would have a material adverse effect on the financial condition of the Issuer.

On the date of delivery of the Bonds to the Underwriter, the Corporation will execute and deliver to the Underwriter a certificate to the effect that, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act, as amended, provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. (See "RATING" herein.) In addition, various provisions of the Texas Finance Code, as amended, provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review by the City or the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. Neither the City nor the Corporation has made an investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

Underwriting

Hilltop Securities Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of \$_____ (representing the par amount of the Bonds of \$_____, plus a net reoffering premium of \$_____, and less an Underwriter's discount of \$_____), plus accrued interest on the Bonds from the Dated Date to the date of initial delivery of the Bonds to the Underwriter.

The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the Corporation, the City and their affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Corporation and the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Corporation or the City. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. The Issuer's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Financial Advisor

SAMCO Capital Markets, Inc., as Financial Advisor, has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Corporation or the City for the investment of bond proceeds or other funds of the Corporation or City upon request.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Corporation, and as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Miscellaneous

The financial data and other information contained in this Official Statement have been obtained from the Corporation’s records, audited and unaudited financial statements of the Corporation, the Comptroller and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such original documents for further information. Reference is made to original documents in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

The Resolution will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Corporation, and will authorize its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement will be approved by the Board of Directors of the Corporation for distribution in accordance with the provisions of the SEC rule codified at 17 C.F.R. Section 240.15c2-12.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

APPENDIX A
FINANCIAL INFORMATION OF THE ISSUER

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FINANCIAL INFORMATION FOR THE ISSUER

ISSUER SALES TAX REVENUE BOND DEBT DATA

TABLE 1

Revenue Bond Debt Principal Outstanding (as of July 1, 2020)		
Sales Tax Revenue Refunding Bonds, Series 2011	\$	1,395,000
Sales Tax Revenue Bonds, Series 2014		<u>3,580,000</u>
Total	\$	4,975,000
 Prospective Sales Tax Revenue Bond Debt Principal		
Sales Tax Revenue Bonds, Series 2020 (the "Bonds")		<u>5,000,000</u> *
 Total Revenue Debt Principal Outstanding Following the Issuance of the Bonds	\$	9,975,000 *

FINANCIAL INFORMATION FOR THE ISSUER

* Preliminary, subject to change.

PRO FORMA SALES TAX DEBT SERVICE REQUIREMENTS

TABLE 2

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt Service	The Bonds*			Total Debt Service*
		Principal	Interest	Total	
2020	\$ 728,838				\$ 728,838
2021	728,838	\$ 170,000	\$ 176,042	\$ 346,042	\$ 1,074,879
2022	738,038	185,000	156,975	341,975	1,080,013
2023	731,038	195,000	150,963	345,963	1,077,000
2024	348,438	200,000	144,625	344,625	693,063
2025	350,238	205,000	138,125	343,125	693,363
2026	346,638	215,000	131,463	346,463	693,100
2027	347,838	220,000	124,475	344,475	692,313
2028	348,350	225,000	117,325	342,325	690,675
2029	345,150	235,000	110,013	345,013	690,163
2030	346,400	240,000	102,375	342,375	688,775
2031	346,825	250,000	94,575	344,575	691,400
2032	346,425	260,000	86,450	346,450	692,875
2033	345,200	265,000	78,000	343,000	688,200
2034	348,150	275,000	69,388	344,388	692,538
2035	-	285,000	60,450	345,450	345,450
2036	-	295,000	51,188	346,188	346,188
2037	-	305,000	41,600	346,600	346,600
2038	-	315,000	31,688	346,688	346,688
2039	-	325,000	21,450	346,450	346,450
2040	-	335,000	10,888	345,888	345,888
Total	<u>\$ 6,746,400</u>	<u>\$ 5,000,000</u>	<u>\$ 1,898,054</u>	<u>\$ 6,898,054</u>	<u>\$ 13,644,454</u>

* Preliminary, subject to change.

PRO FORMA DEBT SERVICE COVERAGE

TABLE 3

Maximum Annual Debt Service Requirements (2022)	\$	1,080,013 *
Annual Sales Tax Receipts for Fiscal Year 2018-2019	\$	2,384,990
Estimated Pro Forma Coverage based on Total Revenues Available		2.21X *
Average Annual Debt Service (Excludes 2020)	\$	649,736 *
Annual Sales Tax Receipts for Fiscal Year 2018-19	\$	2,384,990
Estimated Pro Forma Coverage		3.67X *

* Preliminary, subject to change.

ISSUER SALES TAX REVENUE PRINCIPAL REPAYMENT SCHEDULE

TABLE 4

(As of July 2020)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
	Currently Outstanding	The Bonds*	Total*		
2020	\$ 500,000	\$ -	\$ 500,000	9,475,000	5.01%
2021	520,000	170,000	690,000	8,785,000	11.93%
2022	550,000	185,000	735,000	8,050,000	19.30%
2023	565,000	195,000	760,000	7,290,000	26.92%
2024	205,000	200,000	405,000	6,885,000	30.98%
2025	215,000	205,000	420,000	6,465,000	35.19%
2026	220,000	215,000	435,000	6,030,000	39.55%
2027	230,000	220,000	450,000	5,580,000	44.06%
2028	240,000	225,000	465,000	5,115,000	48.72%
2029	250,000	235,000	485,000	4,630,000	53.58%
2030	265,000	240,000	505,000	4,125,000	58.65%
2031	280,000	250,000	530,000	3,595,000	63.96%
2032	295,000	260,000	555,000	3,040,000	69.52%
2033	310,000	265,000	575,000	2,465,000	75.29%
2034	330,000	275,000	605,000	1,860,000	81.35%
2035	-	285,000	285,000	1,575,000	84.21%
2036	-	295,000	295,000	1,280,000	87.17%
2037	-	305,000	305,000	975,000	90.23%
2038	-	315,000	315,000	660,000	93.38%
2039	-	325,000	325,000	335,000	96.64%
2040	-	335,000	335,000	-	100.00%
Total	\$ 4,975,000	\$ 5,000,000	\$ 9,975,000		

* Preliminary, subject to change.

SALES TAX COLLECTIONS - ISSUER

TABLE 5

The following table shows a five-year history of Sales Tax Collections for the Issuer's ½% sales, as well as current fiscal year collections (unaudited). It does not include the 1% general sales tax for the City or the ½% sales tax for economic development collected under Section 4A , Article 5190.6 of Vernon's Annotated Texas Civil Statutes. The ½% sales tax for economic development was approved at an election held on August 8, 1998. Levy of the additional sales tax began on January 1, 1999.

	Year-to-Date					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2019-2020 (1)	2018-2019 (2)	2017-2018	2016-2017	2015-2016	2014-2015
October	\$ 224,914	\$ 174,387	\$ 159,328	\$ 142,179	\$ 115,758	\$ 118,877
November	282,053	248,047	185,805	154,888	163,090	150,450
December	285,056	177,082	150,794	137,296	143,277	137,764
January	230,925	195,597	158,651	142,137	134,644	123,089
February	331,901	246,350	198,359	172,652	185,317	161,525
March	271,653	-	161,379	133,253	126,876	122,068
April	175,902	169,590	132,409	115,941	130,281	104,073
May	251,938	270,184	217,394	171,004	127,608	151,086
June	241,321	211,726	156,159	138,059	126,246	127,740
July	256,131	206,348	175,904	176,329	142,683	116,150
August	-	259,758	217,858	191,359	165,847	153,645
September	-	225,920	163,441	161,534	134,616	128,402
Total	\$ 2,551,794	\$ 2,384,990	\$ 2,077,481	\$ 1,836,632	\$ 1,696,244	\$ 1,594,868

(1) As of July, 2020; unaudited.

