

AGENDA – SPECIAL MEETING OF THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS, TO BE HELD ON MONDAY, APRIL 30, 2012, AT 6:30 P.M., IN THE COUNCIL CHAMBERS, CITY HALL, 3519 LIBERTY DRIVE, PEARLAND, TEXAS.

I. CALL TO ORDER

II. PURPOSE OF THE MEETING:

- 1. CONSIDERATION AND POSSIBLE ACTION – REGARDING RESOLUTION NO. R2012-55 – RESOLUTION OF THE CITY OF PEARLAND, TEXAS, APPROVING THE ISSUANCE OF DEVELOPMENT AUTHORITY OF PEARLAND TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS, SERIES 2012; APPROVING A BOND RESOLUTION, INDENTURE OF TRUST, A PRIVATE PLACEMENT LETTER, ESCROW AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; MAKING CERTAIN FINDINGS AND CONTAINING OTHER PROVISIONS RELATED THERETO. Mr. Bill Eisen, City Manager.**

EXECUTIVE SESSION UNDER TEXAS GOVERNMENT CODE

- 1. SECTION 551.074 – PERSONNEL MATTERS – DISCUSSION REGARDING CITY MANAGER’S EVALUATION AND PERFORMANCE GOALS FOR 2011 - 2012. *City Council.***

NEW BUSINESS CONTINUED:

- 2. CONSIDERATION AND POSSIBLE ACTION – DISCUSSION REGARDING CITY MANAGER’S EVALUATION AND PERFORMANCE GOALS FOR 2011- 2012. *City Council.***

III. ADJOURNMENT

This site is accessible to disabled individuals. For special assistance, please call Young Lorfing at 281-652-1840 prior to the meeting so that appropriate arrangements can be made.

New Business Item No. 1

1. **CONSIDERATION AND POSSIBLE ACTION – REGARDING RESOLUTION – R2012-55 – RESOLUTION OF THE CITY OF PEARLAND, TEXAS, APPROVING THE ISSUANCE OF DEVELOPMENT AUTHORITY OF PEARLAND TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS, SERIES 2012; APPROVING A BOND RESOLUTION, INDENTURE OF TRUST, A PRIVATE PLACEMENT LETTER, ESCROW AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; MAKING CERTAIN FINDINGS AND CONTAINING OTHER PROVISIONS RELATED THERETO.**
Mr. Bill Eisen, City Manager.

**AGENDA REQUEST
BUSINESS OF THE CITY COUNCIL
CITY OF PEARLAND, TEXAS**

AGENDA OF:	April 30, 2012	ITEM NO.:	Resolution 2012-55
DATE SUBMITTED:	April 24, 2012	DEPT. OF ORIGIN:	Finance
PREPARED BY:	Claire Bogard	PRESENTOR:	Bill Eisen
REVIEWED BY:	Bill Eisen	REVIEW DATE:	4/25/12
SUBJECT: Development Authority of Pearland Series 2012 Refunding Bonds			
EXHIBITS: Resolution 2012-55 Indenture of Trust Private Placement Letter – to be handed out Presentation			
FUNDING:			
	<input type="checkbox"/> Grant	<input type="checkbox"/> Developer/Other	<input type="checkbox"/> Cash
<input checked="" type="checkbox"/> Bonds To Be Sold	<input type="checkbox"/> Bonds- Sold	<input type="checkbox"/> L/P – Sold	<input type="checkbox"/> L/P – To Be Sold
EXPENDITURE REQUIRED: \$-0-		AMOUNT BUDGETED: \$0-	
AMOUNT AVAILABLE: \$-0-		PROJECT NO.:	
ACCOUNT NOS.:			
ADDITIONAL APPROPRIATION REQUIRED:			
ACCOUNT NO.:			
PROJECT NO.:			
To be completed by Department:			
X Finance	Legal	Ordinance	X Resolution

EXECUTIVE SUMMARY

BACKGROUND

The Development Authority of Pearland (DAP) is the financing mechanism for the Pearland Tax Increment Zone #2, and issues debt to reimburse the developer based on the value of the tax increment in the zone, pursuant to the tri-party agreement. The Authority has sold five bond issuances totaling \$58,505,000. As of 9/30/2011, there was \$49,230,000 outstanding.

Requirements of the bond issuances include either a cash reserve requirement or surety policy equivalent to the average annual debt service. Two of the bond issuances have a cash reserve, held by the trustee, totaling \$1,374,330. Three of the bond issuances have surety policies, however the company who issued these policies have been downgraded, and the DAP has elected to set cash aside to satisfy the reserve requirements. Cash in the total amount of \$4.2 million has been identified and set aside to meet these requirements.

Due to favorable market conditions, the DAP Financial Advisor, BOSC, Inc., has been look at refunding opportunities. An opportunity to refund all of the outstanding debt has presented itself with no reserve

requirement, freeing up monies to reimburse the developer as well as an opportunity to add new monies into the issuance due to lower interest rates and valuation.

SCOPE OF SERVICE

Capital One Summary of Offer

- Interest Rate 3.07% fixed 10-years
- Variable rate –maximum 6% 5/22/2022 until maturity – 2029
- Callable at any time
- No reserve requirement

Sources of Funds:

Principal Amount of the Bonds	\$56,815,000
Issuer Contribution	<u>\$ 1,374,330</u>
Total	\$58,189,330

Uses of Funds

Escrow	\$54,928,390
Issuance Costs	\$ 290,940
Developer Reimbursement	<u>\$ 2,970,000</u>
Total	\$58,189,330

While there is a variable component, since the bonds are callable at any time, we would be able to fix out these bonds prior to.

The Development Authority approved the bond issuance at its meeting on Monday, April 30, 2012. Ryan O’Hara with BOSC, Inc. will be at the meeting to review the refunding.

SCHEDULE

After City Council approval of the refunding it is anticipated that the issuance will close and fund on May 22, 2012.

CURRENT AND FUTURE FUNDING /FINANCIAL IMPACTS

With the refunding, this will allow for an approximate developer reimbursement of \$4.6 million; \$2,970,000 from new bond monies and \$1,630,000 in cash, reducing future interest costs to the DAP.

O&M IMPACT INFORMATION – NA

RECOMMENDED ACTION

Resolution Of The City Of Pearland, Texas, Approving The Issuance Of \$56,815,000 Development Authority Of Pearland Tax Increment Contract Revenue And Refunding Bonds, Series 2012; Approving A Bond Resolution, Indenture Of Trust, A Private Placement Letter, And Other Documents Relating To The Bonds; Making Certain Findings And Containing Other Provisions Related Thereto

RESOLUTION NO. –RESOLUTION No. R2012-55

RESOLUTION OF THE CITY OF PEARLAND, TEXAS, APPROVING THE ISSUANCE OF DEVELOPMENT AUTHORITY OF PEARLAND TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS, SERIES 2012; APPROVING A BOND RESOLUTION, INDENTURE OF TRUST, A PRIVATE PLACEMENT LETTER, ESCROW AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; MAKING CERTAIN FINDINGS AND CONTAINING OTHER PROVISIONS RELATED THERETO

STATE OF TEXAS §
COUNTIES OF BRAZORIA AND HARRIS §
CITY OF PEARLAND §

WHEREAS, by City Ordinance No. 891, the City of Pearland, Texas (the “City”) created Reinvestment Zone Number Two, City of Pearland, Texas (the “Zone”) pursuant to Chapter 311, Texas Tax Code (the “TIRZ Act”); and

WHEREAS, by Resolution No. 2004-107 adopted by the City Council of the City on June 28, 2004, the City authorized the creation of the Development Authority of Pearland (the “Authority”) as a local government corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code (the “LGC Act”), to aid, assist and act on behalf of the City in the performance of the City’s governmental and proprietary functions with respect to the common good and general welfare of the Zone; and

WHEREAS, by City Ordinance No. R2004-170, the City authorized an agreement with the Zone and the Authority (the “Tri-Party Agreement”), which sets forth, among other things, the duties and responsibilities of the Authority, the City and the Zone as they relate to reimbursements for Project Costs (as defined in the Indenture) in the Zone, and pursuant to which the City and the Zone have agreed to pay the Authority on an annual basis certain of the Tax Increments (as defined in the Indenture) then available in the Tax Increment Fund (as defined in the Indenture); and

WHEREAS, the Tri-Party Agreement authorizes the Authority to issue bonds secured by payments made to the Authority under the Tri-Party Agreement and further authorizes the Authority to issue such bonds for the purpose of making developer reimbursements for Project Costs only with the approval of the City; and

WHEREAS, the Authority has previously issued its \$13,995,000 Tax Increment Contract Revenue Bonds, Series 2004, (the “Series 2004 Bonds”), its \$9,775,000 Tax Increment Contract Revenue Bonds, Series 2005 (the “Series 2005 Bonds”), its \$9,970,000 Tax Increment Contract Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), its \$15,950,000 Tax Increment Contract Revenue Bonds, Series 2007 (the “Series 2007 Bonds”); and its \$8,815,000 Tax Increment Contract Revenue Bonds, Series 2009 (the “Series 2009 Bonds”) (collectively, the “Refunded

Bonds”); and now desires to refund the Refunded Bonds in order to restructure the Authority’s debt; and

WHEREAS, the Authority desires to issue its Tax Increment Contract Revenue and Refunding Bonds, Series 2012 in the aggregate principal amount of \$_____ (the “Bonds”) pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Authority on April 30, 2012, and the Authority desires to use the proceeds from the sale of such Bonds for the purposes of (1) refunding the Refunded Bonds; (2) paying Project Costs (which includes amounts owed to developers under certain development agreements and the acquisition and the construction of certain public works and public improvements within the Zone), and (3) paying costs of issuance of the Bonds, all under and pursuant to the authority of the Act and all other applicable law; and

WHEREAS, in order to further secure the Bonds, the Authority has determined to enter into an Indenture of Trust (the “Indenture”) with Wells Fargo Bank, National Association (the “Trustee”) for the purpose of assigning and pledging to the Trustee the Contract Tax Increments (as defined in the Indenture), for the purpose of establishing the Pledged Revenue Fund, the Project Fund, the Debt Service Fund, and the Debt Service Reserve Fund pursuant hereto and thereby providing the Pledged Revenues (as defined in the Indenture) to be held by the Trustee to secure the payment of principal of and interest on the Bonds and any Additional Parity Bonds from time to time issued under the Indenture and the Bond Resolutions; and

WHEREAS none of the proceeds of the Bonds shall be used for the purpose of paying or otherwise providing for educational facilities, and

WHEREAS the City Council desires to approve the issuance of the Authority’s Tax Increment Contract Revenue and Refunding Bonds, Series 2012; Now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS THAT:

Section 1. Preamble. The facts and recitations set out in the preamble of this Resolution are found to be true and correct and are hereby adopted and made a part hereof for all purposes.

Section 2. Approval of Bonds; Authorization of Agreements; Approval of Reimbursements. City Council hereby approves the issuance of the Bonds by the Authority and all reasonable agreements necessary in connection with the issuance of the Bonds, including without limitation the following: the Indenture (attached hereto as Exhibit A), the Private Placement Letter with Capital One, N.A. (attached hereto as Exhibit B), the Escrow Agreement (attached hereto as Exhibit C) and any and all other documents and agreements reasonable and necessary for the Authority to issue the Bonds (collectively, the “Agreements”). City Council hereby reconfirms its prior approval of certain developer reimbursements and acknowledges that a portion of the proceeds from the sale of the Bonds will be used to make such reimbursements.

Section 3. Approval of Bond Resolution. City Council hereby approves the Authority’s Bond Resolution authorizing the issuance of the Authority’s \$_____ Development Authority of Pearland Tax Increment Contract Revenue and Refunding Bonds, Series 2012, a copy of which is attached hereto as Exhibit D.

Section 4. Authorization of Other Matters Relating Thereto. The Mayor, City Secretary and other officers and agents of the City are hereby authorized and directed to do any and all things necessary or desirable to carry out the provisions of this Resolution.

Section 5. Effective Date. This Resolution shall take effect immediately upon passage.

Section 6. Public Meeting. It is officially found, determined and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered at such meeting, including this Resolution, was given all as required by the Texas Government Code, Chapter 551, as amended.

PASSED AND APPROVED this ____ day of April, 2012.

Mayor
City of Pearland

ATTEST:

City Secretary
City of Pearland, Texas

EXHIBIT A

Indenture of Trust

See Transcript Tab ____

EXHIBIT B

Private Placement Letter

See Transcript Tab ____

EXHIBIT C

Escrow Agreement

See Transcript Tab ____

EXHIBIT D

Bond Resolution

See Transcript Tab ____

INDENTURE OF TRUST

By And Between

DEVELOPMENT AUTHORITY OF PEARLAND,

the "Authority"

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

as "Trustee"

DATED AS OF MAY 1, 2012

SECURING

DEVELOPMENT AUTHORITY OF PEARLAND
TAX INCREMENT CONTRACT REVENUE AND REFUNDING BONDS
SERIES 2012

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of the 1st day of May, 2012, (the “Indenture”), is made by and between DEVELOPMENT AUTHORITY OF PEARLAND, a not-for-profit local government corporation organized under Chapter 431, Texas Transportation Code and existing under the laws of the State of Texas (the “Authority”), and Wells Fargo Bank, National Association, a national banking association (together with any successor trustee hereunder, the “Trustee”).