(2) March FY 2019 sales tax collections were retained by the State while an audit was performed. Sales tax would have been approximately \$680,080.65 (per the Comptroller's Office) for the City in aggregate but all funds were retained due to the audit findings as notified on 1/17/19. Also, the February payment was reduced by the remaining balance due (\$133,463.16).

Source: State Comptroller's Office of the State of Texas.

Note: Sale tax revenues noted above are listed by the month in which the City received them from the State, which is two months after they are generated.

SALES TAX COLLECTIONS - CITY OF MIDLOTHIAN, TEXAS

TABLE 6

The following table shows ONLY the 1% general sales tax receipts of the City of Midlothian, Texas for the years shown and is provided for informational purposes only. It does not include the ½% sales tax for economic development collected under each of Section 4A and Section 4B, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. **Revenues from the City's 1% general sales tax receipts ARE NOT PLEDGED to the payment of the Bonds.**

	Year-to-Date					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2019-2020 (1)	2018-2019 (2)	2017-2018	2016-2017	2015-2016	2014-2015
October	\$ 449,828	\$ 348,774	\$ 318,657	\$ 284,357	\$ 231,516	\$ 237,754
November	564,107	496,093	371,610	309,777	326,179	300,900
December	570,113	354,163	301,588	274,592	286,554	275,528
January	461,850	391,194	317,301	284,275	269,289	246,179
February	663,801	492,701	396,718	345,303	370,634	323,049
March	543,306	-	322,758	266,507	253,753	244,135
April	351,803	339,180	264,818	231,883	260,562	208,146
May	503,875	540,368	434,787	342,009	255,216	302,172
June	482,642	423,451	312,319	276,118	252,492	255,479
July	512,262	412,696	351,808	352,658	285,366	232,301
August	-	519,516	435,715	382,718	331,695	307,291
September	-	451,841	326,883	323,068	269,231	256,803
Total	\$ 5,103,587	\$ 4,769,979	\$ 4,154,962	\$ 3,673,264	\$ 3,392,488	\$ 3,189,736

(1) As of July, 2020; unaudited.

(2) March FY2019 sales tax collections were retained by the State while an audit was performed. Sales tax would have been approximately \$680,080.65 (per the Comptroller's Office) for the City in aggregate but all funds were retained due to the audit findings as notified on 1/17/19. Also, the February payment was reduced by the remaining balance due (\$133,463.16).

Source: State Comptroller's Office of the State of Texas.

Note: Sale tax revenues noted above are listed by the month in which the City received them from the State, which is two months after they are generated.

CORPORATION CONDENSED OPERATING STATEMENT

TABLE 7

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Fund Balance - Beginning of Year	\$ 4,403,126	\$ 3,962,847	\$ 3,588,849	\$ 3,708,581	\$ 3,157,345
Revenues	\$ 2,574,012	\$ 2,217,937	\$ 1,911,660	1,821,146	\$ 1,626,773
Expenditures	783,142	1,049,170	943,504	1,630,635	1,399,115
Excess of Revenues Over Expenditures	\$ 1,790,870	\$ 1,168,767	\$ 968,156	\$ 190,511	\$ 227,658
Other Financing Sources (Uses):					
Operating Transfers Out	\$ (731,538)	\$ (728,488)	\$ (594,158)	\$ (501,477)	\$ -
Operating Transfers In	-	-	-	191,234	323,578
Total	\$ (731,538)	\$ (728,488)	\$ (594,158)	\$ (310,243)	\$ 323,578
Fund Balance - End of Year	\$ 5,462,458	\$ 4,403,126	\$ 3,962,847	\$ 3,588,849	\$ 3,708,581
Available for Debt Service ⁽²⁾	2,522,408	1,897,255	1,694,994	915,174	879,924
Debt Service Payment ⁽³⁾	731,538	728,488	726,838	724,663	652,266
Debt Service Coverage	3.45X	2.60X	2.33X	1.26X	1.35X
Net Available for Additional Economic Development	\$ 5,462,458	\$ 4,403,126	\$ 3,962,847	\$ 3,588,849	\$ 3,708,581

Source: The City's Comprehensive Annual Financial Reports.

FUND BALANCE

TABLE 8

(as of June 30, 2020)

4-B Operating Account	\$6,481,102
4-B I&S Fund	\$1,312,447
4-B Reserve Fund	\$389,200
Total Funds	\$8,182,749

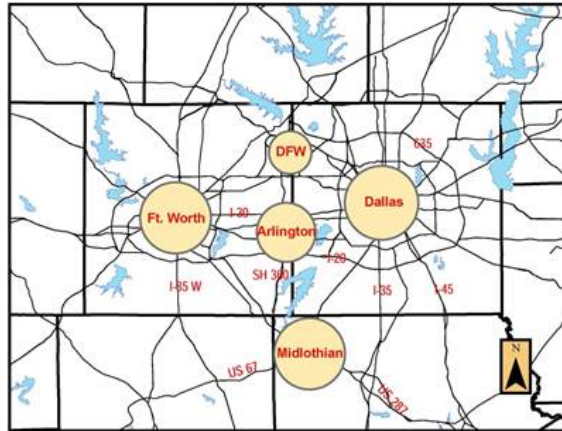
APPENDIX B
GENERAL INFORMATION REGARDING THE
CITY OF MIDLOTHIAN, TEXAS AND ELLIS COUNTY, TEXAS

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**GENERAL INFORMATION REGARDING THE CITY OF MIDLOTHIAN
AND ELLIS COUNTY, TEXAS**

Location:

Chartered In 1888, the City of Midlothian (the "City") Is a commercial and Industrial center located 25 miles southwest of the City of Dallas and 25 miles southeast of the City of Fort Worth, at the Intersection of United States Highways 67 and 287. The City is a component of the Dallas-Fort Worth Consolidated Metropolitan Statistical Area (CMSA) and Is traversed by Interstate Highways 35E and 45, United States Highways 77 and 287, and State Highways 34 and 342. The City's economy Is primarily based on steel manufacturing, cement production, auto assembly and distribution and agriculture. According to the U.S. Census Bureau, the City's 2010 population was 18,037. The City's 2020 population estimate is 32,603.



Population Trends:

Census Report	City of Midlothian	Ellis County
Current Estimate	32,603	184,826
2010	18,037	149,610
2000	7,480	111,360
1990	5,141	85,167
1980	3,219	59,743

Sources: Latest available Census Reports and City of Midlothian.

Major Employers:

Employer	Type of Business	Number of Employees
Gerdau Ameristeel	Steel Manufacturing	1000-1499
Midlothian Independent School District	Public Education	500-999
Target Distribution	Distribution Center	500-999
City of Midlothian	Municipal Government	100-499
Martin Marietta	Cement Production	100-499
Kroger Marketplace	Retail	100-499
Ash Grove	Cement Plant	100-499
LafageHolcim Texas	Cement Production	100-499
Walmart	Retail	100-499
QuikTrip Corp	Distribution and Commercial Baking	100-499

Source: Midlothian Economic Development Corporation and the City of Midlothian

Residential and Commercial Building Construction

Calendar Year	Residential		Commercial		Total	
	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount	Number of Permits	AV Property Value \$\$ Amount
2020*	221	N/A	15	\$ 65,518,708	236	\$ 65,518,708
2019	477	N/A	65	545,746,502	542	545,746,502
2018	469	90,876,522	24	535,090,740	493	625,967,262
2017	627	103,038,830	16	30,951,283	643	133,990,113
2016	490	66,728,844	7	19,875,514	516	86,604,358
2015	414	56,700,000	9	20,200,000	423	76,900,000
2014	278	39,088,036	7	20,589,000	285	59,677,036
2013	238	32,531,488	8	20,136,989	246	52,668,477
2012	185	24,920,584	40	154,773,531	225	179,694,115
2011	167	21,805,836	3	517,000	170	22,322,836
2010	159	19,681,379	2	315,000	161	19,996,379
2009	107	12,904,180	15	8,360,178	122	21,264,358
2008	114	15,522,265	14	19,339,079	128	34,861,344

Sources: *The Issuer.*

*As of May 31, 2020. Residential values are no longer considered when permits are issued so the City quit collecting this information.

ELLIS COUNTY, TEXAS

The 2010 U.S. Census reported a county-wide population of 149,610. The County contains a number of municipalities of various sizes including: Ennis, Ferris, Italy, Maypearl, Midlothian, Ovilla, Palmer, Red Oak, and Waxahachie, which serves as the county seat. The County's economy is based on manufacturing and agriculture. The Texas Almanac designates livestock, dairy production, honey cotton, corn, wheat, milo and hay as principal sources of agricultural income.

Southwestern Assemblies of God College is located in the County. Other institutions of higher education in neighboring Dallas, Hill, Navarro and Tarrant counties that are accessible to residents of Ellis County include the following: Cedar Valley Community College, Dallas Baptist University, Dallas County Community Colleges, Hill County Junior College, Mountain View College, Navarro College, Northwood University, Southern Methodist University, Tarrant County Junior Colleges, Texas Christian University, University of Dallas, University of Texas at Arlington and University of Texas at Dallas.

Source: *Texas Municipals Report published by the Municipal Advisory Council of Texas.*

Labor Force Statistics - Ellis County

	Ellis County		State of Texas	
	June 2020	June 2019	June 2020	June 2019
Civilian Labor Force	91,416	92,544	13,844,386	14,009,283
Total Employed	84,929	89,425	12,612,804	13,489,259
Total Unemployed	6,487	3,119	1,231,582	520,024
% Unemployed	7.1%	3.4%	8.9%	3.7%

Source: *Texas Workforce Commission, Labor Market Information Department.*

APPENDIX C
FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

*An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P., Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.*

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
SALES TAX REVENUE BONDS, SERIES 2020,
IN THE PRINCIPAL AMOUNT OF \$ _____

AS BOND COUNSEL for the Midlothian Community Development Corporation (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of \$_____. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified on the face of the Bonds, all in accordance with the resolution of the Issuer authorizing the issuance of the Bonds (the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and the City of Midlothian, Texas (the "City"), and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. R-1); however, we express no opinion with respect to any statement of insurance printed on the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Issuer is an industrial development corporation duly and validly incorporated, existing, and functioning under and pursuant to the provisions of Chapters 501 and 505 of the Texas Local Government Code; that the Resolution has been duly and lawfully adopted and constitutes a valid and binding obligation of the Issuer; and that the Bonds have been authorized, issued, and delivered in accordance with law and constitute valid, legally binding, and enforceable special revenue obligations of the Issuer, in accordance with their terms, with the principal of, redemption premium, if any, and interest on the Bonds, and other payments with respect to the Bonds, being payable from, and secured by a first lien on and pledge of, certain funds described in the Resolution as the Pledged Revenues, which include the one-half of one percent sales and use tax levied for the benefit of the Issuer within the boundaries of the City as they now or hereafter exist, pursuant to Chapter 505 of the Texas Local Government Code. The opinion hereinbefore expressed is qualified to the extent that the obligations of the Issuer, and the enforceability thereof, are subject to applicable bankruptcy, reorganization or similar laws relating to or affecting creditors' rights generally, and the exercise of judicial discretion in accordance with general principles of equity.

THE OWNERS OF THE BONDS shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, other than from the aforesaid limited sales tax; and the Bonds and the interest thereon are payable from sources described in the Resolution, and are not payable from any other funds or resources of the Issuer; and the Bonds and the interest thereon do not constitute, and shall never be considered, as obligations of the State of Texas, the City, or any other political subdivision or agency of the State of Texas, or of the Board of Directors of the Issuer, either individually or collectively.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations,

published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. We have relied solely on representations by officials of the Issuer as to the current outstanding indebtedness of the Issuer and the availability and sufficiency of the Pledged Revenues. We express no opinion as to the sufficiency of the Pledged Revenues pledged to the payment of the principal of and interest on the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

APPENDIX D
SELECTED PROVISIONS OF THE RESOLUTION

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SELECTED PROVISIONS OF THE RESOLUTION

Section 6. DEFINITIONS. As used in this Resolution, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Act" shall mean, collectively, Chapter 501 and Chapter 505.

"Additional Bonds" shall mean the additional parity revenue bonds which the Issuer reserves the right to issue in the future in accordance with Section 21 of this Resolution.

"Attorney General" shall mean the Attorney General of the State of Texas.

"Authentication Certificate" shall have the meaning given said term in Section 4(d) of this Resolution.

"Board" shall mean the Board of Directors of the Issuer.

"Bond" or "Bonds" shall mean the Midlothian Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2020, authorized to be issued by this Resolution. The term shall mean and include the Initial Bond, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bonds" shall mean any of the Bonds.

"Business Day" shall mean a day other than a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Trust Office of the Paying Agent/Registrar are authorized by law or executive order to close.

"Chapter 501" shall mean Chapter 501, Texas Local Government Code. "Chapter 505" shall mean Chapter 505, Texas Local Government Code. "City" shall mean the City of Midlothian, Texas. "City Council" shall mean the governing body of the City.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Comptroller" shall mean the Comptroller of Public Accounts of the State of Texas, and any successor official or officer thereto.

"Cost" shall mean with respect to the Project, the cost of acquisition, construction and improvement of the Project as provided in the Act, including, without limitation, the cost of the acquisition of all land, rights-of-way, property rights, easements, and interests, the cost of all machinery and equipment, financing charges, interest during construction, necessary reserve funds, cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving, and expanding any such Project, administrative expense, and such other expense as may be necessary or incident to the acquisition, construction, reconstruction, improvement, and expansion thereof, the placing of the same in operation, and the financing of the Project.

"Debt Service Fund" shall have the meaning given said term in Section 9 of this Resolution.

"Defeasance Securities" shall mean (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

"Depository Bank" shall mean the official depository bank of the City.