WITNESSETH

WHEREAS, by Ordinance No. 891, adopted on December 21, 1998, the City of Pearland (the “City”) created Reinvestment Zone Number Two, City of Pearland, Texas (the “TIRZ”) pursuant to Chapter 311, Texas Tax Code, and approved a preliminary project plan for the TIRZ and a preliminary reinvestment zone financing plan for the TIRZ; and

WHEREAS, by Resolution No. 2004-107, adopted on June 28, 2004, the City authorized the creation of the Authority to aid, assist and act on behalf of the City in the performance of the City’s governmental and proprietary functions with respect to, and to provide financing for, the TIRZ; and

WHEREAS, by Ordinance No. R2004-170, adopted on October 11, 2004, the City approved that certain Agreement by and between the City, the TIRZ, and the Authority (the “Tri-Party Agreement”), pursuant to which the City delegated to the Authority the power and authority to issue, sell or deliver its bonds, notes or other obligations in accordance with the terms of the Tri-Party Agreement; and

WHEREAS, the Authority has previously issued its \$13,995,000 Tax Increment Contract Revenue Bonds, Series 2004, (the “Series 2004 Bonds”), its \$9,775,000 Tax Increment Contract Revenue Bonds, Series 2005 (the “Series 2005 Bonds”), its \$9,970,000 Tax Increment Contract Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), its \$15,950,000 Tax Increment Contract Revenue Bonds, Series 2007 (the “Series 2007 Bonds”); and its \$8,815,000 Tax Increment Contract Revenue Bonds, Series 2009 (the “Series 2009 Bonds”) (collectively, the “Refunded Bonds”);

WHEREAS, the Authority intends to issue its Tax Increment Contract Revenue Bonds (as herein defined), in one or more series; and

WHEREAS, by Resolution No. _____, adopted on April 30, 2012, the City authorized the Authority to issue, sell, or deliver its Tax Increment Contract Revenue and Refunding Bonds, Series 2012 for purpose of paying Project Costs and refunding the Refunded Bonds; and

WHEREAS, the Participants (as herein defined) have agreed to make certain payments, which are sufficient to pay the principal of, interest on and redemption requirements of the Tax Increment Contract Revenue Bonds, the charges and expenses of paying agents, registrars and trustees utilized in connection with the issuance of the Tax Increment Contract Revenue Bonds, and all amounts required to establish and maintain the funds to be established under this Indenture and the Bond Resolution (as herein defined); and

WHEREAS, in order to further secure the Tax Increment Contract Revenue Bonds, the Authority has determined to enter into this Indenture with the Trustee for the purpose of assigning and pledging to the Trustee the Contract Tax Increments (as herein defined), for the purpose of establishing the Pledged Revenue Fund, the Project Fund, the Debt Service Fund, and the Debt Service Reserve Fund pursuant hereto and thereby providing the Pledged Revenues (as herein defined) to be held by the Trustee to secure the payment of principal of and interest on all Tax Increment Contract Revenue Bonds from time to time issued under the Bond Resolutions.

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Tax Increment Contract Revenue Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective Owners from time to time of the Tax Increment Contract Revenue Bonds, as follows:

[END OF RECITALS]

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Indenture:

“Act” shall mean Chapter 431, Texas Transportation Code, as amended.

“Additional Parity Bonds” shall mean the additional parity Tax Increment Contract Revenue Bonds permitted to be issued by the Authority pursuant to Section 3.02 of this Indenture.

“AISD” shall mean Alvin Independent School District.

“AISD Agreement” shall mean that Interlocal Agreement approved by the City by Resolution No. R99-45, adopted on June 14, 1999, by and between the City, AISD and the TIRZ pursuant to which AISD has agreed to transfer a portion of its Tax Increment to the Tax Increment Fund, as amended.

“Annual Debt Service” means for any annual period (any fiscal year or any other twelve (12) consecutive calendar month period), an amount equal to the sum of (i) all interest on the Bonds which is due during such period, plus (ii) that portion of the Principal Installment or Installments of the Bonds which is due during such period, as limited and calculated in the following manner:

(a) Except as modified below, (i) for any twelve (12) consecutive calendar month period other than the calendar year, whether or not such period constitutes the Authority’s current fiscal year or any future Authority fiscal year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed during such twelve (12) consecutive month period; and (ii) for any fiscal year while the Authority’s fiscal year is the same as the calendar year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or mandatorily redeemed or is scheduled to accrue and be paid or mandatorily redeemed after January 1 of such fiscal year and on or before the next following January 1; and

(b) As to any annual period prior to the date of any calculation, such requirements shall be calculated solely on the basis of Bonds which were Outstanding as of the first (1st) day of such period; and as to any future year such requirements shall be calculated solely on the basis of Bonds Outstanding as of the date of calculation; and

(c) [Discuss] As to any Bonds that bear interest at a variable interest rate which cannot be ascertained at the time of calculation, an interest rate equal to the greater of an annual interest rate equal to the Bond Buyer Revenue Bond Index (or, if the Bond Buyer Revenue Bond Index is unavailable, a comparable index chosen) and the weighted average rate of interest born by such Bonds (or other indebtedness of comparable credit

quality, maturity and purchase terms in the event that such Bonds were not outstanding) during the preceding Fiscal Year (or any period of comparable length ending within 180 days) prior to the date of calculation shall be presumed to apply for all future dates and the principal shall be evenly allocated over the life of the Bond issue with an equal amount of principal deemed due each year but solely for the purpose of spreading the principal requirements for calculation of coverage; and

(d) Notwithstanding the foregoing, all amounts which are deposited to the credit of the Debt Service Reserve Fund from original proceeds from the sale of any Bonds and amounts which have been or are expected to be realized as interest and investment earnings on amounts on deposit in the Debt Service Fund (other than those amounts which are to be deposited into the Rebate Fund pursuant to Section 4.07 of this Indenture) and which are used or scheduled to be used to pay interest on or Principal Installments of Bonds during any annual period, shall be deemed to reduce the Annual Debt Service for any such annual period to the extent of such interest and investment earnings; and the amount of such deposits shall be excluded from and shall not constitute Annual Debt Service for any such annual period.

“Authority” shall mean the Development Authority of Pearland, or its legal successors.

“Authorized Representative” shall mean the Chairman or the Vice Chairman of the Authority designated to perform a specified act, to sign a specified document or to act generally on behalf of the Authority by a written instrument furnished to the Trustee.

“Average Annual Debt Service” shall mean the total Annual Debt Service (as of the date of the calculation) divided by the remaining number of years until the final maturity of the Bonds. The Average Annual Debt Service calculated under this Indenture shall remain in effect until the next date when such calculation is required under this Indenture. For the purposes of calculating the Average Annual Debt Service, any fractional year shall be included in the calculation as a full year.

“Board” shall mean the Board of Directors of the Authority.

“Bond Counsel” shall mean Allen Boone Humphries LLP and Andrews Kurth LLP or such other nationally recognized firm engaged by the Authority.

“Bond Resolutions” shall mean the resolutions from time to time adopted by the Authority authorizing the Tax Increment Contract Revenue Bonds.

“Bonds” or “Tax Increment Contract Revenue Bonds” shall mean one or more series of bonds issued by the Authority pursuant to this Indenture and the Bond Resolutions.

“Brazoria County” shall mean Brazoria County, Texas.

“Brazoria County Agreement” shall mean that Interlocal Agreement approved by the City by Resolution No. R99-62, adopted on August 30, 1999, by and between the City, Brazoria County and the TIRZ pursuant to which Brazoria County has agreed to transfer a portion of its Tax Increment to the Tax Increment Fund, as amended.

“Business Day” shall mean any day which is not a Saturday, Sunday, a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, or a legal holiday.

“Captured Appraised Value” shall mean, with respect to each Taxing Unit in each year, the total appraised value of real property taxable by the Taxing Unit and located in the TIRZ for that year less the Tax Increment Base of the Taxing Unit.

“City” shall mean the City of Pearland, Texas.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and all applicable Internal Revenue Service Regulations thereunder.

“Contract Tax Increments” shall mean Tax Increments from time to time required to be deposited by the Participants into the Tax Increment Fund pursuant to the TIRZ Act and the Participant Contracts and payable to the Authority by the City pursuant to the Tri-Party Agreement.

“Costs of Issuance” shall mean all charges, costs and expenses of the Authority incurred in connection with the authorization, issuance, sale and delivery of Tax Increment Contract Revenue Bonds including, but not limited to, legal fees, financial advisory fees, bond insurance premiums, fiscal or escrow agent fees, printing fees, accounting fees, consultant fees, verification fees, travel expenses, rating agency fees, fees of the Trustee and its counsel and Attorney General fees.

“Debt Service” shall mean the Principal Installments and interest on the Bonds.

“Debt Service Fund” shall mean the fund so designated and created pursuant to Article IV of this Indenture.

“Debt Service Reserve Fund” shall mean the fund so designated and created pursuant to Article IV of this Indenture.

“Eligible Investments” shall mean any investments permitted by the Authority’s written Investment Policy, as may be amended from time to time, adopted pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

“Event of Default” shall mean any Event of Default described in Section 6.01 of this Indenture.

“Exempt Securities” means bonds or other evidences of obligations, the interest on which is exempt from federal income taxation under Section 103(a) of the Code.

“Fair Market Value” shall mean as of any particular time:

(e) as to Eligible Investments the bid and asked prices of which are published on a regular basis in a financial journal or publication of general circulation in the United

States of America, the bid price for such Eligible Investments so published on or most recently prior to the date of valuation by the Trustee, or

(f) as to Eligible Investments the bid and asked prices of which are not published on a regular basis in a financial journal or publication of general circulation in the United States of America, the average bid price on such Eligible Investments at the date of valuation by the Trustee, as reported to the Trustee by any two nationally recognized dealers (in the opinion of the Trustee) in such Eligible Investments.

“Fiscal Year” means the fiscal year of the Authority, initially the 12-month period ending September 30, 2005.

“Fort Bend County” shall mean Fort Bend County, Texas.

“Fort Bend County Agreement” shall mean that Interlocal Agreement approved by the City by Resolution No. R99-57, adopted on August 9, 1999, by and between the City, Fort Bend County and the TIRZ pursuant to which Fort Bend County has agreed to transfer a portion of its Tax Increment to the Tax Increment Fund, as amended.

“Fund” shall mean any one or more, as the case may be, of the separate special Funds created and established or required to be maintained pursuant to this Indenture.

“Interest Payment Date”, when used in connection with any Bond, shall mean March 1 and September 1 commencing on such March 1 or September 1 as shall be set forth in the Bond Resolution for such Bonds.

“Mandatory Redemption Installment” shall mean, as of any particular date of calculation and with respect to any Series of Bonds, the amount of money to be applied to the mandatory redemption (including any mandatory redemption premium, if any) of Bonds in any fiscal year prior to maturity pursuant to this Indenture or any Bond Resolution, as such Mandatory Redemption Installment shall have been previously reduced by the principal amount of any Bonds of such Series of the maturity with respect to which such Mandatory Redemption Installment is payable which are purchased or redeemed by the Trustee in accordance with the provisions of this Indenture or of any Bond Resolution, other than a Mandatory Redemption Installment redemption or purchase.

“Maximum Annual Debt Service” shall mean the greatest amount of the Annual Debt Service calculated for any future fiscal year.

“Outstanding” when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore and thereupon delivered except: (a) any Bond canceled by or on behalf of the Authority at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of the Resolution or otherwise defeased as permitted by applicable law, and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Resolution.

“Owner” or “Registered Owner”, when used with respect to any Bond shall mean the person or entity in whose name such Bond is registered in the Register. Any reference to a

particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under the Resolution.

“Parity Bonds” shall mean the Bonds and each series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain Outstanding.

“Participant Contracts” shall mean, collectively, the Tri-Party Agreement, the AISD Agreement, the Brazoria County Agreement, the Fort Bend County Agreement, and any other contracts or orders heretofore or from time to time hereafter entered into between the Authority and Participants, containing provisions with respect to the payment by Participants of Tax Increments.

“Participants” shall mean the City, AISD, Brazoria County and Fort Bend County.

“Paying Agent/Registrar” shall mean the bank or trust company so designated in the Bond Resolutions.

“Pledged Revenue Fund” shall mean the fund so designated and created pursuant to Article IV of this Indenture.

“Pledged Revenues” shall have the meaning assigned to that term in Article II of this Indenture.

“Principal Installment” means, as of any particular date of computation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Bonds of said Series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds of such Series which would at or before said future date be retired as a result of Mandatory Redemption Installments applied in accordance with this Indenture plus (b) the amount of any Mandatory Redemption Installment payable on said future date for the retirement of any Outstanding Bonds of said Series.

“Principal Installment Payment Date”, when used in connection with any Bond, shall mean September 1 of each year in which principal is scheduled to be paid.

“Project and Financing Plan” shall mean the final Project Plan and Reinvestment Zone Financing Plan of the TIRZ adopted by the Board of Directors of the TIRZ on August 23, 1999, and approved by the City on August 23, 1999, by Ordinance No. 918, and as amended from time to time.

“Project Costs” shall mean all project costs identified in the Project and Financing Plan as authorized by the TIRZ Act and the Tri-Party Agreement.

“Project Fund” shall mean the fund so designated and created pursuant to Article IV of this Indenture.

“Rebate Fund” shall mean the fund so designated and created pursuant to Article IV of this Indenture.

“Register” or “Bond Register” shall mean the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

“Regulations” shall mean the Income Tax Regulations promulgated under the Code.

“Reserve Fund Surety Policy” shall mean an insurance policy or other credit agreement, as such defined by Section 1371.001, Texas Government Code, in a principal amount equal to the portion of the Reserve Requirement to be satisfied and issued by a financial institution or insurance company with a rating for its long term unsecured debt or claims paying ability in the highest letter category by two major municipal securities evaluation sources.

“Reserve Requirement” for a particular Series of Bonds shall be defined in the Bond Resolution authorizing the issuance of such Series of Bonds, if such Bond Resolution imposes such a requirement. There shall be no Reserve Requirement for the series of bonds (the “Series 2012 Bonds”) authorized by the Bond Resolution dated April 30, 2012.

“Series” shall mean all of the Bonds authenticated and delivered on issuance and pursuant to this Indenture or any Bond Resolution authorizing the issuance of such Bonds as a separate series of Bonds or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

“State” or “State of Texas” shall mean the State of Texas.

“Surplus Fund” shall mean the Authority’s Surplus Fund so designated and created pursuant to Article IV of this Indenture.

“Tax Increment” shall mean, with respect to each Taxing Unit in each year, the amount of property taxes levied by the Taxing Unit for that year on the Captured Appraised Value of real property taxable by the Taxing Unit and located in the TIRZ.

“Tax Increment Base” shall mean the total appraised value of property in the TIRZ as of January 1, 1998 plus the total appraised value of real property taxable by a Taxing Unit and annexed into the TIRZ as determined on January 1 of the year in which such property was annexed into the TIRZ.

“Tax Increment Contract Revenue Bonds” or “Bonds” shall mean one or more series of bonds issued by the Authority pursuant to this Indenture and the Bond Resolutions.

“Tax Increment Fund” shall mean the City’s TIRZ Tax Increment Fund created and maintained in accordance with Ordinance No. 891 and the TIRZ Act.

“Taxing Unit” shall mean, in addition to the Participants, a special district or authority (including a junior college district, a hospital district, a navigation district, or other district created by or pursuant to the V.T.C.A. Water Code), or any other political subdivision of the State of Texas, whether created by or pursuant to the Texas Constitution or a local, special, or general law, that is authorized to impose and is imposing ad valorem taxes on real property in the

TIRZ, even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

“TIRZ” shall mean Reinvestment Zone Number Two, City of Pearland, Texas as enlarged from time to time.

“TIRZ Act” shall mean Chapter 311, Texas Tax Code; as amended.

“Tri-Party Agreement” shall mean that certain Agreement by and between the City, the TIRZ, and the Authority approved by the City by Ordinance No. R2004-170, adopted on October 11, 2004, and adopted on October 5, 2004, by the Board and the Board of Directors of the TIRZ, as amended.

“Trustee” shall mean [Wells Fargo Bank, National Association,] and its successors in that capacity.

Section 1.02 Recitals, Table of Contents, Titles and Headings. The terms and phrases used in the recitals of this Indenture have been included for convenience of reference only and the meaning, construction and interpretation of such words and phrases for purposes of this Indenture shall be determined solely by reference to Section 1.01 hereof. The table of contents, titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03 Interpretation. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Indenture and the Tax Increment Contract Revenue Bonds.

[END OF ARTICLE I]

ARTICLE II

GRANTING CLAUSES

In order to secure the payment of the principal of, redemption premium, if any, and interest on all Tax Increment Contract Revenue Bonds as the same are issued and become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Tax Increment Contract Revenue Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority does hereby GRANT, BARGAIN, CONVEY, ASSIGN and PLEDGE to the Trustee and its successors in trust hereunder, subject to the provisions of this Indenture, all of the Authority's right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired (collectively, the "Pledged Revenues"):

(a) The Contract Tax Increments and all of the Authority's right, title and interest thereto under the Participant Contracts and the Tri-Party Agreement. (By definition, the Contract Tax Increments do not include the Tax Increments of Taxing Units other than the City, AISD, Brazoria County and Fort Bend County.)

(b) All moneys deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund, and the Debt Service Reserve Fund held by the Trustee pursuant to the provisions of this Indenture and all interest earnings and investment income therefrom.

(c) Any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with the Trustee as additional security hereunder by the Authority, or anyone on behalf of the Authority, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms hereof. If and when an agreement is reached with Fort Bend Independent School District or another Taxing Unit for the payment of its Tax Increments into the Tax Increment Fund, the Authority may, but not necessarily will, grant its right, title and interest in such Tax Increments to the Trustee as security hereunder.

TO HAVE AND TO HOLD all the same, with all rights and privileges appurtenant thereto, unto the Trustee and its successors in trust forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of the Owners from time to time of the Tax Increment Contract Revenue Bonds secured and to be secured hereunder, or any of them, without preference, priority or distinction as to lien or otherwise of any Tax Increment Contract Revenue

Bond over any other Tax Increment Contract Revenue Bond, except as otherwise expressly provided in this Indenture.

PROVIDED, HOWEVER, that if the Authority, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Tax Increment Contract Revenue Bonds and the interest and redemption premium, if any, due or to become due thereon, at the times and in the manner provided in the Tax Increment Contract Revenue Bonds, and in the Bond Resolutions according to the true intent and meaning thereof, and shall cause the payments to be made into the Funds maintained hereunder in the amounts required by this Indenture and the Bond Resolutions, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee or Paying Agent/Registrar the entire amount due or to become due thereon, or an amount sufficient to provide for the payment thereof, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Indenture and the rights and liens hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and shall remain in full force and effect.

[END OF ARTICLE II]

ARTICLE III

AUTHORIZATION OF TAX INCREMENT CONTRACT REVENUE BONDS; GENERAL TERMS AND PROVISIONS OF TAX INCREMENT CONTRACT REVENUE BONDS; ADDITIONAL PARITY BONDS AND SUBORDINATE LIEN OBLIGATIONS

Section 3.01 Authorization of Tax Increment Contract Revenue Bonds. (a) The Tax Increment Contract Revenue Bonds may be authorized from time to time by the Authority pursuant to Bond Resolutions duly adopted by the Board, which Bond Resolutions shall specify the dates, denominations, principal amounts, interest rates, maturities, redemption provisions, forms of bonds, manner of payment, provision for execution and authentication, application of proceeds and all other terms and provisions of the Tax Increment Contract Revenue Bonds not otherwise provided herein.

(b) At or prior to the issuance of each series of Tax Increment Contract Revenue Bonds pursuant to any Bond Resolution, the Authority shall provide to the Trustee the following:

(i) a certified copy of the Bond Resolution;

(ii) the approving opinion of the Authority's Bond Counsel with respect to such series of Tax Increment Contract Revenue Bonds to the effect (i) that the Bonds are valid and binding obligations of the Authority except to the extent that their enforceability may be limited by applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and except that such enforceability is subject to general principles of equity and the exercise of judicial discretion (regardless of whether such enforceability is considered in a proceeding in law or at equity), and (ii) that the Bonds are issued pursuant to the terms of this Indenture;

(iii) if such series of Tax Increment Contract Revenue Bonds are being issued to refund any previously issued Tax Increment Contract Revenue Bonds, the identity, redemption date and redemption price of the Tax Increment Contract Revenue Bonds to be refunded;

(iv) a debt service schedule with regard to such series of Tax Increment Contract Revenue Bonds and all Tax Increment Contract Revenue Bonds that will then be Outstanding after the issuance of such series of Tax Increment Contract Revenue Bonds and refunding of any Tax Increment Contract Revenue Bonds being refunded thereby; and

(v) the amount of the Reserve Requirement, as such amount may have been modified based upon the issuance of such series of Tax Increment Contract Revenue Bonds.

Section 3.02 Additional Parity Bonds. The Authority reserves the right to issue, for any lawful purpose (including the refunding of any previously issued Parity Bonds), one or more

series of Additional Parity Bonds payable from and secured by a lien on the Pledged Revenues, on a parity with the Bonds, and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

(a) The Additional Parity Bonds mature on, and interest is payable on, the Principal Installment Payment Dates and Interest Payment Dates, respectively;

(b) The City has approved issuance of the Additional Parity Bonds on the terms set forth in the Tri-Party Agreement, as the same may be modified from time to time;

(c) There shall be on deposit in the particular Debt Service Reserve Funds (to the extent created and established by Bond Resolutions pursuant to Section 4.04), after the issuance of the Additional Parity Bonds, an amount equal to the Reserve Requirement on all Bonds that have a Reserve Requirement that will be Outstanding after the issuance of such Additional Parity Bonds;

(d) The Authority certifies that it is not in material default with the terms of the Indenture, any Bond Resolution, or the Tri-Party Agreement;

(e) The Authority has received a certificate meeting the requirements set forth in paragraph (f) below which shows Captured Appraised Value which, at the Participants' tax rates then in existence, will generate Contract Tax Increments on the Additional Parity Bonds to be issued that will be at least 125 percent of projected Average Annual Debt Service, taking into account the Bonds and the Additional Parity Bonds to be issued, provided; however, that this requirement shall not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that will have the result of reducing the Average Annual Debt Service requirements on Parity Bonds; and

(f) The certificate required by paragraph (e) above may be either: (i) a certificate of the appropriate county appraisal district or districts showing certified values, adjusted for exemption, (ii) a certificate of the appropriate county appraisal district or districts showing estimated or preliminary values, adjusted for exemptions and losses due to protests based on historical data, or (iii) a projection prepared by an independent real estate appraiser.

Section 3.03 Subordinate Lien Obligations. The Authority reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on all or part of the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes. Such subordinate lien obligations will provide that they are payable from all or part of the Pledged Revenues only if and to the extent such amounts could otherwise be deposited to the Debt Service Reserve Fund (for Reserve Fund Surety Policy obligations) or to the Surplus Fund.

Section 3.04 Declaration. It is hereby expressly declared that all revenues, receipts, moneys and other properties hereby pledged are to be dealt with and disposed of under, upon and

subject to the terms, conditions, covenants, agreements, uses and purposes set forth in this Indenture.

[END OF ARTICLE III]

ARTICLE IV

FUNDS AND INVESTMENTS

Section 4.01 Creation of Funds. There are hereby created the following Funds:

- (A) Pledged Revenue Fund;
- (B) Debt Service Fund;
- (C) Debt Service Reserve Fund;
- (D) Project Fund;
- (E) Rebate Fund; and
- (F) Surplus Fund.

Each Fund, other than the Surplus Fund and the Project Fund, shall be maintained by the Trustee separate and apart from all other funds of the Authority. The Authority shall maintain its Surplus Fund and Project Fund at a depository of the Authority's selection and in accordance with the Tri-Party Agreement. The Pledged Revenue Fund, the Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust by the Trustee solely for the benefit of the Owners of the Tax Increment Contract Revenue Bonds.

Section 4.02 Pledged Revenue Fund. There is hereby created and established with the Trustee a fund to be designated the "Pledged Revenue Fund." The Contract Tax Increments shall be deposited into the Pledged Revenue Fund. Money in the Pledged Revenue Fund shall be held in trust by the Trustee and applied in the following manner and order of priority:

- (A) First, to the Debt Service Fund amounts necessary to make the amounts on deposit therein equal to the interest and Principal Installments due on the Tax Increment Contract Revenue Bonds in the period ending on the next March 1;
- (B) Second, to the extent created in a Bond Resolution, to the particular Debt Service Reserve Funds amounts required to attain the Reserve Requirement on a pro rata basis (based upon the percentage of the Reserve Requirement for such Series of Bonds compared to the Reserve Requirement for all Bonds);
- (C) Third, to the payment of fees and expenses of the Trustee and Paying Agent/Registrar; and
- (D) Fourth, to the Surplus Fund for use by the Authority for any lawful purpose. Moneys can be transferred from the Pledged Revenue Fund to the Surplus Fund at any time provided that immediately prior to any such transfers the deposits required by Sections 4.02(A) through (C) above have been made or provided for.

Section 4.03 Debt Service Fund. There is hereby created and established with the Trustee a fund to be designated the “Debt Service Fund.” Money in the Debt Service Fund shall be held in trust by the Trustee. The Authority shall deposit or cause to be deposited into the Debt Service Fund accrued interest on the Tax Increment Contract Revenue Bonds, capitalized interest on the Tax Increment Contract Revenue Bonds, transfers from the Pledged Revenue Fund as provided in Section 4.02, transfers from the Debt Service Reserve Fund as provided in Section 4.04, and, to the extent necessary, other Pledged Revenues in such amounts and at such times to provide that amounts necessary to pay interest and Principal Installments, due on the Tax Increment Contract Revenue Bonds. The Trustee shall transfer on each Interest Payment Date and each Principal Installment Payment Date to the Paying Agent/Registrar such amounts in the Debt Service Fund to pay Principal Installments and interest on the Tax Increment Contract Revenue Bonds as the same become due. The Trustee shall make all such transfers such that the Authority shall be in compliance with the Principal and Interest Guidelines in the Operational Arrangement of the Depository Trust Company, as amended from time to time.

Section 4.04 Debt Service Reserve Fund. Each Bond Resolution authorizing a Series of Bonds may create and establish with the Trustee one or more funds to be designated a “Debt Service Reserve Fund.” A Debt Service Reserve Fund may be pledged to the payment of a particular Series of Bonds and may be so designated (e.g. “Series 2012 Debt Service Reserve Fund”). Money in a Debt Service Reserve Fund shall be held in trust by the Trustee and held solely for the benefit of the Owners of the particular Series of Bonds for which it was created. Each Debt Service Reserve Fund shall initially be funded as provided in the Bond Resolutions.

(A) If, on any Interest Payment Date or Principal Installment Payment Date, after transferring funds to the Debt Service Fund as provided in Section 4.02, the Debt Service Reserve Fund contains amounts less than the Reserve Requirement for a particular Series of Bonds, the Trustee shall withdraw from the Pledged Revenue Fund and deposit into each Debt Service Reserve Fund on a pro rata basis (based upon the percentage of the Reserve Requirement for each series of Bonds compared to the Reserve Requirement for all Bonds) the amount required to attain the Reserve Requirement. If there are not sufficient funds in the Pledged Revenue Fund to fund the Reserve Requirement of the various Debt Service Reserve Funds, the Trustee shall deposit on a pro rata basis (based upon the percentage of the Reserve Requirement for each series of Bonds compared to the Reserve Requirement for all Bonds) into the Debt Service Reserve Fund all interest and income earned from the investment of amounts credited to the Debt Service Reserve Fund until the Reserve Requirements of the various Debt Service Reserve Funds are again attained.