"Fiscal Year" shall mean the fiscal year of the Issuer, being the twelve month period ending September 30 of each year.

"Investment Act" shall mean the Public Funds Investment Act of 1987, Chapter 2256, Texas Government Code. "Issuer" shall mean Midlothian Community Development Corporation.

"Letter of Instructions" shall mean the letter of instructions described in Section 31 of this Resolution.

"Loan" shall mean the loan of the proceeds of the Bonds to the Developer to effect the development of the Project, to be disbursed to the Developer in the manner set forth in Section 11 of this Resolution.

"Loan Documents" shall mean the documents executed and delivered in connection with the development of the Project and Loan, to-wit, the Construction Contract, the Development Agreement, the Pledge Agreement, the Promissory Note, the Security Agreement, and all other documents evidencing, securing, governing, guaranteeing and/or pertaining to the Promissory Note.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Parity Bonds" shall mean the outstanding Series 2011 Bonds, the Series 2014 Bonds and the Bonds.

"Paying Agent/Registrar" shall mean shall mean the financial institution so designated in accordance with the provisions of Section 4 of this Resolution

"Pledged Revenues" shall mean the Sales Tax, less any amounts due or owing to the Comptroller as charges for collection or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retentions are authorized or required by law.

"Project" shall have the meaning given said term in the preamble to this Resolution.

"Project Construction Fund" shall have the meaning given said term in Section 11 of this Resolution.

"Purchase Contract" shall mean the bond purchase agreement between the Issuer and the Underwriters named therein.

"Required Reserve Amount" shall mean the maximum annual principal and interest requirement of the Parity Bonds. "Reserve Fund" shall have the meaning given said term in Section 10 of this Resolution. "Revenue Fund" shall have the meaning given said term in Section 8 of this Resolution.

"Rule" shall mean SEC Rule 15c2-12, as amended from time to time.

"Sales Tax" shall mean the one-half of one percent sales and use tax levied by the City within the boundaries of the City as they now or hereafter exist, together with any increases in the aforesaid rate if provided and authorized by the laws of the State of Texas, including specifically the Act, and collected for the benefit of the Issuer and the Project, all in accordance with the Act, including specifically Chapter 505.

"SEC" shall mean the United States Securities and Exchange Commission.

"Security Agreement" shall mean that certain Collateral Assignment of Payment Rights made by GMO to the Issuer, as amended, supplemented or otherwise modified from time to time.

"Series 2011 Bonds" shall mean the Midlothian Community Development Corporation Sales Tax Revenue Refunding Bonds, Series 2011, currently outstanding in the aggregate principal amount of \$2,840,000.

"Series 2014 Bonds" shall mean the Midlothian Community Development Corporation Sales Tax Revenue Bonds, Taxable Series 2014, currently outstanding in the aggregate principal amount of \$1,395,000.

"Transfer Agreement" shall mean the Sales Tax Remittance Agreement dated as of December 1, 2001, between the City and the Issuer.

Section 7. PLEDGE. The Parity Bonds and any Additional Bonds, and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues; and the Pledged Revenues are further pledged to the establishment and maintenance of the Debt Service Fund and the Reserve Fund as hereinafter provided. The Parity Bonds and any Additional Bonds are and will be secured by and payable only from the Pledged Revenues and amounts on deposit in the Debt Service Fund and the Reserve Fund, and are not secured by or payable from a mortgage or deed of trust on any real, personal or mixed properties constituting the Project.

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 8. REVENUE FUND. There has been created and established on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer, a special fund entitled the "Midlothian Community Development Corporation Sales Tax Revenue Fund" (hereinafter called the "Revenue Fund"). All Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

Section 9. DEBT SERVICE FUND. For the sole purpose of paying the principal of and interest on the Parity Bonds and any Additional Bonds, as the same come due, there has been created and established on the books of the Issuer a separate fund entitled the "Midlothian Community Development Corporation Sales Tax Revenue Bonds Debt Service Fund" (hereinafter called the "Debt Service Fund"). Monies in the Debt Service Fund shall be maintained by the Depository Bank.

Section 10. RESERVE FUND. There has been created and established on the books of the Issuer a separate fund entitled the "Midlothian Community Development Corporation Sales Tax Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). Monies in the Reserve Fund shall be used solely for the purpose of retiring the last of any Parity Bonds as they become due or paying principal of and interest on any Parity Bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose. Monies in the Reserve Fund shall be maintained by the Depository Bank.

Section 11. PROJECT CONSTRUCTION FUND. (a) There is hereby created and established on the books of the Issuer a separate fund entitled the "Midlothian Community development corporation Sales Tax Revenue Bonds Project Construction Fund" (hereinafter called the "Project Construction Fund"). Proceeds from the sale of the bonds, less (i) amounts used to pay the cost of issuance of the Bonds upon their delivery on the date of closing and (ii) proceeds, if any, to be deposited to the credit of the Reserve Fund, as identified in a certificate executed by the Issuer or its finance advisor, shall be deposited to the Credit of the Project construction Fund. Monies in the Project construction Fund shall be used solely for the purpose of paying the Costs of the Project as approved by the City Manager of the City or his designee. Monies in the Project Construction Fund shall be maintained by the Depository Bank.

(b) Upon completion of the Project, the Issuer shall cause any funds remaining on deposit in the Project Construction Fund to be transferred to the credit of the Debt Service Fund and use such transferred funds to pay debt service on the Bonds coming due after such transfer.

(e) After disbursement of amounts representing retainage as described in subsection (d) of this Section 11 occurs, or upon the Issuer receiving notice that an event of default as defined in the Loan Documents has occurred, the Issuer shall cause any funds remaining on deposit in the Project Construction Fund to be transferred to the credit of the Debt Service Fund and use such transferred funds to pay debt service on the Bonds coming due after such transfer

Section 12. TRANSFER. (a) Pursuant to the provisions of the Transfer Agreement, the City has agreed to do any and all things necessary to accomplish the transfer of the Sales Tax collected for the benefit of the Issuer to the Revenue Fund on a monthly basis. The Transfer Agreement shall govern matters with respect to the collection of sales taxes from the Comptroller, credits and refunds due and owing to the Comptroller, and other matters with respect to the

collection and transfer of the Sales Tax. The city shall maintain the proceeds from the collection of the Sales Tax in a trust account separate from all other funds of the City, with such trust account to be maintained at the Depository Bank.

(b) The President and the Treasurer of the Board are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Debt Service Fund in ample time to pay the principal of and interest on the Parity Bonds and any Additional Bonds.

Section 13. DEPOSITS OF PLEDGED REVENUES; INVESTMENTS. (a) The Pledged Revenues shall be deposited in the Debt Service Fund and the Reserve Fund, when and as required by this Resolution.

(b) Money in any Fund established by this Resolution may, at the option of the Board, be invested in eligible investment securities as described in the Investment Act, consistent with the then existing investment policy of the City; provided that all such deposits and investments shall have a par value (or market value when less than par) exclusive of accrued interest at all times at least equal to the amount of money credited to such Funds, and shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Money in the Reserve Fund shall not be invested in securities maturing later than the final maturity of the Parity Bonds and any Additional Bonds. Such investments shall be valued in terms of current market value as of the last day of each year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at their par or face principal amount. Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds or any Additional Bonds.