(B) So long as a Debt Service Reserve Fund contains amounts at least equal to the Reserve Requirement, all earnings on such Debt Service Reserve Fund shall be transferred and deposited, as collected, into the Debt Service Fund.

(C) Amounts deposited into a Debt Service Reserve Fund (i) shall be used to pay interest on or Principal Installments of the Tax Increment Contract Revenue Bonds of a particular Series when insufficient funds are available for such purpose in the Debt Service Fund or (ii) may be applied toward the payment of interest on or Principal Installments of Tax Increment Contract Revenue Bonds of a particular Series in

connection with the refunding or redemption of such Series of Tax Increment Contract Revenue Bonds.

(D) The Authority expressly reserves the right at any time to satisfy all or part of the Reserve Requirement for one or more of the Debt Service Reserve Funds by obtaining for the benefit of one or more of the Debt Service Reserve Funds one or more Reserve Fund Surety Policies. In the event the Authority elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in a Debt Service Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the Bonds were issued and any other funds thereby released to any purposes for which such funds may lawfully be used, including the payment of debt service on the Bonds. The premium for any Reserve Fund Surety Policy shall be paid from bond proceeds or other funds of the Authority lawfully available for such purpose. Any Reserve Fund Surety Policy shall be authorized by resolution. All amounts deposited in or required to be deposited in a Debt Service Reserve Fund may be used to pay obligations incurred to providers of Reserve Fund Surety Policies, including amounts advanced thereunder, interest on such advances and related costs and expenses.

Section 4.05 Project Fund. There is hereby created and established a fund to be designated the "Project Fund" and held and maintained by the Authority. Subaccounts may be established and created as the Authority deems appropriate.

The Project Fund and any subaccounts thereof, shall initially be funded as provided in the Bond Resolutions. The money and securities in the Project Fund shall be applied as provided herein.

Authority is hereby authorized and directed to make disbursements from the Project Fund and any subaccounts thereof and to issue its checks therefor or otherwise pay for Project Costs including the repayment of any loans, notes or other obligations used to finance Project Costs.

Section 4.06 Surplus Fund. Subject to the provisions of Section 4.02(D), there shall be deposited into the Surplus Fund any amounts remaining in the Pledged Revenue Fund. After transfer to the Surplus Fund, such amounts may be used by the Authority for any lawful purpose free from the lien and pledge of this Indenture.

Section 4.07 Rebate Fund.

(A) Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien created by the Indenture. The Trustee shall transfer from the Pledged Revenue Fund to the credit of the Rebate Fund each amount directed by the Authority to be transferred thereto.

(B) Within five days after each transfer of funds to the Rebate Fund necessary to meet the requirements of Article VIII of the Bond Resolution or this Section 4.07, the Trustee shall withdraw from the Rebate Fund and pay to the United States the balance of the Rebate Fund. All payments to the United States pursuant to this Section shall be (i) made by the Trustee for the account and in the name of the Authority, (ii) paid by check mailed by registered mail (return receipt requested), addressed to the Internal Revenue

Service Center, Philadelphia, Pennsylvania 19255 (or such other Service Center as may be designated by the Internal Revenue Service from time to time), and (iii) accompanied by the relevant Internal Revenue Service Form 8038-T provided by the Authority.

(C) The Trustee shall preserve copies (either in original form or by image) of all statements and forms received from the Authority pursuant to this Indenture and all records maintained by it of transactions in the Rebate Fund and shall deliver such materials to the Authority within 60 days following the discharge of the last of the Bonds.

(D) The Trustee may in good faith conclusively rely on the instructions of the Authority with regard to any actions to be taken by it pursuant to this Section and shall have no liability for any consequences of any failure of the Authority to supply accurate or sufficient instructions.

(E) If at any time during the term of this Indenture the Trustee or the Authority desires to take any action that would otherwise be prohibited by the terms of this Section, such person will be permitted to take such action only if it shall first obtain and provide to the other person named herein an opinion of Bond Counsel (acceptable to both the Trustee and the Authority) to the effect that such action will not adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes and shall be in compliance with the laws of the State of Texas and the terms of this Indenture.

Section 4.08 Investments; Earnings. Monies deposited into the Pledged Revenue Fund, the Debt Service Fund, and the Debt Service Reserve Fund shall be invested and reinvested in Eligible Investments as directed in writing to the Trustee by the Authority; provided that all such Eligible Investments shall be directed by the Authority in such manner that the money required to be expended from any Fund will be available at the proper time or times.

(A) All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the monies for such investments were taken (except as otherwise expressly provided in this Indenture). All losses on investments shall be charged against the Fund to which such investments are credited. The Trustee shall have the right to have sold in the open market a sufficient amount of any such investments at any time that a Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the sale of any such investment as herein authorized.

(B) At the direction of the Authority, a portion of the investment income from any Fund may be paid directly to the Rebate Fund, free and clear of the lien and pledge of this Indenture, for payment to the United States pursuant to Section 4.07 in order to maintain the tax-exempt status of the Bonds.

(C) The Trustee may make any investment through its or an affiliate's investment department, and the Trustee or such affiliate may receive compensation in connection with such investments. As amounts invested are needed for disbursement

from any Funds, the Trustee shall cause a sufficient amount of the investments credited to that Fund to be redeemed or sold and converted into cash to the credit of that Fund. Securities transaction charges incident to any purchase, sale, or redemption of Eligible Investments shall be charged to the Authority.

(D) The Authority by its execution of this Indenture covenants to restrict the investment of money in the Funds created under this Indenture in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are delivered to their original purchaser, so that the Bonds will not constitute arbitrage bonds under the Code and the Regulations, and the Trustee hereby agrees to comply with the Authority's instructions with respect to the investment of money in the Funds created under this Indenture.

(E) The Authority has covenanted to provide the Trustee with written instructions to assure that any amounts that, in accordance with the Code and applicable regulations, are required to be invested at a restricted yield will be invested either (i) in Exempt Securities or (ii) at a yield that is not materially higher than the yield on the Bonds, determined in accordance with the Code and applicable Regulations, unless in the opinion of Bond Counsel, investment of such at a higher rate will not adversely affect the exclusion from gross income of interest on the Tax Increment Contract Revenue Bonds for federal income tax purposes. For the purpose of applying this Section, amounts on deposit in each Fund shall be accounted for on a first in, first out basis. The Trustee, at the Authority's direction, is authorized to yield restrict any investment in accordance with Article VIII of the Bond Resolutions.

(F) For the purpose of determining the amount on deposit to the credit of any such Fund, obligations in which money in such Fund shall have been invested shall be valued at the Fair Market Value. The Trustee shall provide a valuation of the Eligible Investments in the Funds established under this Indenture as of the last Business Day of each month.

[END OF ARTICLE IV]

ARTICLE V

COVENANTS OF THE AUTHORITY

Section 5.01 Payment of Tax Increment Contract Revenue Bonds and Performance of Obligations. The Authority covenants to promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on the Tax Increment Contract Revenue Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Tax Increment Contract Revenue Bonds and the Bond Resolutions; to pay when due all fees, charges and other amounts due to the Trustee and the Paying Agent/Registrar for the discharge of their duties hereunder; and to faithfully keep and perform all of its covenants, undertakings and agreements contained in this Indenture, the Tri-Party Agreement, the Bond Resolutions and the Tax Increment Contract Revenue Bonds.

Section 5.02 Recordation and Execution of Security Instruments. The Authority covenants to cause this Indenture, any supplemental indentures, and all other security instruments, financing statements and supplements thereto that may be necessary, to be filed, recorded, and refiled, in such manner, at such times and in such places as may be required by law in order to fully preserve and protect the rights and security of the Owners of the Tax Increment Contract Revenue Bonds and to perfect and preserve the lien of this Indenture. Without limiting the generality of the foregoing, the Authority shall execute and deliver such additional instruments and perform such additional acts as may be necessary and proper after the execution of this Indenture and to transfer to any successor Trustee or Trustees the assets, powers, instruments and funds held in trust hereunder and to confirm the lien of this Indenture with respect to any Bond or Tax Increment Contract Revenue Bonds, and shall take all action that may at any time be necessary, in the opinion of the Trustee, to secure the interests of the Owners of the Tax Increment Contract Revenue Bonds.

Section 5.03 Title Encumbrances of Pledged Revenues. The Authority covenants that it has good and indefeasible title to the Contract Tax Increments, subject to the assignments and pledges contained herein. So long as any Tax Increment Contract Revenue Bonds remain Outstanding, except as permitted by Sections 3.02 and 3.03 of this Indenture, the Authority covenants not to sell, transfer, assign, pledge, encumber, mortgage or otherwise dispose of, directly or indirectly, by merger or otherwise, or cause or suffer same, or create or allow to accrue or exist any lien upon, all or any part of its interest in the Pledged Revenues or any portion thereof, except for the lien of this Indenture.

Section 5.04 Pledged Revenues Not Encumbered. (a) The Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Authority other than the Tax Increment Contract Revenue Bonds. The Authority covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge hereunder securing the Tax Increment Contract Revenue Bonds.

(b) Provided, however, the lien on, pledge of, and rights in and to the Contract Tax Increments established, made, and granted in Article 11 of this Indenture and this Section 5.04 constitutes a lien thereon, subject only to the rights, if any, of the holders of

bonds or other obligations that have been heretofore or are hereafter issued by a Participant that are payable from and secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the Participant.

Section 5.05 Collection of Contract Tax Increments. Subject to the provisions of applicable law and the Tri-Party Agreement, the Authority covenants and agrees to use its best efforts to cause each Participant to pay to the City, when due, all Contract Tax Increments to provide for the payment of principal of and interest on the Tax Increment Contract Revenue Bonds.

Section 5.06 Amendment of Tri-Party Agreement. The Authority covenants not to cause any amendment of the Tri-Party Agreement that will in any manner materially impair the rights of the Owners of the Tax Increment Contract Revenue Bonds.

[END OF ARTICLE V]

ARTICLE VI

DEFAULT AND REMEDIES

Section 6.01 Events of Default. An Event of Default hereunder shall consist of any of the following acts or occurrences:

(A) failure to pay when due Principal Installments or interest on any Tax Increment Contract Revenue Bond; or

(B) failure to deposit to the Debt Service Fund money sufficient for the payment of any Principal Installments or interest payable on the Tax Increment Contract Revenue Bonds by no later than the date when such Principal Installment or interest becomes due and payable.

Section 6.02 Notices. In order to provide the Authority with information with respect to its obligations under this Indenture, the Trustee shall provide the Authority the following notices:

(A) Notice of any draws upon the Debt Service Reserve Fund which are required to be transferred to the Debt Service Fund for the payment of Principal Installments of or interest on any Tax Increment Contract Revenue Bonds, together with the description of the amount drawn; and

(B) Notice of transfers to the Surplus Fund pursuant to Section 4.02 and Section 4.06.

Section 6.03 Notice of Default. The Trustee shall also be required to give immediate notice to the Authority of the occurrence of any Event of Default hereunder.

Section 6.04 Remedies in General. If an Event of Default hereunder shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee hereunder, the Trustee in its discretion, subject to the provisions of this Indenture, may proceed to protect and enforce its rights and the rights of the Owners of Tax Increment Contract Revenue Bonds by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture, the Bond Resolutions or the Tax Increment Contract Revenue Bonds or in aid of the execution of any power granted in this Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Owners of the Tax Increment Contract Revenue Bonds, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Authority or any Participant to make payment of the Contract Tax Increments (but only from and to the extent of the sources provided in this Indenture and the Participant Contracts) or to observe and perform such covenant, obligations or conditions of this Indenture or the Tri-Party Agreement.

Section 6.05 Appointment of Receivers. If an Event of Default hereunder shall occur and be continuing, and upon filing of a bill in equity or commencement of other judicial

proceedings to enforce the rights of the Trustee and the Owners hereunder, the Trustee shall be entitled as a matter of right, and to the extent permitted by law, to the appointment of a receiver or receivers of the Pledged Revenues and the income, rents, profits and use thereof pending such proceedings, with such powers as the court making such appointment shall confer.

Section 6.06 Trustee May Act Without Possession of Tax Increment Contract Revenue Bonds. All rights of action under this Indenture or under any Tax Increment Contract Revenue Bonds may be enforced by the Trustee without possession of any of the Tax Increment Contract Revenue Bonds or the production thereof on any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee for the ratable benefit of the Owners of the Tax Increment Contract Revenue Bonds, subject to the provisions of this Indenture.

Section 6.07 Trustee as Attorney in Fact. The Trustee is hereby appointed (and the Owners of the Tax Increment Contract Revenue Bonds, by taking and owning same from time to time, shall be deemed to have so appointed the Trustee) the true and lawful attorney in fact of the Owners of the Tax Increment Contract Revenue Bonds, to make or file, in the names of the Owners of the Tax Increment Contract Revenue Bonds, or in behalf of all Owners of the Tax Increment Contract Revenue Bonds as a class, any proof of debt, amendment to proof of debt, petition or other document, and to do and perform any and all acts and things for and in the name of the Owners of the Tax Increment Contract Revenue Bonds as a class as may be necessary or advisable, in the judgment of the Trustee, in order to have the claims of the Owners of the Tax Increment Contract Revenue Bonds against the Authority approved in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings to which the Authority shall be a party and to receive payment of or on account of such claims. Any such receiver, assignee, liquidator or trustee is hereby authorized by each of the Owners to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due for compensation and expenses of the Trustee, including counsel fees, incurred up to the date of such distribution, and the Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 6.08 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Tax Increment Contract Revenue Bonds, or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.09 Limitation on Suits. All rights of action in respect of this Indenture shall be exercised only by the Trustee, and no Owner of any Bond secured hereunder shall have any right to institute any suit, action or proceeding at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have received written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and shall have been furnished reasonable indemnity and shall have refused or neglected for ten (10)

days thereafter to institute such suit, action or proceedings. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Owner of any Bond of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any such Owner of any action or cause of action for the appointment of a receiver or for any other remedy hereunder, but the Trustee may, in its discretion, and when duly requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith, take such appropriate action by judicial proceedings or otherwise in respect of any existing default on the part of the Authority as the Trustee may deem expedient in the interest of the Owners of the Tax Increment Contract Revenue Bonds.