Section 14. FUNDS SECURED. Money in all Funds created by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Section 15. DEBT SERVICE REQUIREMENTS. (a) Promptly after the delivery of the Bonds, the Issuer shall cause to be deposited to the credit of the Debt Service Fund any accrued interest received from the sale and delivery of the Bonds, as described in the Letter of Instructions, and any such deposit shall be used to pay the interest next coming due on the Bonds.

(b) The Issuer shall transfer or cause to be transferred Pledged Revenues on deposit in the Revenue Fund, and deposit to the credit of the Debt Service Fund the amounts, at the times, as follows:

(1) Such amounts, in substantially equal monthly installments, deposited on or before the 10th day of each month hereafter, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date.

(2) Such amounts, in substantially equal monthly installments, deposited on or before the 10th day of each month, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds (including sinking fund payments on any "term bonds" described in the Purchase Contract) on the next succeeding principal payment date or mandatory sinking fund payment date.

Section 16. RESERVE REQUIREMENTS. The Reserve Fund shall be maintained in an amount equal to the Required Reserve Amount. For purposes of meeting the Required Reserve Amount for the Bonds, the Issuer will obtain a debt service reserve fund surety policy, as further described in this Resolution. When and so long as the money and investments in the Reserve Fund are not less than the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund. When and if the Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Bonds or any Additional Bonds, beginning on the 10th day of the month following the delivery of the Bonds to the purchasers thereof, and continuing for sixty months, the Issuer shall transfer or cause to be transferred Pledged Revenues on deposit in the Revenue Fund, and deposit to the credit of the Reserve Fund an amount equal to 1/60 of the difference determined as of such delivery date between the amount in the Reserve Fund and the Required Reserve Amount. When and if the Reserve Fund at any time contains less than the Required Reserve Amount due to any cause or condition other than the issuance of any Additional Bonds, then, subject and subordinate to making the required deposits to the credit of the Debt Service Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose. The Issuer may withdraw and use, for any purpose not inconsistent with the provisions of the Act, all surplus in the Reserve Fund over the Required Reserve Amount; provided, however, that prior to making such withdrawal, such withdrawal and the use thereof must be authorized and approved by official action of the governing body of the City.

Section 17. PAYMENT. On or before March 1, 2021, and semiannually on or before each September 1 and March 1 thereafter while any of the Bonds are outstanding and unpaid, the Paying Agent/Registrar shall make payment of the principal of and interest on the Bonds and the Additional Bonds to the holders thereof with funds on deposit in the Debt Service Fund and the Reserve Fund (if necessary).

Section 20. DEFICIENCIES; EXCESS PLEDGED REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Debt Service Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the credit of the Debt Service Fund and the Reserve Fund, when and as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used by the Issuer for any lawful purpose not inconsistent with the Act; provided, however, that prior thereto, such use must be authorized and approved by official action of the governing body of the City.

Section 21. ADDITIONAL BONDS. (a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for purposes of financing of projects under the provisions of the Act, or for the purpose of refunding of any Parity Bonds, Additional Bonds or other obligations of the Issuer incurred in connection with the financing of projects under the provisions of the Act. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Resolution, shall be secured by and made payable equally and ratably on a parity with the Parity Bonds, and all other outstanding Additional Bonds, from a first lien on and pledge of the Pledged Revenues.

(b) That the Debt Service Fund and the Reserve Fund established by this Resolution shall secure and be used to pay all Additional Bonds as well as the Parity Bonds. However, each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Debt Service Fund, the Issuer shall deposit to the credit of the Debt Service Fund at least such amounts as are required for the payment of all principal and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the average annual principal and interest requirements of all Parity Bonds and Additional Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Issuer, by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 10th day of each month following the delivery of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above).

(c) That all calculations of average annual principal and interest requirements made pursuant to this section shall be made as of and from the date of the Additional Bonds then proposed to be issued.

(d) No installment, series or issue of Additional Bonds shall be issued or delivered unless:

(i) The President and the Secretary of the Board of the Issuer sign a written certificate to the effect that the Issuer is not in default as to any covenant, condition or obligation in connection with all outstanding Parity Bonds and Additional Bonds, and the resolutions authorizing same, and that the Debt Service Fund and the Reserve Fund each contains the amount then required to be therein;

(ii) An independent certified public accountant, or independent firm of certified public accountants, signs a written certificate to the effect that, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Bonds, the Pledged Revenues were, in his or its opinion, at least equal to 1.50 times the average annual principal and interest requirements (computed on a fiscal year basis) of all Parity Bonds and Additional Bonds to be outstanding after the issuance of then proposed Additional Bonds; and

(iii) The governing body of the City by official action approves the issuance of the Bonds, as required by the Act.

Section 22. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and in every Bond; it will promptly pay or cause to be paid the principal of and interest on every Bond on the dates and in the places and manner prescribed in this Resolution and the Bonds; and it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Funds created hereby; and any registered owner of the Bonds may require the Issuer, its officials and employees to carry out, respect or enforce the covenants and obligations of this Resolution, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its officials and employees, or by the appointment of a receiver in equity.

(b) Legal Authority. It is a duly created and existing industrial development corporation, and is duly authorized under the laws of the State of Texas, including the Act, to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the registered owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) Further Encumbrance. It, while the Parity Bonds or any Additional Bonds are outstanding and unpaid, will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Resolution; but the right of the Issuer to issue revenue bonds payable from a subordinate lien on the Pledged Revenues, in accordance with the provisions of the Act, is specifically recognized and retained.

(d) Collection of Sales Tax. (i) The Issuer hereby confirms the earlier levy by the City of the Sales Tax at the rate voted at the election held by and within the City on August 8, 1998, and the Issuer hereby warrants and represents that the City has duly and lawfully ordered the imposition and collection of the Sales Tax upon all sales, uses and transactions as are permitted by and described in the Act throughout the boundaries of the City as such boundaries existed on the date of said election and as they may be expanded thereafter.

(ii) For so long as any Parity Bonds or Additional Bonds are outstanding, the Issuer covenants, agrees and warrants to take and pursue all action permissible under applicable law to cause the Sales Tax, at said rate or at a higher rate if permitted by applicable law, to be levied and collected continuously, in the manner and to the maximum extent permitted by applicable law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (e)(i) of this Section to be ordered or permitted so long as any Parity Bonds or Additional Bonds shall remain outstanding.

(iii) If the City shall be authorized hereafter by applicable law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption thereof, the Issuer, to the extent it legally may do so, hereby covenants and agrees to use its best efforts to cause the City to take such action as may be required by applicable law to subject such taxable items or transactions to the Sales Tax.

(iv) The Issuer agrees to take and pursue all action permissible under applicable law to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by applicable law.

(v) The Issuer agrees and covenants at all times to use its best efforts to cause the City to comply with the Transfer Agreement.

(f) Records. It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the Project, the Pledged Revenues and the Funds created pursuant to this Resolution, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholders.

(g) Corporate Existence. It will maintain its corporate existence during the time that any Parity Bonds are outstanding hereunder.

Section 23. DEFEASANCE OF BONDS. (a) Defeased Bonds. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond"), except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investment in Defeasance Securities. Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsections (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) Paying Agent/Registrar Services. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) Selection of Bonds for Defeasance. In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Section 24. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact

that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(d) of this Resolution, for Bonds issued in conversion and exchange for other Bonds.

APPENDIX E
MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midlothian Community Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Midlothian Community Development Corporation ("the Corporation"), a component unit of the City of Midlothian, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation, as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2020, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 27, 2020

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2019

As management of the Midlothian Community Development Corporation (the Corporation), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

- At September 30, 2019 the Corporation reported a net position of \$5,399,406 with \$5,373,311 restricted for economic development.
- As of the close of the current fiscal year, the Midlothian Community Development Corporation's governmental funds reported ending fund balance of \$10,462,092.
- At the end of the current fiscal year, fund balance in the General Fund was \$5,462,458 or 698% of the total fund expenditures.
- The Corporation's debt payable decreased \$500,466 or 9%. The decrease was due to the current year debt service payments and amortization of bond premium.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Midlothian Community Development Corporation's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements — The government-wide financial statements are designed to provide readers with a broad overview of the Corporation finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Corporation's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Activities presents information showing how the net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). There are no business-type activities of the Corporation. The government-wide financial statements can be found on pages 8-9 of this report.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fund financial statements — A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds — Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains two governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund and Debt Service Fund, which are considered major funds.

Notes to the Financial Statements — The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-22.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets and deferred outflows of resources exceed its liabilities by \$5,399,406 as of September 30, 2019.

The Corporation has an agreement with the Midlothian Courtyard Marriott Hotel where the Corporation issued debt to fund the construction of a hotel that is to be paid back by the hotel based on its cash flows.

	Governmental Activities	
	2019	2018
Current and other assets	\$ 10,467,734	\$ 9,300,559
Capital assets	26,095	26,095
Total assets	10,493,829	9,326,654
Deferred outflows of resources	48,959	61,459
Current and other liabilities	27,329	24,887
Long-term liabilities	5,116,053	5,616,519
Total liabilities	5,143,382	5,641,406
Investment in capital assets	26,095	26,095
Restricted for economic development	5,373,311	3,720,612
Total net position	\$ 5,399,406	\$ 3,746,707

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The following table provides a summary of the Corporation's operations for the year ended September 30, 2019.

	Governmental Activities	
	2019	2018
General Revenues:		
Sales taxes	\$ 2,474,425	\$ 2,155,509
Investment income	<u>204,307</u>	<u>155,153</u>
Total revenues	<u>2,678,732</u>	<u>2,310,662</u>
Expenses:		
General government	783,142	1,049,170
Interest on long-term debt	<u>242,891</u>	<u>260,055</u>
Total expenses	<u>1,026,033</u>	<u>1,309,225</u>
Change in net position	1,652,699	1,001,437
Net position - beginning	<u>3,746,707</u>	<u>2,745,270</u>
Net position - ending	<u>\$ 5,399,406</u>	<u>\$ 3,746,707</u>

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

Governmental funds — The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Corporation's governmental funds reported ending fund balances of \$10,462,092.

The General Fund's fund balance increased by \$1,059,332 (24%), caused primarily by an increase in sales tax revenues. The increase in the Debt Service Fund was \$103,570, which was mostly caused by the General Fund transferring resources to it in the current year.

CAPITAL ASSETS

The Corporation's investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$26,095. There was no increase in capital assets for the current year.

	Governmental Activities	
	2019	2018
Land	\$ <u>26,095</u>	\$ <u>26,095</u>
Total	<u>\$ 26,095</u>	<u>\$ 26,095</u>

Additional information on the Corporation's capital assets can be found in Note 3 on page 21 of this report.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

DEBT ADMINISTRATION

At the end of the current fiscal year, the Corporation had total debt of \$5,116,053. Of this amount, \$4,975,000 consists of bonded debt secured by an additional ½% sales tax collected within the City limits for community development.

During the fiscal year, the total debt decreased by 9%. The decrease was due to the reduction of principal of revenue bonds payable and amortization of the bond premium.

The Corporation's long-term liabilities are comprised of the following:

	Governmental Activities	
	2019	2018
Revenue bonds payable	\$ 4,975,000	\$ 5,460,000
Bond premium	141,053	156,519
Total	<u>\$ 5,116,053</u>	<u>\$ 5,616,519</u>

Additional information on the Corporation's long-term liabilities can be found in Note 6 on pages 21-22 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2019-20 Budget, General Fund revenues are budgeted to increase by 34% from the 2018-2019 budget with sales tax making up about 97% of budgeted revenues. This revenue source is volatile and is dependent upon economic conditions in the retail and construction markets. However, sales tax revenue has been trending upward over the past six years and that trend is expected to continue in FY19-20. In addition, building permits for new homes continue to remain steady with 468 new single-family permits issued in 2019. Interest income is budgeted to increase by 125% due to steady rates, a healthy economy, large fund balance, and government pools are earning around 1.6%. The interest revenue was based on rates during the budget process as well as the cash flow needs of the corporation.

A loan amount (\$4,290,726) to Gatehouse Midlothian Ownership LLC, for the Marriott Hotel is currently active and monthly interest payments are being made. The current balance on the loan is \$4,186,656. The agreement requires a principal payback from the hotel based on cash flows, and a receivable is recorded in the debt service fund. The board also authorized an existing grant commitment in the amount of \$350,000 for "Founder's Row", an office and retail development utilizing renovated historic homes. In addition, MCDC supports numerous community functions throughout the year for events such as the Veteran's Appreciation Dinner (\$5,000), 4th of July Celebration (\$7,500), Annual Easter Egg Hunt (\$5,000), and Kid's Fish Derby (\$3,000).

The Midlothian Community Development Corporation Board also budgeted for the 19-20 budget year to support the Senior Citizens Center (\$60,000) a 54% increase from 18-19. In December 2019, the board also approved a grant for \$42,000 to fund a Kitchen Manager position for the Senior Center. Overall expenditures increased by 34% for the 19-20 budget year, primarily due to the Senior Center Contribution and a \$697,950 (55%) budget increase in Special Projects.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Corporation's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at 104 W. Ave E, Midlothian, Texas 76065 call (972) 775-3481.