Nothing contained in this Article, however, shall affect or impair the right of any Owner, which shall be absolute and unconditional, to enforce the payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds of such Owner, but only out of the moneys for such payment as herein provided, or the obligation of the Authority, which shall also be absolute and unconditional, to make payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds issued hereunder, but only out of the funds provided herein for such payment, to the respective Owners thereof at the time and place stated in said Tax Increment Contract Revenue Bonds.

Section 6.10 Right of Owners of the Tax Increment Contract Revenue Bonds to Direct Proceedings. Notwithstanding any provision of this Indenture to the contrary, the Owners of more than fifty percent (50%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings hereunder; provided, however, that such direction shall not be contrary to law or the provisions of this Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Owners of the Tax Increment Contract Revenue Bonds not consenting.

Section 6.11 Restoration of Rights and Remedies. If the Trustee or any Owner of a Bond has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner of a Bond, then and in every such case the Authority, the Trustee and the Owners of the Tax Increment Contract Revenue Bonds shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Owners of the Tax Increment Contract Revenue Bonds shall continue as though no such proceeding had been instituted.

Section 6.12 Waiver of Stay or Extension Laws. To the extent that it may lawfully do so, the Authority covenants that it will not at any time insist upon, plead or in any manner

whatsoever claim or take the benefit or advantage of any stay or extension law whenever or wherever enacted, which may affect the covenants or the performance of this Indenture. The Authority also covenants that it will not otherwise hinder, delay or impede the execution of any power herein granted to the Trustee.

Section 6.13 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Owner of any Bond to exercise any right or remedy accruing upon any Event of Default hereunder shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners of the Tax Increment Contract Revenue Bonds, as the case may be.

[END OF ARTICLE VI]

ARTICLE VII

DISCHARGE

Section 7.01 Discharge by Payment. When all Tax Increment Contract Revenue Bonds have been paid in full as to principal and as to interest and premium, if any, or when all Tax Increment Contract Revenue Bonds have become due and payable, whether at maturity or by prior redemption or otherwise, and the Authority shall have provided for the payment of the whole amount due or to become due on all Tax Increment Contract Revenue Bonds then outstanding, including all interest which has accrued thereon or which may accrue to the date of maturity or redemption by depositing with the Trustee or the Paying Agent/Registrar, for payment of such outstanding Tax Increment Contract Revenue Bonds and the interest thereon and any premium which may be due thereon, the entire amount due or to become due thereon, or amounts and investments sufficient to provide for such payment as provided in the Bond Resolutions, and the Authority shall also have paid or caused to be paid all sums payable hereunder by the Authority, including the compensation due or to become due the Trustee, then the Trustee shall, upon receipt of a letter of instructions from the Authority requesting the same, discharge and release the lien of this Indenture and execute and deliver to the Authority such releases or other instruments as shall be required to release the lien hereof.

Section 7.02 Discharge by Deposit. The Authority may discharge its obligation to the Owners of any or all of the Tax Increment Contract Revenue Bonds to pay principal, interest and redemption premium (if any) thereon in any manner then permitted by law, including, but not limited to, by depositing with any paying agent for such Tax Increment Contract Revenue Bonds either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of such Tax Increment Contract Revenue Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or Investments in principal amounts and maturities and bearing interest at rates sufficient (in the opinion of an independent certified public accountant) to provide for the timely payment of the principal amount and redemption premium, if any, of such Tax Increment Contract Revenue Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of the Tax Increment Contract Revenue Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the Bond Resolution authorizing such Tax Increment Contract Revenue Bonds. Upon such deposit, such Tax Increment Contract Revenue Bonds shall no longer be regarded to be Outstanding or unpaid.

For the purpose of this Section 7.02, “Investments” shall mean:

- (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;
- (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 Authority authorizes the discharge by deposit of any or all of the Tax Increment Contract Revenue Bonds, 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 Authority authorizes the discharge by deposit of any or all of the Tax Increment Contract Revenue Bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than AAA or its equivalent.

[END OF ARTICLE VII]

ARTICLE VIII

THE TRUSTEE

Section 8.01 Acceptance of Trusts. The Trustee, for itself and its successors, hereby accepts the trusts under this Indenture, but only upon the following terms and conditions set forth in this Article.

(a) Notwithstanding any provision of the Indenture to the contrary, prior to an Event of Default hereunder, and after the curing of any such Event of Default, the Trustee shall not be liable for the performance of any duties, except such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In case of an Event of Default which has not been cured, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon the truth, completeness and accuracy of the letters of instruction, statements, certificates, opinions, certified resolutions and other certified showings conforming to the requirements of this Indenture.

(c) The Trustee may execute any of the trusts or powers hereof and perform any duties required of it, by or through attorneys or agents selected by it with reasonable care, and shall be entitled to, and shall be protected in relying upon, advice of counsel concerning all matters of trust hereof and its duties hereunder, and may in all cases pay such reasonable compensation as it shall deem proper to all such attorneys and agents as may reasonably be required and employed in connection with the trusts hereof, and the Trustee shall not be responsible for the acts or negligence of such attorneys, agents or counsel, if selected with reasonable care.

(d) The Trustee shall not be responsible for any recitals herein, in the Bond Resolutions or in the Tax Increment Contract Revenue Bonds. The Trustee may require of the Authority full information and advice as to the performance of the covenants, conditions and agreements contained in this Indenture. The recitals and statements of fact and warranties contained in this Indenture, the Bond Resolutions and in the Tax Increment Contract Revenue Bonds shall be taken as statements by the Authority and shall not be considered as made by or as imposing any obligation or liability upon the Trustee.

(e) Except as otherwise provided in this Indenture, the Trustee shall not be bound to recognize any person as an Owner of any Bond or to take action at such persons request, unless such person's name appears as the Registered Owner of such Bond in the Register.

(f) Except as otherwise expressly provided or fairly implied by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or

furnish any notice, demand, report, request, reply, statement, advice or opinion to any Owner of any Bond or to the Authority or any other person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish same unless obligated or required to do so by express provision or by fair implication of the provisions hereof.

(g) Nothing herein contained shall relieve the Trustee from liability for its own negligent action or failure to act or its own willful misconduct, except that the Trustee shall not incur any liability (i) for any error of judgment made in good faith by a responsible officer or responsible officers thereof, unless it shall be proved that it was negligent in ascertaining the pertinent facts, or (ii) in respect of any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the percentage of the Tax Increment Contract Revenue Bonds specified herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(h) None of the provisions contained in this Indenture shall require the Trustee to advance, expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it by the security afforded to it by the terms of this Indenture.

(i) The Trustee shall have no responsibility with respect to any information in any offering memorandum or other disclosure material distributed with respect to the Tax Increment Contract Revenue Bonds, and the Trustee shall have no responsibility for compliance with securities laws in connection with the issuance and sale of the Tax Increment Contract Revenue Bonds.

(j) In the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Owners, each representing less than a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(k) Except as otherwise especially provided by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to any Owner of any Tax Increment Revenue Bond or to the Authority or any other person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish same unless obligated or required to do so by express provisions hereof.

(l) The Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(m) Until termination of this Indenture, the Trustee shall file continuation statements as required to continue in effect the Uniform Commercial Code financing statement filed with the Secretary of State of the State of Texas listing the Trustee as the secured party and the Authority as the debtor.

Section 8.02 Reliance by Trustee. To the extent not prohibited by this Article, the trustee may rely, and shall be protected in acting upon, any letters of instruction, statements, certificates, certified resolutions, opinions, notices, consents, orders, appraisals, reports, policies, bonds or other papers or documents believed by it to be genuine and to have been signed or presented to it by the proper person or persons, and the Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith and in conformity with the opinion of such counsel. Notwithstanding the foregoing, upon receipt by the Trustee of documents furnished to it by the Authority which are specifically required to be delivered under this Indenture, the Trustee shall examine the same to determine whether they conform to the requirements of this Indenture, however, the Trustee shall have no obligation to analyze the same or evaluate their substance.

Section 8.03 Certificate of the Authority as Proof. Whenever in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, then, in the absence of bad faith on the part of the Trustee, and unless other evidence in respect thereof be herein specifically prescribed, and unless an Event of Default hereunder, to the knowledge of the Trustee, shall have occurred and be continuing, such matter may be deemed to be conclusively proved and established by a certificate of the Authority, executed by the Chairman of the Authority and delivered to the Trustee, and such certificate shall be full warranty to the Trustee for any action taken or suffered by it under the provisions of this Indenture in reliance thereon.

Section 8.04 Trustee May Own Tax Increment Contract Revenue Bonds. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Tax Increment Contract Revenue Bonds or other certificates or evidences of ownership or pledge thereof issued hereunder, with the same rights it would have if it were not the Trustee.

Section 8.05 Compensation of Trustee. The Authority shall pay to the Trustee all reasonable fees, charges and expenses of the Trustee (including the reasonable fees, charges and expenses of its agents and counsel) for the administration and execution of the trusts hereby created and the performance of its powers and duties hereunder, including the ordinary and extraordinary services performed by the Trustee under this Indenture. Whenever the Trustee incurs expenses or renders services in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation of such services are intended to constitute expenses of administration under any bankruptcy or insolvency law or law relating to creditors' rights generally.

Section 8.06 Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Owners of a majority in principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and delivered to the Trustee, with notice thereof given to the Authority.

Section 8.07 Resignation of Trustee. The Trustee may at any time resign and be discharged from the trusts hereby created by giving written notice to the Authority and by providing written notice to the Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect

and shall be sent by first class mail, postage prepaid to each Registered Owner of Tax Increment Revenue Bond. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Section 8.08 Appointment of Successor Trustee. In case the Trustee hereunder shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting hereunder, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Owners of a majority in principal amount of the Tax Increment Contract Revenue Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Authority; provided, however, that in any of the events above mentioned, the Authority may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Owners in the manner above provided, and any such temporary Trustee so appointed by the Authority shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Owners. The Authority shall provide written notice to the Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the preceding Section of this Indenture for providing notice of the resignation of the Trustee. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Owners or by the Authority pursuant to the foregoing provisions of this Section at the time a vacancy in the office of the Trustee shall have occurred, the Owner of any Bond issued hereunder or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

Section 8.09 Powers of Successor Trustee. Each successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor, but such predecessor Trustee shall, nevertheless, on the written request of the Authority, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, trusts, duties and obligations of such predecessor hereunder. Each predecessor Trustee shall immediately deliver all properties, securities and moneys held by it to its successor; provided, however, that before any such delivery is required or made, all proper fees, advances and expenses of the predecessor Trustee shall be paid in full. Should any deed, conveyance or instrument in writing be required from the Authority by any successor Trustee for properties, rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Trustee, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. The resignation of any Trustee, appointing a successor Trustee hereunder, together with all deeds, conveyances and other instruments provided for in this Article shall, at the expense of the Authority, be properly

filed or recorded and a copy thereof shall be filed with such successor Trustee, together with a statement showing such filing or recordation.

Section 8.10 Merger, Conversion or Consolidation of Trustee. Notwithstanding any provision hereof to the contrary, any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, shall be the successor Trustee under this Indenture without the execution or filing of any instrument or any other act on the part of any of the parties hereto.

Section 8.11 Funds Transfer. If any payment is to be made by the Trustee to the Authority or its designee by funds transfer, the Authority agrees to enter into an agreement concerning funds transfer instructions in a form to be provided by the Trustee. Until the Authority executes such an agreement, the Trustee shall not be required to make any payment under the Indenture to the Authority or its designee by funds transfer.

[END OF VIII]

ARTICLE IX

MODIFICATION OF INDENTURE

Section 9.01 Supplemental Indentures Not Requiring Consent of Owners of the Tax Increment Contract Revenue Bonds. The Authority and the Trustee may, without the consent of the Owners of any of the Tax Increment Contract Revenue Bonds, enter into one or more supplemental indentures, which shall form a part hereof, for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in this Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Owners of the Tax Increment Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Tax Increment Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of this Indenture additional revenues; properties or collateral;
- (d) to modify, amend or supplement this Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Tax Increment Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain bond insurance for any Tax Increment Contract Revenue Bonds;
- (f) to provide for one or more Reserve Fund Surety Policies; and
- (g) to permit the assumption of the Authority's obligations hereunder by any other entity that may become the legal successor to the Authority;

provided, however, that no provision in such supplemental indenture shall be inconsistent with this Indenture or shall impair in any manner the rights of the Owners of the Tax Increment Contract Revenue Bonds.

Section 9.02 Supplemental Indentures Requiring Consent of Owners of the Tax Increment Revenue Bonds. Except as otherwise provided in the preceding Section, any modification, change or amendment of this Indenture may be made only by a supplemental indenture adopted and executed by the Authority and the Trustee with the consent of the Owners of not less than a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding.

Notwithstanding the preceding paragraph of this Section, no modification, change or amendment to this Indenture shall, without the consent of the Owner of each Bond so affected, extend the time of payment of the Principal Installments or interest thereon, or reduce the Principal Installments or premium, if any, thereon; or the rate of interest thereon, or make the

Principal Installments or interest thereon payable in any coin or currency other than that hereinbefore provided, or deprive such Owner of the lien hereof on the revenues pledged hereunder. Moreover, without the consent of the Owner of each Bond then Outstanding, no modification, change or amendment to this Indenture shall permit the creation of any lien on the revenues pledged hereunder equal or prior to the lien hereof, or reduce the aggregate principal amount of Tax Increment Contract Revenue Bonds, the Owners of which are required to approve any such modification, change or amendment of this Indenture.

Section 9.03 Consents. Consents required pursuant to this Article shall be valid only if given following the giving of notice by or on behalf of the Authority requesting such consent, setting forth the substance of the supplemental indenture in respect of which such consent is sought and stating that copies thereof are available at the office of the Trustee for inspection, to the Owners of Tax Increment Contract Revenue Bonds whose consent is required in accordance with the provisions of this Article. Such notice shall be given by sending such notice by first-class mail, postage prepaid, to the registered Owners of such Tax Increment Contract Revenue Bonds. Any consent or other action by an Owner of any Bond in accordance with this Article shall bind every future owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof.

[END OF ARTICLE IX]

ARTICLE X

GENERAL PROVISIONS

Section 10.01 Proof of Execution of Writings and Ownership. Any instrument provided in this Indenture to be signed or executed by the Owners of all or any portion of the Tax Increment Contract Revenue Bonds may be in any number of writings of similar tenor and may be signed or executed by such Owners in person or by their duly authorized representatives. Proof of the execution of any such instrument, or of the writing appointing any such agent, or of the ownership of any Bond, shall be sufficient for any of the purposes of this Indenture and shall be conclusive in favor of the Authority and the Trustee with respect to any actions taken by either under such instruments if:

(a) the fact and date of the execution by any person of any such instrument is proved by (i) a certificate of any officer of any jurisdiction who by law has power to take acknowledgments of deeds within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or (ii) an affidavit of a witness of such execution; and

(b) the ownership of any Bond registered as to both principal and interest is proved by the registration books kept by the Paying Agent/Registrar.

Section 10.02 Benefits of Indenture. The covenants, stipulations and agreements contained in this Indenture are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and the Owners of the Tax Increment Contract Revenue Bonds, and nothing in this Indenture expressed or implied shall be construed to confer upon or give to any other person any right, remedy or claim under or by reason of this Indenture.

Section 10.03 No Individual Liability. No covenant or agreement contained in the Tax Increment Contract Revenue Bonds or in this Indenture shall be deemed to be the covenant or agreement of any member of the Board of Directors of the Authority or any officer, agent, employee or representative of the Authority in his individual capacity, and neither the officers, agents, employees or representatives of the Authority nor any person executing the Tax Increment Contract Revenue Bonds shall be personally liable thereon or be subject to any personal liability or accountability by reason of the issuance thereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of this Indenture, the adoption of the Bond Resolutions and the issuance of the Tax Increment Contract Revenue Bonds.

Section 10.04 Notice. Any notice, demand, direction, request, or other instrument authorized or required by this Indenture to be given to or filed with the Trustee or the Authority shall be deemed to be effective for all purposes of this Indenture if and when sent by (i) personal delivery, to the persons designated below at the address designated below, (ii) registered or certified mail, postage prepaid, to the address specified below or (iii) facsimile transmission to the number specified below with confirmation of receipt by telephone, or to such other person, at such other address or to such other number as may be designated in writing by the parties:

Section 10.05 Governing Law. This Indenture shall be governed in all respects, including validity, interpretation and effect, by, and shall be enforceable in accordance with, the laws of the State of Texas.

Trustee: Wells Fargo Bank, National Association
Corporate Trust Department
1000 Louisiana, Suite 640
Houston, Texas 77002
Attn: Deri Ward
Facsimile: (713) 650-0579
Telephone: (713) 319-1658

Authority: Development Authority of Pearland
c/o the City of Pearland
3519 Liberty Drive
Pearland, Texas 77581
Attn: City Manager
Facsimile: (281) 652-1708
Telephone: (281) 652-1663

Section 10.06 Severability. If any provision of this Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Tax Increment Contract Revenue Bonds, the Bond Resolutions or in this Indenture shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Authority to the full extent permitted by law.

Section 10.07 Successors and Assigns. This Agreement shall be binding upon the Authority and the Trustee and their successors and assigns.

Section 10.08 Execution in Several Counterparts. This Indenture may be simultaneously executed in several counterparts all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

IN WITNESS WHEREOF, the Authority and the Trustee have caused this Indenture to be signed, sealed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.

DEVELOPMENT AUTHORITY OF PEARLAND

Tom Reid
Chair

ATTEST:

Henry Stanaland
Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION, Trustee

By: _____
Title: _____
Trustee

ATTEST:

By: _____
Title: _____

(SEAL)



Development Authority of Pearland

Overview of:

\$56,815,000* Tax Increment Contract Revenue and Refunding Bonds, Series 2012

April 23, 2012

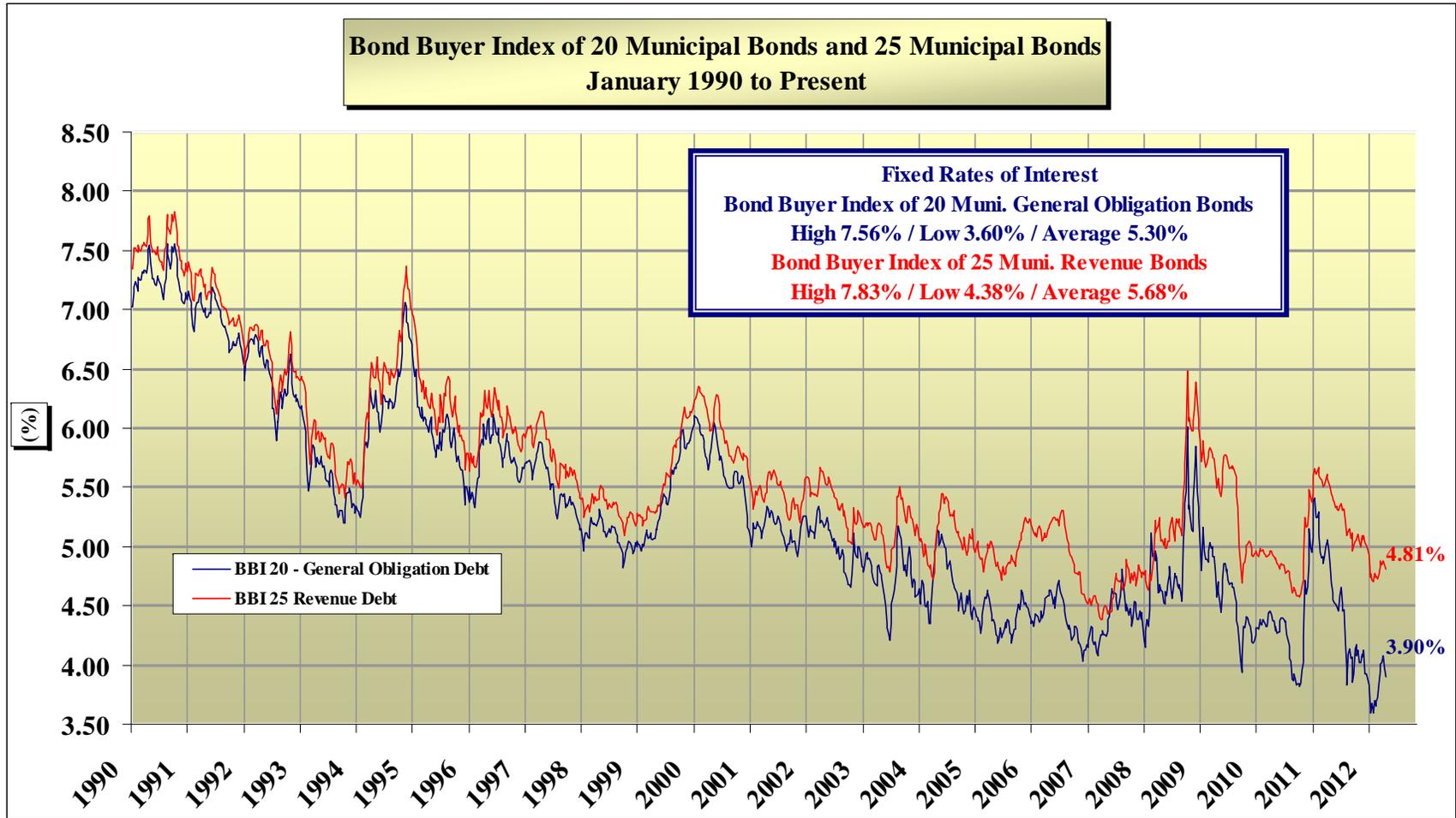
* Preliminary, subject to change.

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Development Authority of Pearland

Current Market Conditions



The BBI 20 is published every Thursday. The rate consists of general obligation bonds maturing in 20 years with an average rating equivalent to Moody's "Aa2" and S&P's "AA." The BBI 25 is also published every Thursday. The rate consists of revenue bonds maturing in 30 years with an average rating equivalent to Moody's "A1" and S&P's "A+".



Development Authority of Pearland

Reserve Fund Overview

Fiscal Year Ending 9/30	Debt Service Requirements - As of September 30, 2011					Total
	Series 2004	Series 2005	Series 2006	Series 2007	Series 2009	
2012	\$977,933	\$628,329	\$733,386	\$1,123,109	\$737,601	\$4,200,358
2013	974,020	630,954	738,386	1,118,709	737,758	4,199,826
2014	973,780	632,566	732,586	1,120,209	740,570	4,199,711
2015	977,160	628,129	736,386	1,120,709	737,395	4,199,779
2016	974,365	632,829	734,386	1,120,189	736,645	4,198,414
2017	975,125	632,529	731,786	1,122,789	739,308	4,201,536
2018	973,625	631,216	738,586	1,119,389	736,501	4,199,318
2019	975,875	613,666	699,386	1,169,433	741,501	4,199,861
2020	976,625	616,116	700,986	1,080,533	710,251	4,084,511
2021	975,875	612,256	701,306	1,083,408	709,501	4,082,346
2022	973,625	618,131	700,306	1,084,158	707,208	4,083,428
2023	974,031	617,319	698,206	1,083,558	713,320	4,086,434
2024	977,644	610,581	704,986	1,081,608	712,251	4,087,070
2025	976,806	613,150	700,476	1,083,308	708,681	4,082,421
2026	978,788	609,563	704,811	1,083,433	708,374	4,084,968
2027	978,313	614,388	697,531	1,085,363	711,169	4,086,763
2028	975,388	612,788	704,531	1,079,988	711,669	4,084,363
2029				3,372,950	709,363	4,082,313
Total	\$16,588,977	\$10,554,509	\$12,158,031	\$22,132,836	\$13,009,065	\$74,443,418
MADS (Coverage Factor 1.0x)	\$978,788	\$632,829	\$738,586	\$3,372,950	\$741,501	\$4,201,536
Average DS (Coverage Factor 1.25)	\$1,219,778	\$776,067	\$893,973	\$1,537,003	\$903,407	\$5,169,682
Lesser of MADS and Average DS:	\$978,788	\$632,829	\$738,586	\$1,537,003	\$741,501	\$4,201,536

Surety Policy: (a) \$978,788	Required Cash Reserve: \$632,829	Surety Policy: (a) \$738,586	Surety Policy: (a) \$1,537,003	Required Cash Reserve: \$741,501	Reserve Requirement: \$4,201,536
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(a) Reserve requirements satisfied by a Surety Policy issued by CIFG.

\$1,374,330

Footnote: As a matter of fiscal prudence, the cash on hand held by the Authority has been maintained at a higher level because the reserve fund surety providers have been downgraded. No portion of the cash on hand has been earmarked, designated or otherwise pledged to the Refunded Bonds by resolution of the Authority or otherwise.



Development Authority of Pearland

Summary of Offers

A Term Sheet was distributed to the banks listed below and the following offers were made to buy the proposed Bonds.

Bank	Offer
Capital One	3.07% 10-Year Put Bond
BBVA Compass	3.24% - 3.30% Fixed Rate (a)
Frost Bank	4.15% - 4.50% 10-Year Put Bond
Bank of Texas	Declined
Regions Bank	Declined
Wells Fargo	Declined
Chase Bank	Declined
Amegy Bank	No Response
Bank of America	No Response
BB&T	No Response
Heritage Bank	No Response
Houston Community Bank	No Response
Moody Bank	No Response
Stern Brothers	No Response
Texas First Bank	No Response
TIB- The Bankers Bank	No Response

(a) Represents an indication. BBVA Compass did not provide a firm offer.

Overview of Capital One's Offer

- Interest Rate: 3.07% for 10-years until 5/21/2022 then 65% of 6-month LIBOR + 2.00% (maximum rate of 6.00%). Rate today is 2.481%
- The Bonds are callable anytime at par.
- The proposed private placement refunding of all of the Development Authority of Pearland's (the "Authority") existing bond issues allow the Authority to amend the Bond Indenture. The Indenture can be modified to "free up" some of the approximately \$4.2 million of undesignated Debt Service Reserves Funds.
- Capital One has waived the Reserve Fund Requirements on the proposed Bonds.
- The proposed refunding will lower the debt service requirements of the Authority and create capacity to issue \$2,970,000 in new money bonds.



Development Authority of Pearland

Debt Service Requirements: "Worst Case" Scenario

FY Ending (9/30)	Current Total Debt Service	Less: Debt Service on the Refunded Bonds	Plus: The Series 2012 Bonds (Refunding Portion)		Estimated Savings (b)	Plus: The Series 2012 Bonds (New Money Portion)		Total Debt Service
			Principal *	Interest (a)		Principal *	Interest (a)	
2012	\$4,200,358	\$3,050,179	\$2,385,000	\$454,586	\$210,592	\$270,000	\$21,444	\$4,281,209
2013	4,199,826	4,199,826	2,410,000	1,579,822	210,004	225,000	69,689	4,284,511
2014	4,199,711	4,199,711	2,485,000	1,505,835	208,876	230,000	62,782	4,283,617
2015	4,199,779	4,199,779	2,560,000	1,429,546	210,233	235,000	55,721	4,280,266
2016	4,198,414	4,198,414	2,640,000	1,350,954	207,460	245,000	48,506	4,284,460
2017	4,201,536	4,201,536	2,725,000	1,269,906	206,631	250,000	40,985	4,285,890
2018	4,199,318	4,199,318	2,805,000	1,186,248	208,070	260,000	33,310	4,284,558
2019	4,199,861	4,199,861	2,890,000	1,100,135	209,727	265,000	25,328	4,280,462
2020	4,084,511	4,084,511	2,865,000	1,011,412	208,100	275,000	17,192	4,168,604
2021	4,082,346	4,082,346	2,950,000	923,456	208,890	285,000	8,750	4,167,206
2022	4,083,428	4,083,428	3,040,000	1,119,107	(75,680)			4,159,107
2023	4,086,434	4,086,434	3,140,000	1,445,400	(498,966)			4,585,400
2024	4,087,070	4,087,070	3,235,000	1,257,000	(404,930)			4,492,000
2025	4,082,421	4,082,421	3,330,000	1,062,900	(310,479)			4,392,900
2026	4,084,968	4,084,968	3,435,000	863,100	(213,132)			4,298,100
2027	4,086,763	4,086,763	3,540,000	657,000	(110,237)			4,197,000
2028	4,084,363	4,084,363	3,650,000	444,600	(10,237)			4,094,600
2029	4,082,313	4,082,313	3,760,000	225,600	96,713			3,985,600
Totals	\$74,443,418	\$73,293,239	\$53,845,000	\$18,886,605	\$561,634	\$2,540,000	\$383,704	\$76,805,488

Average Annual Debt Service: **\$4,266,972**

* Preliminary, subject to change.

(a) Interest estimated at a 10-Year Put Rate of 3.07% through 5/21/22 and then 6.00% (Maximum Rate) after the 10-Year Put Date.

(b) Includes estimated transaction cost and transfer from the Series 2005 and Series 2009 Reserve Fund of \$1,374,330.



Development Authority of Pearland

Debt Service Requirements: Historical Average Scenario

Fiscal Year Ending (9/30)	Current Total Debt Service	Less: Debt	Plus: The Series 2012 Bonds		Estimated Savings (b)	Plus: The Series 2012 Bonds		Total Debt Service
		Service on the Refunded Bonds	(Refunding Portion)			(New Money Portion)		
			Principal *	Interest (a)		Principal *	Interest (a)	
2012	\$4,200,358	\$3,050,179	\$2,385,000	\$454,586	\$210,592	\$270,000	\$25,074	\$4,284,839
2013	4,199,826	4,199,826	2,410,000	1,579,822	210,004	285,000	82,890	4,357,712
2014	4,199,711	4,199,711	2,485,000	1,505,835	208,876	295,000	74,141	4,359,976
2015	4,199,779	4,199,779	2,560,000	1,429,546	210,233	305,000	65,084	4,359,630
2016	4,198,414	4,198,414	2,640,000	1,350,954	207,460	315,000	55,721	4,361,674
2017	4,201,536	4,201,536	2,725,000	1,269,906	206,631	320,000	46,050	4,360,956
2018	4,199,318	4,199,318	2,805,000	1,186,248	208,070	335,000	36,226	4,362,474
2019	4,199,861	4,199,861	2,890,000	1,100,135	209,727	345,000	25,942	4,361,076
2020	4,084,511	4,084,511	2,865,000	1,011,412	208,100	245,000	15,350	4,136,762
2021	4,082,346	4,082,346	2,950,000	923,456	208,890	255,000	7,829	4,136,285
2022	4,083,428	4,083,428	3,040,000	949,620	93,808			3,989,620
2023	4,086,434	4,086,434	3,140,000	963,600	(17,166)			4,103,600
2024	4,087,070	4,087,070	3,235,000	838,000	14,070			4,073,000
2025	4,082,421	4,082,421	3,330,000	708,600	43,821			4,038,600
2026	4,084,968	4,084,968	3,435,000	575,400	74,568			4,010,400
2027	4,086,763	4,086,763	3,540,000	438,000	108,763			3,978,000
2028	4,084,363	4,084,363	3,650,000	296,400	137,963			3,946,400
2029	4,082,313	4,082,313	3,760,000	150,400	171,913			3,910,400
Totals	\$74,443,418	\$73,293,239	\$53,845,000	\$16,731,918	\$2,716,322	\$2,970,000	\$434,305	\$75,131,402

Average Annual Debt Service: \$4,173,967

* Preliminary, subject to change.

(a) Interest estimated at a 10-Year Put Rate of 3.07% through 5/21/22 and then 4.00% after the 10-Year Put Date.

(b) Includes estimated transaction cost and transfer from the Series 2005 and Series 2009 Reserve Fund of \$1,374,330.



Development Authority of Pearland

Coverage Requirements

Year Ending	City of Pearland			Brazoria County			Fort Bend County			Total Collections	Coverage 125%	Average Debt Service
	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections	Participation	Tax Rate	Collections			
	Estimated Value: \$1,427,003,678			Estimated Value: \$1,153,513,278			Estimated Value: \$102,463,405					
	1998 Base Year Value: (7,172,980)			1998 Base Year Value: (4,143,160)			1998 Base Year Value: (3,029,820)					
	Estimated Captured Value: \$1,419,830,698			Estimated Captured Value: \$1,149,370,118			Estimated Captured Value: \$99,433,585					
2012	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2013	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2014	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2015	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2016	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2017	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2018	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.468075	442,153	5,365,587	4,292,469	4,173,967
2019	36%	0.255000	3,439,540	38%	0.135900	1,483,894	2019-2028	0.312050	442,153	5,365,587	4,292,469	4,173,967
2020	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2021	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2022	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2023	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2024	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2025	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2026	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2027	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2028	36%	0.255000	3,439,540	38%	0.135900	1,483,894		0.312050	294,768	5,218,203	4,174,562	4,173,967
2029	36%	0.255000	3,439,540	38%	0.135900	1,483,894	0.312050	294,768	5,218,203	4,174,562	4,173,967	

Collection rate of 95%. Appraised value estimates provided by Assessments of the Southwest.



Development Authority of Pearland

Total Benefit to the Authority

New Money Proceeds	\$2,970,000
Net Available Funds for Developer Reimbursement	3,100,000
Reserve Fund Deposit to the New Issue (Series 2005 & 2009)	(1,374,330)
Total Benefit to the Authority:	\$4,695,670

Next Steps:

- Monday, April 30: DAP Board Approves Capital One Offer & Signs Bond Documents**
City of Pearland, Texas Approves DAP Issuance
- Tuesday, May 22: Issuance Closes (following Attorney General Approval)**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Escrow Agreement"), dated for convenience as of May 1, 2012, but effective on the Escrow Funding Date described herein, is made and entered into by and between the Development Authority of Pearland (the "Authority"), and Wells Fargo Bank, N.A., as escrow agent (together with any successor or assign in such capacity, the "Escrow Agent").

WHEREAS, the Authority heretofore issued certain bonds and other obligations (hereinafter defined as the "Refunded Bonds") that it desires to refund in advance of their maturities;

WHEREAS, pursuant to Chapter 431, Texas Transportation Code, as amended (the "Act") the Authority is authorized and empowered to sell bonds in an amount sufficient, together with other available funds or resources, to provide for the payment of obligations which are to be discharged, deposit the proceeds of such refunding bonds with a paying agent and enter into an escrow or similar agreement with such paying agent for the safekeeping, investment, reinvestment, administration, and disposition of such deposit of proceeds, upon such terms and conditions as the parties may agree, provided such deposit may be invested only in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be in book entry form and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of such discharged bonds;

WHEREAS, the Board of Directors of the Authority has adopted a resolution (the "Refunding Bond Resolution") authorizing the issuance, sale and delivery of the Authority's Tax Increment Contract Revenue and Refunding Bonds, Series 2012 (the "Refunding Bonds"), for the purpose, among other things, of providing the funds necessary to refund the Refunded Bonds;

WHEREAS, to provide for the payment of the Refunded Bonds, the Authority has provided for the transfer to the Escrow Agent pursuant to this Escrow Agreement of proceeds of the Refunding Bonds together with any other legally available funds, if any; and

WHEREAS, the Board of Directors of the Authority has further determined to effectuate the advance refunding of the Refunded Bonds pursuant to this Escrow Agreement, under which provision is made for the safekeeping, investment, reinvestment, administration and disposition of proceeds of the Refunding Bonds so as to provide firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and in order to secure the full and timely payment of the principal of and interest on the Refunded Bonds, the Authority and the Escrow Agent contract and agree as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATIONS

Section 1.1. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below for all purposes of this Escrow Agreement:

"Authority" shall mean the Development Authority of Pearland and, where appropriate, its Board of Directors.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Escrow Agent" shall mean Wells Fargo Bank, N.A., in its capacity as escrow agent hereunder, and any successor or assign in such capacity.

"Escrow Agreement" shall mean this escrow agreement.

"Escrow Deposit" shall mean the initial deposit into the Escrow Fund, as more particularly described in Section 2.1.

"Escrow Fund" shall mean the fund created in Section 3.1 of this Escrow Agreement to be administered by the Escrow Agent pursuant to the provisions of this Escrow Agreement.

"Escrow Funding Date" shall mean the date on which the District Deposits with the Escrow Agent the cash and Escrowed Securities described in Section 2.1.

"Escrowed Securities" shall mean the Limited Yield Securities and the Open Market Securities.

"Limited Yield Securities" shall mean the noncallable United States Treasury Obligations-State and Local Government Series to be initially purchased with proceeds of the Refunding Bonds, as more fully described in the Report attached hereto, together with all reinvestments of the proceeds thereof as may be directed in Section 4.2 or permitted in Section 4.3(b).

"Open Market Securities" shall mean the United States Treasury securities to be purchased in the open market with cash and the proceeds of the Refunding Bonds, as more fully described in the Report attached hereto, together with all reinvestments of the proceeds thereof as may be directed in Section 4.2 or permitted in Section 4.3(b), or cash or obligations substituted therefor pursuant to Section 4.3(a).

"Paying Agent for the Refunded Bonds" shall mean Wells Fargo Bank, N.A., and its successors.

"Refunded Bond Resolution" shall mean the Authority's resolution authorizing the issuance, sale and delivery of the Refunded Bonds.

"Refunded Bonds" shall mean the Authority's outstanding bonds listed on **Exhibit B** hereto.

"Refunding Bond Resolution" shall mean the Authority's resolution adopted April 30, 2012, authorizing the issuance, sale and delivery of the Refunding Bonds.

"Refunding Bonds" shall mean the Authority's Tax Increment Contract Revenue and Refunding Bonds, Series 2012, dated May 1, 2012.

"Report" shall mean the verification report prepared by Grant Thornton LLP, independent certified public accountants, relating to the advance refunding of the Refunded Bonds, a copy of which is attached hereto as **Exhibit A**, and any subsequent verification report required by Section 4.3.

Section 1.2. Interpretations. The titles and headings of the articles and sections of this Escrow Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Escrow Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

ARTICLE II.

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.1. Deposits to Escrow Fund. On the Escrow Funding Date, the Authority shall deposit, or cause to be deposited, into the Escrow Fund the Escrow Deposit, consisting of the following:

- (a) Escrowed Securities more fully described in the Report; and
- (b) A beginning cash balance as provided in the Report.

ARTICLE III.

CREATION AND OPERATION OF ESCROW FUND

Section 3.1. Escrow Fund. On the Escrow Funding Date, the Development Authority of Pearland Tax Increment Revenue and Refunding Bonds, Series 2012 Escrow Fund" (the "Escrow Fund"). On the Escrow Funding Date, the Escrow Deposit described in Section 2.1 will be deposited to the credit of the Escrow Fund. The Escrow Deposit and all proceeds therefrom shall be the property of the Escrow Fund and shall be applied only in strict conformity with the terms and conditions hereof. All Escrowed Securities, all proceeds therefrom and all cash balances from time to time on deposit in the Escrow Fund are hereby irrevocably pledged to the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds, which payment shall be made by timely transfers to the Paying Agent for the Refunded Bonds of

such amounts at such times as are provided in Section 3.2. When the final transfers have been made to the Paying Agent for the Refunded Bonds for the payment of such principal of, redemption premium, if any, and interest on the Refunded Bonds, any balance then remaining in the Escrow Fund shall be transferred to the Authority, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.2. Payment of Principal, Redemption Premium, if any, and Interest; Redemption of Certain Refunded Bonds. (a) The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent for the Refunded Bonds from the cash balance from time to time on deposit in the Escrow Fund the amounts required to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds in the amounts and at the times shown in the Report; provided, however, that funds transferred to the Escrow Fund from the interest and sinking funds for the Refunded Bonds, if any, and all investment earnings thereon be used for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds prior to the use of proceeds of the Refunding Bonds for such purpose.

(b) Except for amounts transferred to the Paying Agent for the Refunded Bonds pursuant to Section 3.2(a) and to the Authority pursuant to Section 4.2, the Escrow Agent agrees that it shall never make any withdrawals from the Escrow Fund or assert any claims, liens or charges against the Escrow Fund.

Section 3.3. Sufficiency of Escrow Fund. The Authority represents (based upon the Report) that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide money for transfer to the Paying Agent for the Refunded Bonds at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds as the Refunded Bonds mature or are called for redemption, all is more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by the Paying Agent for the Refunded Bonds to make the payments set forth in Section 3.2, the Authority shall timely deposit into the Escrow Fund, from lawfully available funds, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly by the Escrow Agent to the Authority as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Authority's failure to make additional deposits thereto.

Section 3.4. Trust Fund. The Escrow Agent at all times shall hold the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund always shall be maintained by the Escrow Agent for the benefit of the holders of the Refunded Bonds; and a special account evidencing such fact shall be maintained at all times on the books of the Escrow Agent. The holders of the Refunded Bonds shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof and all other assets of the

Escrow Fund to which they are entitled as holders of the Refunded Bonds. The amounts received by the Escrow Agent under this Escrow Agreement shall not be considered as a banking deposit by the Authority, and the Escrow Agent shall have no right or title with respect thereto except as escrow agent under the terms hereof. The amounts received by the Escrow Agent hereunder shall not be subject to warrants, drafts or checks drawn by the Corporation or, except to the extent expressly herein provided, by the Paying Agent for the Refunded Bonds.

Section 3.5. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, shall be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

Section 3.6 Grant of Security Interest. In order to secure payment when due of the principal of and interest on the Refunded Bonds, the Authority hereby pledges and grants to the Escrow Agent, for the account of the holders or owners of the Refunded Bonds and of any appurtenant coupons, a security interest in all of its right, title, and interest, if any, in and to all funds held hereunder and all investments thereof and agrees that the Escrow Agent shall have and may exercise all of the rights of a secured party granted by the Texas Uniform Commercial Code in respect thereof to the same extent as if such Code applied to such security interest.

ARTICLE IV.

LIMITATION ON INVESTMENTS

Section 4.1. General. Except as herein otherwise expressly provided, the Escrow Agent shall not have any power or duty to invest any money held hereunder, to make substitutions of the Escrowed Securities or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.2. Reinvestment of Proceeds of Open Market Securities. The Escrow Agent is hereby authorized and directed to reinvest proceeds of the Open Market Securities, if any, which are attributable to amounts received as principal of or interest on the Open Market Securities and which are not immediately needed to pay the Refunded Bonds in direct obligations of the United States of America, i.e., United States Treasury Bonds, Bills and Notes, in the amounts, and maturing and bearing interest, all as set out in the Report. The Corporation hereby designates and appoints the Escrow Agent as its agent and duly authorized representative for purposes of subscribing for and purchasing such obligations, all of which shall constitute Escrowed Securities. Any income or increment earned from such reinvestment remaining after final payment of the Refunded Bonds, shall be promptly transferred to the Authority.

Section 4.3. Substitution of Securities. (a) Concurrently with the sale and delivery of the Refunding Bonds, the Authority may, upon compliance with the conditions stated in subsection (c) of this Section 4.3, at its option, substitute cash or non-interest bearing obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Open Market Securities listed in the Report,

but only if such cash and/or substituted non-interest bearing direct obligations of the United States Treasury:

- (i) are in an amount, and/or mature in an amount, which, together with any cash substituted for such obligations, is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such obligation is substituted, and
- (ii) mature on or before the maturity date of the obligation listed in the Report for which such obligation is substituted.

The Authority may at any time substitute any Open Market Securities which, as permitted by the preceding sentence, were not deposited to the credit of the Escrow Fund, for the cash and/or obligations that were substituted concurrently with the sale and delivery of the Refunding Bonds for such Open Market Securities.

(b) At the written request of the Authority, and upon compliance with the conditions hereinafter stated in subsection (c) of this Section 4.3, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America which do not permit the redemption thereof at the option of the obligor.

(c) Any such transaction described in subsections (a) and (b) of this Section 4.3 may be affected by the Escrow Agent only if (1) the Escrow Agent shall have received a written opinion from a recognized firm of certified public accountants that such transaction will not cause the amount of money and securities in the Escrow Fund to be reduced below an amount which will be sufficient, when added to the interest to accrue thereon, to provide for the payment of principal of, redemption premium, if any, and interest on the remaining Refunded Bonds as they become due, and (2) the Escrow Agent shall have received the unqualified written legal opinion of nationally recognized bond counsel or tax counsel acceptable to the Authority and the Escrow Agent to the effect that (a) such transaction will not cause any of the Refunded Bonds or Refunding Bonds to be an "arbitrage bond" within the meaning of the Code and (b) that such transaction complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Bonds and the Refunding Bonds.

Section 4.4. Arbitrage. The Authority hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Bonds to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V.

RECORDS AND REPORTS

Section 5.1. Records. The Escrow Agent shall keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Authority and the holders of the Refunded Bonds.

Section 5.2. Reports. For the period beginning on the Escrow Funding Date and ending on September 30, 2012, and for each twelve (12) month period thereafter while this Agreement remains in effect, the Escrow Agent shall prepare and send to the Authority within thirty (30) days following the end of such period a written report summarizing all transactions relating to the Escrow Fund during such period, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund to the Paying Agent for the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VI.

CONCERNING THE ESCROW AGENT

Section 6.1. Representations of Escrow Agent. Wells Fargo Bank, N.A., hereby represents that it has all necessary power and authority to enter into this Escrow Agreement and undertake the obligations and responsibilities imposed upon it herein and that it will carry out all of its obligations hereunder.

Section 6.2. Limitation on Liability. The liability of the Escrow Agent to transfer funds to the Paying Agent for the Refunded Bonds for the payments of the principal of, redemption premium, if any, and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligor of the Escrowed Securities to make timely payment thereon, except for its obligation to notify the Authority promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Bonds shall be taken as the statements of the Authority and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the Refunding Bond Resolution or the Refunded Bond Resolutions and in its capacity as Escrow Agent is not responsible for or bound by any of the provisions thereof. In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Escrow Agreement.

The Escrow Agent makes no representation as to the value, condition or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Authority thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall incur no liability or responsibility with respect to any of such matters.

It is the intention of the Authority and the Escrow Agent that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for the performance of any duties, except such duties as are specifically set forth in this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement. Nothing herein contained shall relieve the Escrow Agent from liability for its own negligent action, negligent failure to act or willful misconduct, except that this sentence shall not be construed to limit the effect of the immediately preceding sentence. The Escrow Agent shall not incur any liability for any error of judgment made in good faith by a responsible officer thereof, unless it shall be proved that it was negligent in ascertaining the pertinent facts. The Escrow Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Escrow Agent may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Unless it is specifically provided otherwise herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Authority with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Escrow Agreement. If, however, the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in the event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Authority or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with the Authority, among others, at any time.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in the exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Escrow Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

In the absence of bad faith, the Escrow Agent may rely conclusively upon the truth, completeness and accuracy of the statements, certificates, opinions, resolutions and other

documents conforming to the requirements of this Escrow Agreement, and shall not be obligated to make any independent investigation with respect thereto.

To the full extent permitted by law, the parties agree to indemnify, defend and hold the Escrow Agent harmless from and against any and all loss, damage, tax, liability and expense that may be incurred by the Escrow Agent arising out of or in connection with its acceptance or appointment as Escrow Agent hereunder, including attorneys fees and expenses of defending itself against any claim or liability in connection with its performance hereunder except that the Escrow Agent shall not be indemnified for any loss, damage, tax, liability, or expense resulting from its own negligence or willful misconduct.

Section 6.3. Compensation. On the Escrow Funding Date, the Authority will pay the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Escrow Agreement as set out in Exhibit C. If the Escrow Agent is requested to perform any extraordinary services hereunder, the Authority hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services. It is expressly provided that the Escrow Agent shall look only to the Authority for the payment of such additional fees and reimbursement of such additional expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular, additional or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

Section 6.4. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Authority, by appropriate action, shall promptly appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Authority within 60 days, a successor may be appointed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the Authority, signed by such holders or by their duly authorized attorneys. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the holder of any Refunded Bond then out-standing may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be qualified to act in such capacity under Chapter 1207, Texas Government Code, as amended, and shall be a Authority organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Authority and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Authority shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee paid hereunder.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the escrow hereby created by giving not less than sixty (60) days' written notice to the Authority specifying the date when such resignation will take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of the Refunded Bonds or by the Authority as herein provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing delivered to the Escrow Agent and to the Authority and signed by the holders of a majority in aggregate principal amount of the Refunded Bonds then outstanding.

ARTICLE VII.

MISCELLANEOUS

Section 7.1. Notices. Any notice, authorization, request or demand required or permitted to be given hereunder shall be made or given in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:

Wells Fargo Bank, N.A.
750 N. St. Paul Place, Suite 1750
T9263-170
Houston, Texas 75201
Attention: Corporate Trust Department

To the Authority:

Development Authority of Pearland
c/o the City of Pearland
3519 Liberty Drive
Pearland, Texas 77581
Attn: City Manager

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Either party hereto may

change the address to which notices are to be delivered by giving to the other party not less than ten days' prior written notice thereof.

Section 7.2. Termination of Responsibilities. Upon the taking by the Escrow Agent of all the actions as described herein, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Authority, the holders of the Refunded Bonds or to any other person or persons in connection with this Escrow Agreement.

Section 7.3. Binding Agreement; Amendment. This Escrow Agreement shall be binding upon the Authority and the Escrow Agent and their respective successors and legal representatives and shall inure solely to the benefit of the holders of the Refunded Bonds, the Authority, the Escrow Agent and their respective successors and legal representatives. This Escrow Agreement shall not be subject to amendment without the written consent of the holders of all Refunded Bonds then outstanding.

Section 7.4. Severability. If any one or more of the provisions contained in this Escrow Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Escrow Agreement, but this Escrow Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.5. Governing Law. This Escrow Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 7.6. Time of Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Escrow Agreement.

[SIGNATURE PAGE FOLLOWS]

EXECUTED as of the date first written above, but effective as set forth herein.

DEVELOPMENT AUTHORITY OF PEARLAND

By: _____
Chair

ATTEST:

Secretary

WELLS FARGO BANK, N.A.

By: _____
Name: _____
Title: _____

ATTEST:

By: _____
Name: _____
Title: _____

(SEAL)

EXHIBIT A
VERIFICATION REPORT

EXHIBIT B

SCHEDULE OF REFUNDED BONDS

Tax Increment Contract Revenue Bonds, Series 2004
Tax Increment Contract Revenue Bonds, Series 2005
Tax Increment Contract Revenue Bonds, Series 2006
Tax Increment Contract Revenue Bonds, Series 2007
Tax Increment Contract Revenue Bonds, Series 2009

EXHIBIT C
FEE SCHEDULE

LETTERHEAD OF PURCHASER

_____, 2012

Development Authority of Pearland
3519 Liberty Drive
Pearland, Texas 77581

BOSC, Inc.
1401 McKinney Street, Suite 1650
Houston, Texas 77010

Andrews Kurth LLP
600 Travis, Suite 4200
Houston, Texas 77002

Re: Development Authority of Pearland Tax Increment Contract Revenue and Refunding Bonds, Series 2012 (the "Bonds")

Ladies and Gentlemen:

We have agreed to purchase, and the Development Authority of Pearland (the "Authority") has agreed to sell to us, the captioned Bonds at the purchase price of \$_____, and no accrued interest. Such Bond will bear the terms, redemption provisions, if any, and be secured as described in the Indenture of Trust between the Authority and Wells Fargo, National Association (the "Indenture") and the Authority's resolution authorizing the same adopted this date (the "Resolution"), all subject to receipt by you and by us of such opinions, certificates, and other documents as you or we may reasonably require to establish the validity and legality of the Bonds.

We hereby represent and warrant that:

1. We are (i) an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933 or (ii) a state or national bank organized under the laws of the United States, and we have sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the investment represented by the purchase of the Bonds.

2. We have made our own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds, and we have not relied upon any statement by you, your officers, directors, or employees, or your financial consultants or legal advisors (except for the legal opinions of the Attorney General of Texas and Andrews Kurth LLP, Houston, Texas, and except for such certificates as may be delivered by you, your officers, directors or employees in connection with the closing of the purchase of the Bonds) in connection with such inquiry or analysis or in connection with the offer and sale of the Bonds.

3. We have either been furnished with or have had access to all necessary information that we desire in order to enable us to make an informed investment decision concerning investment in the Bonds, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the purpose for which the proceeds of the Bonds will be utilized, and the security therefor, so that we have been able to make an informed decision to purchase the Bonds.

4. We are purchasing the Bonds for our own account, as evidence of a loan to the Corporation, and not with a view to, and with no present intention of, selling, pledging, transferring,

conveying, hypothecating, mortgaging, disposing, reoffering, distributing, or reselling the Bonds, or any part or interest thereof, except to persons who are able to and do confirm in writing to us and to you the representations contained in paragraphs (1) through (3) of this letter and this paragraph to the same extent as if such paragraphs referred to such person.

5. We further acknowledge that we are responsible for consulting with our advisors concerning any obligations, including, but not limited to any obligations pursuant to federal and state securities and income tax laws we may have with respect to subsequent purchasers of the Bonds if and when any such future disposition of the Bonds may occur.

6. We understand that the Bonds (a) are not being registered under the Securities Act of 1933 and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state due to exemptions from registration provided for therein, (b) will not be listed on any stock or other securities exchange, (c) will carry no rating from any rating service, and (d) will not be readily marketable.

7. We understand that the Corporation is not required to make any continuing disclosure pursuant to Rule 15c2-12(b) of the Securities and Exchange Commission under the Securities Exchange Act of 1934, because the Bonds are offered in authorized denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 and are being sold pursuant to a private placement.

8. We understand and agree that the foregoing representations and warranties will be relied upon by Andrews Kurth LLP, Bond Counsel to the Authority, in rendering their opinion on the exemption of the Bonds from the registration requirements under existing federal and state securities laws.

Very truly yours,

CAPITAL ONE BANK, N.A.

By: _____

Name: _____

Title: _____

AGREED TO AND ACCEPTED THIS _____, 2012.

DEVELOPMENT AUTHORITY OF PEARLAND

By: _____

Name: _____

Title: _____

New Business Item No. 2

2. **CONSIDERATION AND POSSIBLE ACTION – DISCUSSION REGARDING CITY MANAGER'S EVALUATION AND PERFORMANCE GOALS FOR 2011- 2012. *City Council.***