BASIC FINANCIAL STATEMENTS

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,762,951
Accounts receivable, net of allowance	11,160
Due from other governments	506,967
Notes receivable	4,186,656
Capital assets: Land	<u>26,095</u>
TOTAL ASSETS	<u>10,493,829</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	<u>48,959</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>48,959</u>
LIABILITIES	
Accounts payable	825
Accrued interest payable	21,687
Due to primary government	4,817
Noncurrent liabilities:	
Due within one year	500,000
Due in more than one year	<u>4,616,053</u>
TOTAL LIABILITIES	<u>5,143,382</u>
NET POSITION	
Investment in capital assets	26,095
Restricted for economic development	<u>5,373,311</u>
TOTAL NET POSITION	<u>\$ 5,399,406</u>

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2019

Program Activities	Expenses	Program Revenues	Net (Expenses) Revenue and Changes in Net Position
			Governmental Activities
Governmental activities:			
General government	\$ 783,142	\$ -	\$(783,142)
Interest on long-term debt	242,891	-	(242,891)
Total governmental activities	\$ 1,026,033	\$ -	(1,026,033)
General revenues:			
Sales taxes			2,474,425
Investment income			204,307
Total general revenues			2,678,732
Change in net position			1,652,699
Net position - beginning of year			3,746,707
Net position - end of year			\$ 5,399,406

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 4,954,491	\$ 808,460	\$ 5,762,951
Accounts receivable, net of allowance	6,642	4,518	11,160
Due from other governments	506,967	-	506,967
Notes receivable	-	4,186,656	4,186,656
TOTAL ASSETS	5,468,100	4,999,634	10,467,734
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	825	-	825
Due to primary government	4,817	-	4,817
Total liabilities	5,642	-	5,642
Fund balances:			
Restricted for economic development	5,462,458	-	5,462,458
Restricted for debt service	-	4,999,634	4,999,634
Total fund balances	5,462,458	4,999,634	10,462,092
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,468,100	\$ 4,999,634	\$ 10,467,734

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET POSITION**

SEPTEMBER 30, 2019

Total fund balances - governmental funds	\$ 10,462,092
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	26,095
Deferred loss on refunding of debt is not recognized on the balance sheet for governmental funds.	48,959
Interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the governmental funds balance sheet.	(21,687)
Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the fund financial statements.	(<u>5,116,053</u>)
Net position of governmental activities	\$ <u>5,399,406</u>

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2019

	General Fund	Debt Service	Total Governmental Funds
Revenues			
Sales taxes	\$ 2,474,425	\$ -	\$ 2,474,425
Investment income	<u>99,587</u>	<u>104,720</u>	<u>204,307</u>
Total revenues	<u>2,574,012</u>	<u>104,720</u>	<u>2,678,732</u>
Expenditures			
Current:			
General government	783,142	-	783,142
Debt service:			
Principal retirement	-	485,000	485,000
Interest charges	<u>-</u>	<u>247,688</u>	<u>247,688</u>
Total expenditures	<u>783,142</u>	<u>732,688</u>	<u>1,515,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,790,870</u>	<u>(627,968)</u>	<u>1,162,902</u>
Other financing sources (uses)			
Transfers in	-	731,538	731,538
Transfers out	<u>(731,538)</u>	<u>-</u>	<u>(731,538)</u>
Total other financing sources (uses)	<u>(731,538)</u>	<u>731,538</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,059,332	103,570	1,162,902
FUND BALANCES - BEGINNING	<u>4,403,126</u>	<u>4,896,064</u>	<u>9,299,190</u>
FUND BALANCES - ENDING	<u>\$ 5,462,458</u>	<u>\$ 4,999,634</u>	<u>\$ 10,462,092</u>

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

SEPTEMBER 30, 2019

Net change in fund balances - governmental funds	\$ 1,162,902
Amounts reported for governmental activities in the statement of activities are different because:	
The repayment of long-term debt consumes current financial resources of governmental funds, however, it has no effect on net position.	485,000
Governmental funds report the effect of premiums, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This is the net effect of the difference in treatment of these debt related items.	2,966
Current year changes in accrued interest payable do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds.	<u>1,831</u>
Change in net position of governmental activities	<u>\$ 1,652,699</u>

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Corporation

The Midlothian Community Development Corporation ("Corporation"), a component unit of the City of Midlothian, Texas, was organized in 1999 under special legislation of the State of Texas, as a discretely presented component unit of the City of Midlothian, Texas. The function of the Corporation is to promote, assist and enhance economic development activities for the City of Midlothian and for parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and other related improvements and for maintenance and operating costs of publicly owned and operated projects.

The affairs of the Corporation are managed by the Board of Directors which is composed of seven (7) members appointed by the City Council in compliance with the by-laws.

The accounting and reporting policies of the Corporation relating to the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. The more significant accounting policies of the Corporation are described below.

B. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the activities of the Corporation and any organizations for which the Corporation is financially accountable or for which the nature and significance of their relationship with the Corporation are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Accordingly, the Corporation has no component units.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Corporation. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The activities of the Corporation are comprised only of governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The Corporation segregates transactions related to certain functions or activities in separate funds, when necessary, in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Corporation has the following major governmental funds:

General Fund

The General Fund is the main operating fund of the Corporation. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the repayment of the Mezzanine Loan issued by the Corporation related to economic development incentives.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources, and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Corporation considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

E. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with a maturity date within three months of the date acquired by the government.

The Corporation's investment policy requires that all monies be deposited with the authorized Corporation depository or in (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage backed securities (2) obligation of any State and any political subdivision of any state rated no less than A by two nationally recognized rating agencies; (3) fully FDIC insured certificates of deposit of banks doing business in Texas to include the CDARS program (4) NCUIA insured share certificates of credit unions doing business in Texas (5) constant dollar local government investment pools in the State of Texas, and (6) SEC registered money market mutual funds (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) – (4).

Investments for the Corporation are reported at fair value, except for its position in qualifying external investment pools that measure for financial reporting purposes all of their investments at amortized cost. The Corporation's investment pool is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are generally valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition cost on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment. Assets capitalized have an original cost of \$5,000 or more and over 1 year of useful life. There were no depreciable assets recorded at September 30, 2019.

G. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

H. Fund Equity

The following classifications describe the spending constraints of the Corporation's fund equity:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the Corporation itself, using a resolution by its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Corporation takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - amounts the Corporation intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has one item that qualifies for reporting in this category, deferred loss on debt refunding. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS

The Public Funds Investment Act (Government Code Chapter 2256) (“the Act”) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate controls which include the requirement for the Corporation Board to review and adopt the Investment Policy annually. That policy must address the following areas; (1) safety of principal and liquidity, (2) portfolio diversification, (3) authorized investments, (4) acceptable risk levels, (5) yield, (6) maximum allowable stated maturity of portfolio investments (7) maximum weighted average maturity and maximum maturity based on stated dates, (8) investment staff capabilities and required training and (9) bid solicitation preferences for certificates of deposit. Statutes and the Corporation’s investment policy authorized the Corporation to invest in the following investments as summarized below:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	2 years	90%	NA
U.S. Agencies Securities	2 years	80%	NA
Certificates of Deposit	2 years	50%	NA
FDIC Brokered CD	1 year	30%	NA
Municipal Obligations	2 years	40%	NA
Local Government Investment Pools	2 years	100%	NA
Percent of ownership of fund	None	10%	NA
Money Market Mutual Funds	None	80%	NA
Percent of ownership of fund	None	10%	NA
Commercial Paper	90 days	15%	NA

The Act also requires the Corporation to have independent auditors perform test procedures related to investment practices as provided by the Act. The Corporation is in substantial compliance with the requirements of the Act.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Corporation monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Corporation has no specific limitations with respect to this metric. As of September 30, 2019, the Corporation did not invest in any securities which are highly sensitive to interest rate fluctuations.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the Corporation's investment policy, or debt agreements is AAA.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
TexPool	\$ 4,162,015	AAA	AAAm
Federal Home Loan Bank	502,762	N/A	AAA
U.S. Treasury	<u>998,766</u>	N/A	AAA
Total	<u>\$ 5,663,543</u>		

Concentration of Credit Risk

The investment policy of the Corporation contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, the Corporation had 5% or more of its cash and investments in an external investment pool and U.S. agency securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Corporation Investment Policy requires that all time and demand deposits in any bank not exceed FDIC insurance coverage effectively eliminating custodial risk. Collateral cannot be applied to economic development corporations.

As of September 30, 2019, all of the Corporation's time and demand deposits with financial institutions were 100% covered by FDIC insurance.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

Fair Value

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2019, the Corporation held the following fair value measurements:

	<u>9/30/2019</u>	<u>Fair Value Measurements Using</u>	<u>Weighted Average Maturity (Days)</u>
		<u>Level 1</u>	
Cash and cash equivalents			
Cash deposits	\$ 99,408		
Investments measured at net asset value per share:			
Investment pool:			
TexPool	<u>4,162,015</u>		34
Total cash and cash equivalents	\$ <u>4,261,423</u>		
Investments by fair value level:			
U.S. Agencies Securities:			
Federal Home Loan Bank	\$ 502,762	\$ 502,762	85
U.S. Treasury	<u>998,766</u>	<u>998,766</u>	20
Total fair value investments	<u>1,501,528</u>	<u>1,501,528</u>	139
Total cash and investments	\$ <u>5,762,951</u>	\$ <u>1,501,528</u>	

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Of the Corporation's investments valued at fair value, \$1,501,528 were priced using documented trading history.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance, October 1, 2018	Additions	Retirements	Balance, September 30, 2019
	<u>2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 26,095	\$ -	\$ -	\$ 26,095
Total capital assets not being depreciated	<u>\$ 26,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,095</u>

NOTE 4. DUE FROM OTHER GOVERNMENTS

The Corporation has accrued a receivable of \$506,967 for unremitted sales tax revenue collected by the Texas Comptroller of Accounts.

NOTE 5. NOTES RECEIVABLE

The Corporation issued \$4,370,000 of sales tax revenue bonds on December 23, 2014, to provide for a Mezzanine Loan for the construction of a new Courtyard by Marriott hotel. The loan is in the amount of \$4,290,726 and was made to Gatehouse Midlothian Ownership, LLC. A receivable has been recorded in the Debt Service Fund for the balance drawn down by Gatehouse Midlothian Ownership, LLC. As of September 30, 2019, the balance of the note receivable was \$4,186,656.

Sixty-five percent (65%) of the monthly net cash flow available to Gatehouse Midlothian Ownership, LLC from the hotel project will be applied as prepayment on the loan to the Corporation, to be credited against the principal balance on the loan and not to interest.

Advances on the loan bear an interest rate of two percent (2%) per annum until repaid and the entire principal amount of the loan is due and payable ten years from the date of issuance on December 23, 2024.

NOTE 6. LONG-TERM DEBT

At September 30, 2019, the Corporation's long-term debt payable consisted of the following:

Sales Tax Revenue Bonds

The Corporation issued \$3,650,000 of Sales Tax Revenue Refunding Bonds, Series 2011 for an advanced refunding of \$3,495,000 of Sales Tax Revenue Bonds, Series 2001. The refunding was undertaken to reduce total future debt service payments. The bonds have stated interest rates ranging from 2.0% to 4.0% and are due in annual installments through September 2023. They are to be repaid from sales tax revenues collected by the Corporation.

The Corporation issued \$4,370,000 of Sales Tax Revenue Bonds, Series 2014 which settled on December 23, 2014. This issuance was undertaken to provide a Mezzanine Loan for the development of a hotel in the City. The bonds have stated interest rates ranging from 2.0% to 5.5% and are due in annual installments through September 2034.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of long-term debt transactions of the Corporation for the year ended September 30, 2019:

	Balance, October 1, 2018	Increase	Decreases	Balance, September 30, 2019	Due Within One Year
Governmental activities:					
Sales Tax Bonds, Series 2011	\$ 1,710,000	\$ -	\$(315,000)	\$ 1,395,000	\$ 325,000
Sales Tax Bonds, Series 2014	3,750,000	-	(170,000)	3,580,000	175,000
Bond premium	<u>156,519</u>	<u>-</u>	<u>(15,466)</u>	<u>141,053</u>	<u>-</u>
Total governmental activities	<u>\$ 5,616,519</u>	<u>\$ -</u>	<u>\$(500,466)</u>	<u>\$ 5,116,053</u>	<u>\$ 500,000</u>

The annual requirements to amortize all outstanding bonds as of September 30, 2019, are as follows:

Sales Tax Revenue Bonds

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	
2020	\$ 500,000	\$ 228,838	\$ 728,838
2021	520,000	208,838	728,838
2022	550,000	188,038	738,038
2023	565,000	166,038	731,038
2024	205,000	143,438	348,438
2025-2029	1,155,000	583,214	1,738,214
2030-2034	<u>1,480,000</u>	<u>253,000</u>	<u>1,733,000</u>
	<u>\$ 4,975,000</u>	<u>\$ 1,771,404</u>	<u>\$ 6,746,404</u>

NOTE 7. INTERFUND TRANSFERS

The following is a schedule of fiscal year 2019 transfer activity:

Transfers In	Transfers Out	Amount
Debt Service	General Fund	\$ <u>731,538</u>
	Total	\$ <u>731,538</u>

NOTE 8. RISK MANAGEMENT

The Corporation is exposed to various risks of loss. The City of Midlothian has purchased commercial insurance, which covers the Corporation, to protect against these various risks of loss. There was no significant reduction in insurance coverage from the previous year, and settled claims have not exceeded insurance coverage for the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2019

	Budgeted amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales taxes	\$ 2,087,250	\$ 2,087,250	\$ 2,474,425	\$ 387,175
Investment income	40,000	40,000	99,587	59,587
Total revenues	<u>2,127,250</u>	<u>2,127,250</u>	<u>2,574,012</u>	<u>446,762</u>
EXPENDITURES				
Current:				
General government	<u>1,395,712</u>	<u>1,395,712</u>	<u>783,142</u>	<u>612,570</u>
Total expenditures	<u>1,395,712</u>	<u>1,395,712</u>	<u>783,142</u>	<u>612,570</u>
Excess of revenues over expenditures	<u>731,538</u>	<u>731,538</u>	<u>1,790,870</u>	<u>1,059,332</u>
Other financing uses				
Transfers out	(731,538)	(731,538)	(731,538)	-
Total other financing uses	<u>(731,538)</u>	<u>(731,538)</u>	<u>(731,538)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	1,059,332	1,059,332
FUND BALANCE - BEGINNING	<u>4,403,126</u>	<u>4,403,126</u>	<u>4,403,126</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,403,126</u>	<u>\$ 4,403,126</u>	<u>\$ 5,462,458</u>	<u>\$ 1,059,332</u>

The accompanying notes are an integral part of this schedule.

MIDLOTHIAN COMMUNITY DEVELOPMENT CORPORATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

NOTE 1. BUDGETARY CONTROL

A budget is adopted for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

Budgeted amounts are as originally adopted or as amended by the Corporation's Board of Directors.

The Budgetary Comparison Schedule – General Fund presents a comparison of budgetary data to actual results.

Financial Advisory Services
Provided By:

