

EXHIBIT “C”

Tax Increment Reinvestment Zone No. 1 (Town Center)

Preliminary Financing Plan



September 1, 2010

Summary

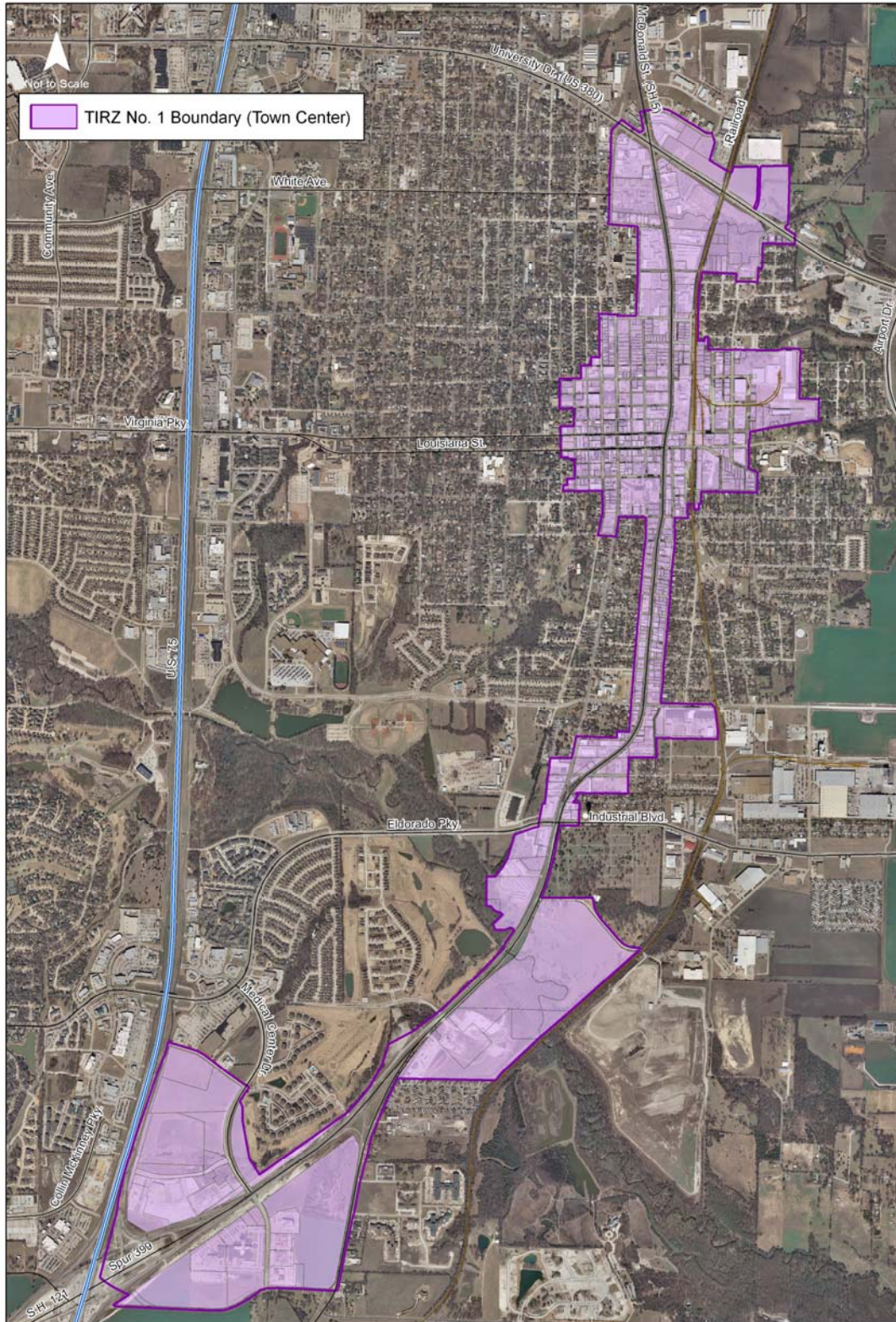
The Town Center Tax Increment Reinvestment Zone (TIRZ No. 1) consists of approximately 946 acres of property (outlined in Figure 1). The zone is located in the McKinney Independent School District. The 2009 base property value is \$218.65 million. Projections show that property value within the zone is estimated to grow to \$1.21 billion by 2040, creating a total of \$78.89 million in potential TIRZ revenue from City property taxes (assuming 100% City participation) and \$16.34 million in potential TIRZ revenue from County property taxes (assuming 50% County participation) over the life of the TIRZ. Similarly, City sales tax revenue within the TIRZ is projected to grow from a 2009 base of \$1.37 million to \$4.89 million by 2040, creating a total of \$43.77 million in potential TIRZ revenue from sales tax (assuming 100% City participation) over the life of the TIRZ.

Collectively, 100% City participation in both property and sales taxes combined with 50% County participation in property tax yields a total cumulative value of \$139.00 million in potential tax revenues over the life of the TIRZ (See Table 16, Projection No. 2.).

The projections included in this report assume construction of over 2.5 million square feet of additional non-residential development within TIRZ No. 1, along with construction of an additional 520 housing units. The total public infrastructure associated with the proposed developments will be determined after designation by the TIRZ Board.

The term of the zone is 30 years with the TIRZ in existence through 2040.

Figure 1: TIRZ No. 1 Boundary (Town Center)



Source: City of McKinney

Public Infrastructure

The total public infrastructure capital costs are estimated to be approximately \$91 million. This TIRZ can reimburse costs such as: drainage, parking, streetscape enhancements, historic preservation, parks, and other public improvements that are outlined in the Final Project and Finance Plans. Furthermore, the City and the TIRZ Board shall have the authority to establish and administer economic development programs, including but not limited to grants and loans, authorized under Chapter 380 of the Texas Local Government Code.

Financing Policy and Capacity

The projections that follow do not, by themselves, create a marketable basis for debt financing. Therefore, any debt to be issued to pay for public infrastructure prior to the collection of actual TIRZ No. 1 revenues is likely to require credit support from the City. If debt were to be issued at this point by TIRZ No. 1, the City's overall bonding capacity in general would be reduced by the amount issued. In the future, the credit-worthiness of TIRZ No. 1 should be a function of its performance, with annual debt service capacity expected to equal 80-90% of the revenue collected in the year of proposed issuance.

It is the policy of the City of McKinney and TIRZ No. 1 to provide financing capacity for long term investment in substantial transportation infrastructure and other substantial catalytic projects. Accordingly, the ability to aggregate the tax revenue increment to maximize financing capacity and financing options shall take precedent over projects that tend to diminish the TIRZ's ability to aggregate a sufficient increment fund over time. Notwithstanding this policy, certain projects may arise that justify a targeted expenditure versus aggregation of the tax revenue increment, such as a project facilitating health and safety for the historic downtown or a unique economic development opportunity, among others.

Limited Obligation of the City or Participating Governmental Entities

The City and Participating Governmental Entities shall have a limited obligation to impose and collect taxes and deposit such tax receipts into the TIRZ No. 1 fund so long as the project is viable and capital costs incurred by the City and/or a developer (if any) have not been fully paid. TIRZ collections for this project shall not extend beyond 2040 and may be terminated prior to 2040, upon payment of public improvement capital costs incurred by the City and/or a developer (if any), or for the failure of the TIRZ Project to perform as projected in the Final Project and Finance Plans.

Any public improvement infrastructure costs incurred by a developer shall be paid solely from TIRZ No. 1 revenues and shall never constitute a debt, indebtedness or a pledge of the faith and credit or taxing power of the State, the City, the Participating Governmental Entities, any political corporation, subdivision, or agency of the State. Any costs incurred by a developer (if any) are not and shall never in any event become general obligations or debt of the City or any of the Participating Governmental Entities.

The City will negotiate a participation rate and potential maximum cap based on the following criteria:

- Ensure the City's ability to provide adequate municipal services such as police, fire, streets, libraries, parks, and other basic services;
- Complete a gap analysis that accounts for financial capacity of developer(s) (if any) and the minimum amount needed to meet the gap;

- Prioritize public improvement needs (i.e. the need for streets and sidewalks versus the need for underground utilities);
- Factor a reasonable annual growth assumption; and
- Consider developer contribution (if any) of land for public use needs and/or minimum financial contribution.

Further, the City's participation rate and maximum contribution will take into consideration the participation of other taxing entities and the overall impact to the City's Operational Budget and Debt Plan (the final financing plan must not adversely impact the City's ability to deliver services or its debt management plan).

City and/or Developers' Risk

All financing, developmental costs, construction costs, improvements, damages, or other costs incurred with respect to this project are at the sole risk of the developer (if any). The City, in conjunction with TIRZ Board, will determine the costs that can be supported with future TIRZ revenue through the development of the Final Project and Finance Plans. All costs will be reimbursed solely through TIRZ revenue.

The City and any Participating Taxing Entities shall minimize any risk whatsoever associated with the development, construction, completion or failure of the project. In the event that the project fails, is abandoned or for any reason is not completed, the City shall have the right to terminate TIRZ No. 1 and any funds remaining in the TIRZ No. 1 account shall be distributed to the Participating Taxing Entities on a pro rata basis in accordance with each entity's participation level.

Compliance

The development of this TIRZ shall comply with all federal, state and local laws, rules and regulations.

Reporting

The City and/or developers (if any) shall submit a project status report and financial report on a quarterly basis (January 15th, April 15th, July 15th and October 15th) to the City.

Inspection

The Participating Taxing Entities, and/or Administrator shall have the right to inspect the project site or sites and the premises of a developer utilizing TIRZ funding without notice.

Supporting Information

The Market Environment

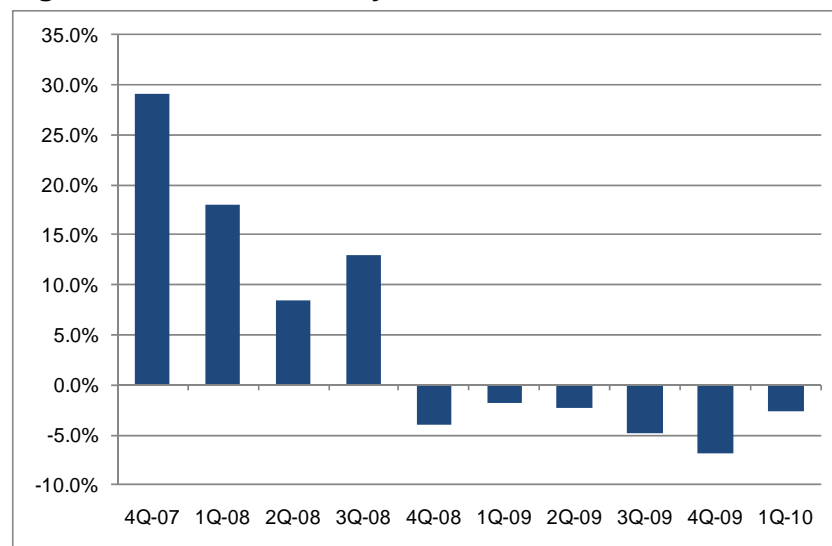
As the nation emerges from the recession, there is no question that the Metroplex and McKinney have felt the impact. The numbers tell the story, as job growth has slowed, sales tax revenue is stagnant and development has more or less come to a halt. That having been said, the impacts in the Dallas/Fort Worth region have been less profound than elsewhere, and the area should be well-positioned to bounce back. Factors contributing to the resurgence, aside from recovery of the national economy, include continued in-migration and overall population growth and a well-diversified regional economy with a strong presence in energy, transportation, and technology. In addition, relatively low current market values, competitive labor costs, and a comparatively modest overall tax burden all indicate a cost environment that accommodates future development and growth.

Table 1: Recent McKinney Annual Indicators

| | A. Sales Tax | B. Population | C. Unemployment | D. Single-Family Permits |
|------|--------------|---------------|-----------------|--------------------------|
| 2001 | \$14,186,870 | 58,438 | 4.8% | 2,554 |
| 2002 | \$14,365,248 | 66,990 | 7.0% | 2,150 |
| 2003 | \$15,485,000 | 76,907 | 6.9% | 2,795 |
| 2004 | \$18,301,409 | 85,865 | 5.8% | 3,005 |
| 2005 | \$23,381,858 | 94,733 | 4.4% | 3,400 |
| 2006 | \$26,683,569 | 104,853 | 4.4% | 2,978 |
| 2007 | \$31,025,152 | 115,198 | 4.1% | 1,662 |
| 2008 | \$33,592,023 | 120,978 | 4.7% | 987 |
| 2009 | \$32,265,078 | 122,083 | 7.4% | 943 |

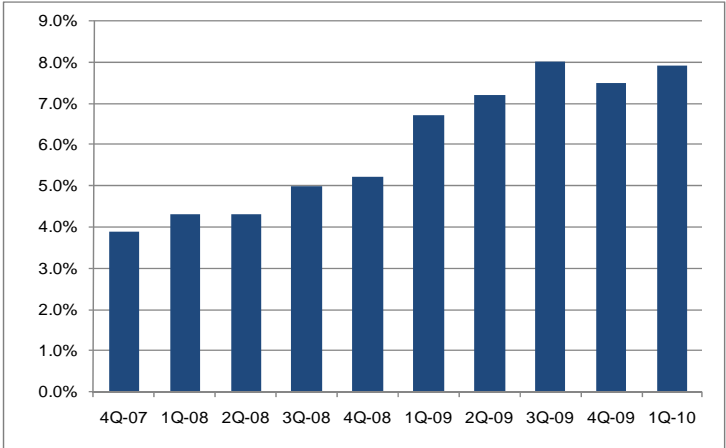
Sources: A. Texas State Comptroller's Office; B. City of McKinney; C. Bureau of Labor Statistics; D. Census Bureau

Figure 2: Recent McKinney 12-Month Sales Tax Revenue Growth



Sources: Texas State Comptroller's Office; TXP

Figure 3: Recent McKinney Unemployment Rates



Sources: Texas Workforce Commission; TXP

Tax Base Scenarios

Demand for real estate over time is directly connected to the performance of a local economy, as net new job creation and household formation creates the need for new commercial and residential space. The approach used to validate the land use projections is to forecast the overall growth in McKinney, estimate the real estate demand associated with that growth, and then determine that the land use projections for TIRZ No. 1 constitute a “reasonable” share of the community-wide demand. The scenarios included in this report meet this test, as a modest level of housing and a commercial market capture rate consistent with a vibrant downtown are anticipated.

Key Assumptions for Overall Forecasts

- Base data was derived from a number of sources, including County Business Patterns, The North Central Texas Council of Governments, the Texas Comptroller’s Office, the Bureau of Labor Statistics/Texas Workforce Commission, the Census Bureau, and the City of McKinney.
- McKinney population projections were based on the 3.0 Migration Scenario from the Texas State Data Center (2000-07), updated to reflect base data through 2008 for the county. The initial estimate of the number of people per household comes from the 2007 version of the American Community Survey for McKinney by the Census Bureau, and is very gradually reduced over time in line with both historical patterns and anticipated demographic trends.
- Employment forecasts were developed using base data on ZIP Codes 75069, 75070, and 75071 in combination with overall County and City projections from a number of sources. A blended American Planning Association (APA) ratio of 650 sq. ft./employee was used to estimate aggregate new development required for retail/restaurant/entertainment.
- Similarly, a ratio of 250 sq. ft./employee was used to estimate aggregate new development required to meet office/commercial demand.

The following tables reflect the timing and assumptions outlined above, and the aggregate values that result.

Table 2: Projected McKinney Population, Households, & Employment

| | Population | Households | Retail/Entert. Jobs | Office-Related Jobs |
|------|-------------------|-------------------|----------------------------|----------------------------|
| 2010 | 125,568 | 42,779 | 8,139 | 12,516 |
| 2011 | 129,371 | 44,297 | 8,220 | 12,641 |
| 2012 | 133,260 | 45,857 | 8,467 | 12,989 |
| 2013 | 137,236 | 47,463 | 8,720 | 13,346 |
| 2014 | 141,299 | 49,114 | 8,978 | 13,713 |
| 2015 | 145,452 | 50,811 | 9,242 | 14,090 |
| 2016 | 149,694 | 52,556 | 9,511 | 14,478 |
| 2017 | 154,027 | 54,349 | 9,787 | 14,876 |
| 2018 | 158,453 | 56,191 | 10,068 | 15,285 |
| 2019 | 162,971 | 58,084 | 10,355 | 15,706 |
| 2020 | 167,584 | 60,028 | 10,648 | 16,137 |
| 2021 | 172,291 | 62,025 | 10,947 | 16,581 |
| 2022 | 177,094 | 64,074 | 11,252 | 17,037 |
| 2023 | 181,994 | 66,178 | 11,564 | 17,506 |
| 2024 | 186,992 | 68,337 | 11,881 | 17,987 |
| 2025 | 192,089 | 70,552 | 12,205 | 18,482 |
| 2026 | 197,286 | 72,825 | 12,535 | 18,990 |
| 2027 | 202,583 | 75,156 | 12,872 | 19,512 |
| 2028 | 207,981 | 77,547 | 13,215 | 20,049 |
| 2029 | 213,482 | 79,998 | 13,564 | 20,600 |
| 2030 | 219,085 | 82,510 | 13,920 | 21,167 |
| 2031 | 224,793 | 85,085 | 14,283 | 21,749 |
| 2032 | 230,606 | 87,724 | 14,652 | 22,347 |
| 2033 | 236,524 | 90,427 | 15,028 | 22,961 |
| 2034 | 242,548 | 93,196 | 15,411 | 23,593 |
| 2035 | 248,680 | 96,033 | 15,801 | 24,242 |
| 2036 | 254,919 | 98,937 | 16,197 | 24,908 |
| 2037 | 261,267 | 101,910 | 16,600 | 25,593 |
| 2038 | 267,725 | 104,954 | 17,011 | 26,297 |
| 2039 | 274,292 | 108,068 | 17,428 | 27,020 |
| 2040 | 280,970 | 111,256 | 17,852 | 27,763 |

Source: TXP

Table 3: Projected McKinney Overall Real Estate Demand

| | Housing Units | Retail/Ent, Related Sq Ft. | Office-Related Sq Ft. |
|------|----------------------|-----------------------------------|------------------------------|
| 2010 | N.A. | N.A. | N.A. |
| 2011 | 1,517 | 52,901 | 31,291 |
| 2012 | 1,561 | 160,604 | 86,910 |
| 2013 | 1,605 | 164,191 | 89,300 |
| 2014 | 1,651 | 167,821 | 91,756 |
| 2015 | 1,697 | 171,494 | 94,279 |
| 2016 | 1,745 | 175,210 | 96,872 |
| 2017 | 1,793 | 178,968 | 99,536 |
| 2018 | 1,842 | 182,768 | 102,273 |
| 2019 | 1,893 | 186,609 | 105,086 |
| 2020 | 1,944 | 190,491 | 107,976 |
| 2021 | 1,996 | 194,413 | 110,945 |
| 2022 | 2,050 | 198,375 | 113,996 |
| 2023 | 2,104 | 202,376 | 117,131 |
| 2024 | 2,159 | 206,416 | 120,352 |
| 2025 | 2,215 | 210,494 | 123,662 |
| 2026 | 2,273 | 214,609 | 127,062 |
| 2027 | 2,331 | 218,762 | 130,556 |
| 2028 | 2,390 | 222,951 | 134,147 |
| 2029 | 2,451 | 227,175 | 137,836 |
| 2030 | 2,512 | 231,435 | 141,626 |
| 2031 | 2,575 | 235,728 | 145,521 |
| 2032 | 2,639 | 240,056 | 149,523 |
| 2033 | 2,703 | 244,416 | 153,635 |
| 2034 | 2,769 | 248,808 | 157,860 |
| 2035 | 2,836 | 253,232 | 162,201 |
| 2036 | 2,904 | 257,686 | 166,661 |
| 2037 | 2,973 | 262,171 | 171,245 |
| 2038 | 3,044 | 266,684 | 175,954 |
| 2039 | 3,115 | 271,226 | 180,792 |
| 2040 | 3,187 | 275,795 | 185,764 |

Source: TXP

Ad Valorem

The current aggregate taxable property value of TIRZ No. 1 is \$218,651,123. For analysis, three development scenarios are included in this document, all of which assume a 30-year horizon:

- Scenario No. 1: Inflation Only. For purposes of this exercise, the current aggregate value of property is assumed to grow at a conservative inflation rate of 3% annually. Since there is no new development, this scenario does not necessarily represent any share of the overall market demand.
- Scenario No. 2: Medium Development; Current Values. In this scenario, total new development of 2,520,000 square feet of additional non-residential and 520 additional housing units is included in TIRZ No. 1. Within TIRZ No. 1, the bulk of new development/redevelopment is assumed to occur within the historic Town Center area generally north of Market Center Drive (known as the Infill area), although a substantial amount of new activity is also projected to occur within the area south of Market Center Drive adjacent to State Highway 5 (referred to as the Greenfield area). Much of the anticipated activity in the Greenfield area will be medical-related due to its proximity to the hospital. As such, a rate of \$95 per square foot reflects a blended current average taxable value and was assumed for Greenfield area development. Within the Infill area of TIRZ No. 1, housing units are assumed to average 1,500 square feet, and property is assumed to be valued at \$80/square feet, which is also the blended average of current taxable values. Under this scenario, development is phased in over an eighteen year period beginning in 2012 for residential and 2013 for non-residential. Inflation of 3% annually is applied to values. In this scenario, TIRZ No. 1 represents 0.7% of the overall housing demand and about 23% of the commercial demand anticipated over the next 30 years in McKinney.
- Scenario No. 3: Medium Development; Higher Values. The same parameters for the footprint and values for the Greenfield are applied. In the balance of TIRZ No. 1, the level of new activity is the same as in Scenario No. 2, but value per square foot is assumed to average \$115 per square foot, reflecting current market rates for town centers in the region and replacement costs. Housing units are assumed to average 1,300 square feet, reflecting greater density, and inflation of 3% annually is applied.

The following tables reflect the timing and assumptions outlined above, and the aggregate TIRZ No. 1 property values that result.

Table 4: Projected TIRZ No. 1 Aggregate Property Values*

| | Baseline | Scenario #1 | Scenario #2 | Scenario #3 |
|------|-----------------|--------------------|--------------------|--------------------|
| 2011 | \$218,651,123 | \$231,966,976 | \$231,966,976 | \$231,966,976 |
| 2012 | \$218,651,123 | \$238,925,986 | \$241,548,530 | \$242,695,894 |
| 2013 | \$218,651,123 | \$246,093,765 | \$260,511,353 | \$266,819,048 |
| 2014 | \$218,651,123 | \$253,476,578 | \$278,064,596 | \$286,387,378 |
| 2015 | \$218,651,123 | \$261,080,876 | \$305,272,560 | \$319,591,402 |
| 2016 | \$218,651,123 | \$268,913,302 | \$333,862,744 | \$354,529,919 |
| 2017 | \$218,651,123 | \$276,980,701 | \$378,436,114 | \$405,819,636 |
| 2018 | \$218,651,123 | \$285,290,122 | \$413,024,598 | \$443,284,644 |
| 2019 | \$218,651,123 | \$293,848,826 | \$446,380,432 | \$484,015,876 |
| 2020 | \$218,651,123 | \$302,664,290 | \$471,288,671 | \$512,233,346 |
| 2021 | \$218,651,123 | \$311,744,219 | \$501,110,700 | \$550,145,191 |
| 2022 | \$218,651,123 | \$321,096,546 | \$527,951,032 | \$580,769,498 |
| 2023 | \$218,651,123 | \$330,729,442 | \$560,428,050 | \$622,110,408 |
| 2024 | \$218,651,123 | \$340,651,325 | \$589,766,950 | \$655,753,577 |
| 2025 | \$218,651,123 | \$350,870,865 | \$625,111,729 | \$700,800,605 |
| 2026 | \$218,651,123 | \$361,396,991 | \$657,153,976 | \$737,716,753 |
| 2027 | \$218,651,123 | \$372,238,901 | \$695,595,359 | \$786,767,978 |
| 2028 | \$218,651,123 | \$383,406,068 | \$730,551,028 | \$827,220,598 |
| 2029 | \$218,651,123 | \$394,908,250 | \$772,334,782 | \$880,596,350 |
| 2030 | \$218,651,123 | \$406,755,497 | \$803,764,534 | \$915,273,948 |
| 2031 | \$218,651,123 | \$418,958,162 | \$842,056,635 | \$963,114,716 |
| 2032 | \$218,651,123 | \$431,526,907 | \$876,081,058 | \$1,000,770,882 |
| 2033 | \$218,651,123 | \$444,472,714 | \$917,406,166 | \$1,052,417,856 |
| 2034 | \$218,651,123 | \$457,806,896 | \$954,224,725 | \$1,093,286,765 |
| 2035 | \$218,651,123 | \$471,541,103 | \$998,810,242 | \$1,149,026,108 |
| 2036 | \$218,651,123 | \$485,687,336 | \$1,038,637,073 | \$1,193,359,414 |
| 2037 | \$218,651,123 | \$500,257,956 | \$1,086,726,850 | \$1,253,498,028 |
| 2038 | \$218,651,123 | \$515,265,694 | \$1,119,328,655 | \$1,291,102,968 |
| 2039 | \$218,651,123 | \$530,723,665 | \$1,170,870,257 | \$1,355,656,062 |
| 2040 | \$218,651,123 | \$546,645,375 | \$1,205,996,365 | \$1,396,325,744 |

Source: TXP

*projected appraised values of all taxable TIRZ property

Table 5: Projected TIRZ No. 1 Ad Valorem Increment*

| | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------------|--------------------|--------------------|--------------------|
| 2011 | \$13,315,853 | \$13,315,853 | \$13,315,853 |
| 2012 | \$20,274,863 | \$22,897,407 | \$24,044,771 |
| 2013 | \$27,442,642 | \$41,860,230 | \$48,167,925 |
| 2014 | \$34,825,455 | \$59,413,473 | \$67,736,255 |
| 2015 | \$42,429,753 | \$86,621,437 | \$100,940,279 |
| 2016 | \$50,262,179 | \$115,211,621 | \$135,878,796 |
| 2017 | \$58,329,578 | \$159,784,991 | \$187,168,513 |
| 2018 | \$66,638,999 | \$194,373,475 | \$224,633,521 |
| 2019 | \$75,197,703 | \$227,729,309 | \$265,364,753 |
| 2020 | \$84,013,167 | \$252,637,548 | \$293,582,223 |
| 2021 | \$93,093,096 | \$282,459,577 | \$331,494,068 |
| 2022 | \$102,445,423 | \$309,299,909 | \$362,118,375 |
| 2023 | \$112,078,319 | \$341,776,927 | \$403,459,285 |
| 2024 | \$122,000,202 | \$371,115,827 | \$437,102,454 |
| 2025 | \$132,219,742 | \$406,460,606 | \$482,149,482 |
| 2026 | \$142,745,868 | \$438,502,853 | \$519,065,630 |
| 2027 | \$153,587,778 | \$476,944,236 | \$568,116,855 |
| 2028 | \$164,754,945 | \$511,899,905 | \$608,569,475 |
| 2029 | \$176,257,127 | \$553,683,659 | \$661,945,227 |
| 2030 | \$188,104,374 | \$585,113,411 | \$696,622,825 |
| 2031 | \$200,307,039 | \$623,405,512 | \$744,463,593 |
| 2032 | \$212,875,784 | \$657,429,935 | \$782,119,759 |
| 2033 | \$225,821,591 | \$698,755,043 | \$833,766,733 |
| 2034 | \$239,155,773 | \$735,573,602 | \$874,635,642 |
| 2035 | \$252,889,980 | \$780,159,119 | \$930,374,985 |
| 2036 | \$267,036,213 | \$819,985,950 | \$974,708,291 |
| 2037 | \$281,606,833 | \$868,075,727 | \$1,034,846,905 |
| 2038 | \$296,614,571 | \$900,677,532 | \$1,072,451,845 |
| 2039 | \$312,072,542 | \$952,219,134 | \$1,137,004,939 |
| 2040 | \$327,994,252 | \$987,345,242 | \$1,177,674,621 |
| Source: TXP | | | |

*the difference between the Baseline and Projected Values in Table 4

Table 6: Projected Annual TIRZ No. 1 Revenues from City Ad Valorem Taxes, Current Tax Rate - \$0.5855*

| | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------|---------------------|---------------------|---------------------|
| 2011 | \$77,964 | \$77,964 | \$77,964 |
| 2012 | \$118,709 | \$134,064 | \$140,782 |
| 2013 | \$160,677 | \$245,092 | \$282,023 |
| 2014 | \$203,903 | \$347,866 | \$396,596 |
| 2015 | \$248,426 | \$507,169 | \$591,005 |
| 2016 | \$294,285 | \$674,564 | \$795,570 |
| 2017 | \$341,520 | \$935,541 | \$1,095,872 |
| 2018 | \$390,171 | \$1,138,057 | \$1,315,229 |
| 2019 | \$440,283 | \$1,333,355 | \$1,553,711 |
| 2020 | \$491,897 | \$1,479,193 | \$1,718,924 |
| 2021 | \$545,060 | \$1,653,801 | \$1,940,898 |
| 2022 | \$599,818 | \$1,810,951 | \$2,120,203 |
| 2023 | \$656,219 | \$2,001,104 | \$2,362,254 |
| 2024 | \$714,311 | \$2,172,883 | \$2,559,235 |
| 2025 | \$774,147 | \$2,379,827 | \$2,822,985 |
| 2026 | \$835,777 | \$2,567,434 | \$3,039,129 |
| 2027 | \$899,256 | \$2,792,509 | \$3,326,324 |
| 2028 | \$964,640 | \$2,997,174 | \$3,563,174 |
| 2029 | \$1,031,985 | \$3,241,818 | \$3,875,689 |
| 2030 | \$1,101,351 | \$3,425,839 | \$4,078,727 |
| 2031 | \$1,172,798 | \$3,650,039 | \$4,358,834 |
| 2032 | \$1,246,388 | \$3,849,252 | \$4,579,311 |
| 2033 | \$1,322,185 | \$4,091,211 | \$4,881,704 |
| 2034 | \$1,400,257 | \$4,306,783 | \$5,120,992 |
| 2035 | \$1,480,671 | \$4,567,832 | \$5,447,346 |
| 2036 | \$1,563,497 | \$4,801,018 | \$5,706,917 |
| 2037 | \$1,648,808 | \$5,082,583 | \$6,059,029 |
| 2038 | \$1,736,678 | \$5,273,467 | \$6,279,206 |
| 2039 | \$1,827,185 | \$5,575,243 | \$6,657,164 |
| 2040 | \$1,920,406 | \$5,780,906 | \$6,895,285 |
| TOTAL | \$26,209,273 | \$78,894,539 | \$93,642,082 |

Source: TXP

*the TIRZ revenue associated with dedicating 100% of City taxes imposed on the increment in Table 5

Table 7: Projected Annual TIRZ No. 1 Revenues from County Ad Valorem Taxes, Current Tax Rate - \$0.2425*

| | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------|---------------------|---------------------|---------------------|
| 2011 | \$32,291 | \$32,291 | \$32,291 |
| 2012 | \$49,167 | \$55,526 | \$58,309 |
| 2013 | \$66,548 | \$101,511 | \$116,807 |
| 2014 | \$84,452 | \$144,078 | \$164,260 |
| 2015 | \$102,892 | \$210,057 | \$244,780 |
| 2016 | \$121,886 | \$279,388 | \$329,506 |
| 2017 | \$141,449 | \$387,479 | \$453,884 |
| 2018 | \$161,600 | \$471,356 | \$544,736 |
| 2019 | \$182,354 | \$552,244 | \$643,510 |
| 2020 | \$203,732 | \$612,646 | \$711,937 |
| 2021 | \$225,751 | \$684,964 | \$803,873 |
| 2022 | \$248,430 | \$750,052 | \$878,137 |
| 2023 | \$271,790 | \$828,809 | \$978,389 |
| 2024 | \$295,850 | \$899,956 | \$1,059,973 |
| 2025 | \$320,633 | \$985,667 | \$1,169,212 |
| 2026 | \$346,159 | \$1,063,369 | \$1,258,734 |
| 2027 | \$372,450 | \$1,156,590 | \$1,377,683 |
| 2028 | \$399,531 | \$1,241,357 | \$1,475,781 |
| 2029 | \$427,424 | \$1,342,683 | \$1,605,217 |
| 2030 | \$456,153 | \$1,418,900 | \$1,689,310 |
| 2031 | \$485,745 | \$1,511,758 | \$1,805,324 |
| 2032 | \$516,224 | \$1,594,268 | \$1,896,640 |
| 2033 | \$547,617 | \$1,694,481 | \$2,021,884 |
| 2034 | \$579,953 | \$1,783,766 | \$2,120,991 |
| 2035 | \$613,258 | \$1,891,886 | \$2,256,159 |
| 2036 | \$647,563 | \$1,988,466 | \$2,363,668 |
| 2037 | \$682,897 | \$2,105,084 | \$2,509,504 |
| 2038 | \$719,290 | \$2,184,143 | \$2,600,696 |
| 2039 | \$756,776 | \$2,309,131 | \$2,757,237 |
| 2040 | \$795,386 | \$2,394,312 | \$2,855,861 |
| TOTAL | \$10,855,250 | \$32,676,218 | \$38,784,295 |

Source: TXP

*the TIRZ revenue associated with dedicating 100% of County taxes imposed on the increment in Table 5

Table 8: Projected Annual TIRZ No. 1 Revenues from Community College District Ad Valorem Taxes, Current Tax Rate – \$0.0863*

| | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------|--------------------|---------------------|---------------------|
| 2011 | \$11,492 | \$11,492 | \$11,492 |
| 2012 | \$17,497 | \$19,760 | \$20,751 |
| 2013 | \$23,683 | \$36,125 | \$41,569 |
| 2014 | \$30,054 | \$51,274 | \$58,456 |
| 2015 | \$36,617 | \$74,754 | \$87,111 |
| 2016 | \$43,376 | \$99,428 | \$117,263 |
| 2017 | \$50,338 | \$137,894 | \$161,526 |
| 2018 | \$57,509 | \$167,744 | \$193,859 |
| 2019 | \$64,896 | \$196,530 | \$229,010 |
| 2020 | \$72,503 | \$218,026 | \$253,361 |
| 2021 | \$80,339 | \$243,763 | \$286,079 |
| 2022 | \$88,410 | \$266,926 | \$312,508 |
| 2023 | \$96,724 | \$294,953 | \$348,185 |
| 2024 | \$105,286 | \$320,273 | \$377,219 |
| 2025 | \$114,106 | \$350,776 | \$416,095 |
| 2026 | \$123,190 | \$378,428 | \$447,954 |
| 2027 | \$132,546 | \$411,603 | \$490,285 |
| 2028 | \$142,184 | \$441,770 | \$525,195 |
| 2029 | \$152,110 | \$477,829 | \$571,259 |
| 2030 | \$162,334 | \$504,953 | \$601,185 |
| 2031 | \$172,865 | \$537,999 | \$642,472 |
| 2032 | \$183,712 | \$567,362 | \$674,969 |
| 2033 | \$194,884 | \$603,026 | \$719,541 |
| 2034 | \$206,391 | \$634,800 | \$754,811 |
| 2035 | \$218,244 | \$673,277 | \$802,914 |
| 2036 | \$230,452 | \$707,648 | \$841,173 |
| 2037 | \$243,027 | \$749,149 | \$893,073 |
| 2038 | \$255,978 | \$777,285 | \$925,526 |
| 2039 | \$269,319 | \$821,765 | \$981,235 |
| 2040 | \$283,059 | \$852,079 | \$1,016,333 |
| TOTAL | \$3,863,126 | \$11,628,691 | \$13,802,411 |

Source: TXP

*the TIRZ revenue associated with dedicating 100% of Community College District taxes imposed on the increment in Table 5

NOTE: The City of McKinney has requested Community College District participation in TIRZ No. 1; however, a response from the District has not yet been received. Therefore, Table 8 is included for informational purposes only.

Table 9: Projected 30-Year TIRZ No. 1 Revenues from City Ad Valorem Taxes (at \$0.5855)*

| | Participation Rate | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------------|--------------------|--------------|--------------|--------------|
| Total | 100% | \$26,209,273 | \$78,894,539 | \$93,642,082 |
| Present Value | | \$14,425,484 | \$42,725,391 | \$50,611,996 |
| Total | 90% | \$23,588,346 | \$71,005,085 | \$84,277,874 |
| Present Value | | \$12,982,936 | \$38,452,852 | \$45,550,797 |
| Total | 80% | \$20,967,418 | \$63,115,631 | \$74,913,666 |
| Present Value | | \$11,540,387 | \$34,180,313 | \$40,489,597 |
| Total | 70% | \$18,346,491 | \$55,226,177 | \$65,549,458 |
| Present Value | | \$10,097,839 | \$29,907,774 | \$35,428,397 |
| Total | 60% | \$15,725,564 | \$47,336,723 | \$56,185,249 |
| Present Value | | \$8,655,290 | \$25,635,235 | \$30,367,198 |
| Total | 50% | \$13,104,637 | \$39,447,269 | \$46,821,041 |
| Present Value | | \$7,212,742 | \$21,362,696 | \$25,305,998 |
| Source: TXP | | | | |

*Scenarios reflect the total and present value of TIRZ revenue at different City participation levels. A 5% discount rate is assumed to calculate the present values.

Table 10: Projected 30-Year TIRZ No. 1 Revenues from County Ad Valorem Taxes (at \$0.2425)*

| | Participation Rate | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------------|--------------------|--------------|--------------|--------------|
| Total | 100% | \$10,855,250 | \$32,676,218 | \$38,784,295 |
| Present Value | | \$5,974,688 | \$17,695,828 | \$20,962,270 |
| Total | 90% | \$9,769,725 | \$29,408,596 | \$34,905,866 |
| Present Value | | \$5,377,219 | \$15,926,245 | \$18,866,043 |
| Total | 80% | \$8,684,200 | \$26,140,974 | \$31,027,436 |
| Present Value | | \$4,779,750 | \$14,156,663 | \$16,769,816 |
| Total | 70% | \$7,598,675 | \$22,873,353 | \$27,149,007 |
| Present Value | | \$4,182,282 | \$12,387,080 | \$14,673,589 |
| Total | 60% | \$6,513,150 | \$19,605,731 | \$23,270,577 |
| Present Value | | \$3,584,813 | \$10,617,497 | \$12,577,362 |
| Total | 50% | \$5,427,625 | \$16,338,115 | \$19,392,148 |
| Present Value | | \$2,987,344 | \$8,847,914 | \$10,481,135 |
| Source: TXP | | | | |

*Scenarios reflect the total and present value of TIRZ revenue at different County participation levels. A 5% discount rate is assumed to calculate the present values.

Table 11: Projected 30-Year TIRZ No. 1 Revenues from Community College District Ad Valorem Taxes (at \$.0863)*

| | Participation Rate | Scenario #1 | Scenario #2 | Scenario #3 |
|--------------------|--------------------|-------------|--------------|--------------|
| Total | 100% | \$3,863,126 | \$11,628,691 | \$13,802,411 |
| Present Value | | \$2,126,250 | \$6,297,526 | \$7,459,975 |
| Total | 90% | \$3,476,813 | \$10,465,822 | \$12,422,170 |
| Present Value | | \$1,913,625 | \$5,667,773 | \$6,713,977 |
| Total | 80% | \$3,090,501 | \$9,302,953 | \$11,041,929 |
| Present Value | | \$1,701,000 | \$5,038,021 | \$5,967,980 |
| Total | 70% | \$2,704,188 | \$8,140,084 | \$9,661,688 |
| Present Value | | \$1,488,375 | \$4,408,268 | \$5,221,982 |
| Total | 60% | \$2,317,876 | \$6,977,215 | \$8,281,447 |
| Present Value | | \$1,275,750 | \$3,778,515 | \$4,475,985 |
| Total | 50% | \$1,931,563 | \$5,814,346 | \$6,901,206 |
| Present Value | | \$1,063,125 | \$3,148,763 | \$3,729,987 |
| Source: TXP | | | | |

*Scenarios reflect the total and present value of TIRZ revenue at different Community College District participation levels. A 5% discount rate is assumed to calculate the present values.

NOTE: The City of McKinney has requested Community College District participation in TIRZ No. 1; however, a response from the District has not yet been received. Therefore, Table 11 is included for informational purposes only.

Sales Tax

The current aggregate City of McKinney sales tax base in TIRZ No. 1 is \$1,369,564. For analysis, three scenarios on sales tax growth are included in this document, all of which assume a 30-year horizon:

- Scenario A: Inflation Only. For purposes of this exercise, the current aggregate value of the sales tax base is assumed to grow at a conservative inflation rate of 3% annually. Since there is no new development, this scenario does not necessarily represent any share of the overall market demand.
- Scenario B: Medium Development; Current Sales Level. In this scenario, approximately two-thirds of the projected commercial activity in the town center and just under 55% of the projected commercial activity in the greenfield area is expected to be retail-oriented. Based on data from the Texas Comptroller's Office, 38.9% of this retail activity is assumed to be subject to sales tax. The phase-in matches the same pattern established in Scenario 2, and the current City of McKinney sales tax rate of 1% and annual inflation of 3% is applied. Sales per square foot are \$188, reflecting the 2009 level within the TIRZ area.
- Scenario C: Medium Development, Higher Sales Level. The same parameters as in Scenario B, but sales per square foot are assumed to average \$275 per square foot, per an Urban Land Institute average across several types of retail centers.

The following tables reflect the timing and assumptions outlined above, and the aggregate TIRZ No. 1 sales tax values that result.

Table 13: Projected TIRZ No. 1 Taxable Sales Increment

| | Scenario A | Scenario B | Scenario C |
|------|-------------------|-------------------|-------------------|
| 2011 | \$2,054,346 | \$2,054,346 | \$2,054,346 |
| 2012 | \$4,170,323 | \$4,170,323 | \$4,170,323 |
| 2013 | \$6,349,779 | \$6,349,779 | \$6,349,779 |
| 2014 | \$8,594,618 | \$13,621,802 | \$15,948,212 |
| 2015 | \$10,906,803 | \$18,867,690 | \$22,551,717 |
| 2016 | \$13,288,353 | \$29,680,697 | \$37,266,516 |
| 2017 | \$15,741,350 | \$41,063,874 | \$52,782,276 |
| 2018 | \$18,267,937 | \$54,460,802 | \$71,209,628 |
| 2019 | \$20,870,321 | \$64,830,922 | \$85,174,391 |
| 2020 | \$23,550,777 | \$77,298,310 | \$102,170,839 |
| 2021 | \$26,311,647 | \$84,939,137 | \$112,069,943 |
| 2022 | \$29,155,342 | \$95,901,486 | \$126,789,330 |
| 2023 | \$32,084,349 | \$104,093,759 | \$137,417,263 |
| 2024 | \$35,101,225 | \$116,018,062 | \$153,463,619 |
| 2025 | \$38,208,608 | \$125,012,420 | \$165,182,268 |
| 2026 | \$41,409,213 | \$137,975,183 | \$182,662,626 |
| 2027 | \$44,705,835 | \$147,838,936 | \$195,565,424 |
| 2028 | \$48,101,357 | \$161,922,419 | \$214,594,932 |
| 2029 | \$51,598,743 | \$172,722,910 | \$228,775,051 |
| 2030 | \$55,201,052 | \$188,015,386 | \$249,477,338 |
| 2031 | \$58,911,430 | \$199,840,981 | \$265,058,380 |
| 2032 | \$62,733,119 | \$216,437,636 | \$287,566,855 |
| 2033 | \$66,669,459 | \$229,367,465 | \$304,658,563 |
| 2034 | \$70,723,889 | \$247,370,431 | \$329,116,437 |
| 2035 | \$74,899,951 | \$261,495,128 | \$347,845,024 |
| 2036 | \$79,201,296 | \$281,014,141 | \$374,406,256 |
| 2037 | \$83,631,681 | \$296,431,289 | \$394,907,703 |
| 2038 | \$88,194,978 | \$317,584,233 | \$423,737,771 |
| 2039 | \$92,895,174 | \$329,166,106 | \$438,504,251 |
| 2040 | \$97,736,375 | \$351,922,620 | \$469,551,361 |

Source: TXP

Table 14: Projected Annual TIRZ No. 1 Revenues from City Sales Tax, Current Tax Rate (1%)

| | Scenario A | Scenario B | Scenario C |
|--------------|---------------------|---------------------|---------------------|
| 2011 | \$0 | \$0 | \$0 |
| 2012 | \$46,839 | \$46,839 | \$46,839 |
| 2013 | \$68,634 | \$68,634 | \$68,634 |
| 2014 | \$91,082 | \$141,354 | \$164,618 |
| 2015 | \$114,204 | \$193,813 | \$230,653 |
| 2016 | \$132,884 | \$296,807 | \$372,665 |
| 2017 | \$157,414 | \$410,639 | \$527,823 |
| 2018 | \$182,680 | \$544,608 | \$712,097 |
| 2019 | \$208,703 | \$648,309 | \$851,744 |
| 2020 | \$235,508 | \$772,983 | \$1,021,709 |
| 2021 | \$263,117 | \$849,392 | \$1,120,700 |
| 2022 | \$291,554 | \$959,015 | \$1,267,894 |
| 2023 | \$320,844 | \$1,040,938 | \$1,374,173 |
| 2024 | \$351,013 | \$1,160,181 | \$1,534,636 |
| 2025 | \$382,086 | \$1,250,124 | \$1,651,823 |
| 2026 | \$414,092 | \$1,379,752 | \$1,826,627 |
| 2027 | \$447,059 | \$1,478,390 | \$1,955,654 |
| 2028 | \$481,014 | \$1,619,224 | \$2,145,950 |
| 2029 | \$515,988 | \$1,727,229 | \$2,287,751 |
| 2030 | \$552,011 | \$1,880,154 | \$2,494,774 |
| 2031 | \$589,115 | \$1,998,410 | \$2,650,584 |
| 2032 | \$627,331 | \$2,164,377 | \$2,875,669 |
| 2033 | \$666,695 | \$2,293,675 | \$3,046,586 |
| 2034 | \$707,239 | \$2,473,705 | \$3,291,165 |
| 2035 | \$749,000 | \$2,614,952 | \$3,478,450 |
| 2036 | \$792,013 | \$2,810,142 | \$3,744,063 |
| 2037 | \$836,317 | \$2,964,313 | \$3,949,077 |
| 2038 | \$881,950 | \$3,175,843 | \$4,237,378 |
| 2039 | \$928,952 | \$3,291,661 | \$4,385,043 |
| 2040 | \$977,364 | \$3,519,226 | \$4,695,514 |
| TOTAL | \$13,012,702 | \$43,774,689 | \$58,010,293 |

Source: TXP

*the TIRZ revenue associated with dedicating 100% of the City sales tax imposed on the increment in Table 13

Revenue Projections

Once revenue from various streams has been forecasted, a number of projections which combine different revenue streams at different rates can be developed to inform the overall financing. The following are provided to measure a range of possibilities. In both projections, Development Scenario No. 2 is used as the basis for the calculation of ad valorem taxes and Sales Tax Scenario B is used as the basis for calculation of sales taxes.

Projection No. 1:

100% City participation in both ad valorem and sales tax; no County participation in ad valorem tax.

Table 15: Projection No. 1 - Annual and Cumulative TIRZ No. 1 Revenues

| | City Property | City Sales | County Property | Annual Total | Cumulative Total |
|--------------|---------------------|---------------------|-----------------|----------------------|------------------|
| 2011 | \$77,964 | \$0 | \$0 | \$77,964 | \$77,964 |
| 2012 | \$134,064 | \$46,839 | \$0 | \$180,903 | \$258,867 |
| 2013 | \$245,092 | \$68,634 | \$0 | \$313,726 | \$572,593 |
| 2014 | \$347,866 | \$141,354 | \$0 | \$489,220 | \$1,061,813 |
| 2015 | \$507,169 | \$193,813 | \$0 | \$700,982 | \$1,762,795 |
| 2016 | \$674,564 | \$296,807 | \$0 | \$971,371 | \$2,734,166 |
| 2017 | \$935,541 | \$410,639 | \$0 | \$1,346,180 | \$4,080,346 |
| 2018 | \$1,138,057 | \$544,608 | \$0 | \$1,682,665 | \$5,763,011 |
| 2019 | \$1,333,355 | \$648,309 | \$0 | \$1,981,664 | \$7,744,675 |
| 2020 | \$1,479,193 | \$772,983 | \$0 | \$2,252,176 | \$9,996,851 |
| 2021 | \$1,653,801 | \$849,392 | \$0 | \$2,503,193 | \$12,500,044 |
| 2022 | \$1,810,951 | \$959,015 | \$0 | \$2,769,966 | \$15,270,010 |
| 2023 | \$2,001,104 | \$1,040,938 | \$0 | \$3,042,042 | \$18,312,052 |
| 2024 | \$2,172,883 | \$1,160,181 | \$0 | \$3,333,064 | \$21,645,116 |
| 2025 | \$2,379,827 | \$1,250,124 | \$0 | \$3,629,951 | \$25,275,067 |
| 2026 | \$2,567,434 | \$1,379,752 | \$0 | \$3,947,186 | \$29,222,253 |
| 2027 | \$2,792,509 | \$1,478,390 | \$0 | \$4,270,899 | \$33,493,152 |
| 2028 | \$2,997,174 | \$1,619,224 | \$0 | \$4,616,398 | \$38,109,550 |
| 2029 | \$3,241,818 | \$1,727,229 | \$0 | \$4,969,047 | \$43,078,597 |
| 2030 | \$3,425,839 | \$1,880,154 | \$0 | \$5,305,993 | \$48,384,590 |
| 2031 | \$3,650,039 | \$1,998,410 | \$0 | \$5,648,449 | \$54,033,039 |
| 2032 | \$3,849,252 | \$2,164,377 | \$0 | \$6,013,629 | \$60,046,668 |
| 2033 | \$4,091,211 | \$2,293,675 | \$0 | \$6,384,886 | \$66,431,554 |
| 2034 | \$4,306,783 | \$2,473,705 | \$0 | \$6,780,488 | \$73,212,042 |
| 2035 | \$4,567,832 | \$2,614,952 | \$0 | \$7,182,784 | \$80,394,826 |
| 2036 | \$4,801,018 | \$2,810,142 | \$0 | \$7,611,160 | \$88,005,986 |
| 2037 | \$5,082,583 | \$2,964,313 | \$0 | \$8,046,896 | \$96,052,882 |
| 2038 | \$5,273,467 | \$3,175,843 | \$0 | \$8,449,310 | \$104,502,192 |
| 2039 | \$5,575,243 | \$3,291,661 | \$0 | \$8,866,904 | \$113,369,096 |
| 2040 | \$5,780,906 | \$3,519,226 | \$0 | \$9,300,132 | \$122,669,228 |
| TOTAL | \$78,894,539 | \$43,774,689 | \$0 | \$122,669,228 | - |

Source: TXP

Projection No. 2:

100% City participation in both ad valorem and sales tax; 50% County participation in ad valorem tax.

Table 16: Projection No. 2 - Annual and Cumulative TIRZ No. 1 Revenues

| | City Property | City Sales | County Property | Annual Total | Cumulative Total |
|--------------------|---------------------|---------------------|---------------------|----------------------|------------------|
| 2011 | \$77,964 | \$0 | \$16,146 | \$94,110 | \$94,110 |
| 2012 | \$134,064 | \$46,839 | \$27,763 | \$208,666 | \$302,776 |
| 2013 | \$245,092 | \$68,634 | \$50,756 | \$364,482 | \$667,258 |
| 2014 | \$347,866 | \$141,354 | \$72,039 | \$561,259 | \$1,228,517 |
| 2015 | \$507,169 | \$193,813 | \$105,029 | \$806,011 | \$2,034,528 |
| 2016 | \$674,564 | \$296,807 | \$139,694 | \$1,111,065 | \$3,145,593 |
| 2017 | \$935,541 | \$410,639 | \$193,740 | \$1,539,920 | \$4,685,513 |
| 2018 | \$1,138,057 | \$544,608 | \$235,678 | \$1,918,343 | \$6,603,856 |
| 2019 | \$1,333,355 | \$648,309 | \$276,122 | \$2,257,786 | \$8,861,642 |
| 2020 | \$1,479,193 | \$772,983 | \$306,323 | \$2,558,499 | \$11,420,141 |
| 2021 | \$1,653,801 | \$849,392 | \$342,482 | \$2,845,675 | \$14,265,816 |
| 2022 | \$1,810,951 | \$959,015 | \$375,026 | \$3,144,992 | \$17,410,808 |
| 2023 | \$2,001,104 | \$1,040,938 | \$414,405 | \$3,456,447 | \$20,867,255 |
| 2024 | \$2,172,883 | \$1,160,181 | \$449,978 | \$3,783,042 | \$24,650,297 |
| 2025 | \$2,379,827 | \$1,250,124 | \$492,834 | \$4,122,785 | \$28,773,082 |
| 2026 | \$2,567,434 | \$1,379,752 | \$531,685 | \$4,478,871 | \$33,251,953 |
| 2027 | \$2,792,509 | \$1,478,390 | \$578,295 | \$4,849,194 | \$38,101,147 |
| 2028 | \$2,997,174 | \$1,619,224 | \$620,679 | \$5,237,077 | \$43,338,224 |
| 2029 | \$3,241,818 | \$1,727,229 | \$671,342 | \$5,640,389 | \$48,978,613 |
| 2030 | \$3,425,839 | \$1,880,154 | \$709,450 | \$6,015,443 | \$54,994,056 |
| 2031 | \$3,650,039 | \$1,998,410 | \$755,879 | \$6,404,328 | \$61,398,384 |
| 2032 | \$3,849,252 | \$2,164,377 | \$797,134 | \$6,810,763 | \$68,209,147 |
| 2033 | \$4,091,211 | \$2,293,675 | \$847,241 | \$7,232,127 | \$75,441,274 |
| 2034 | \$4,306,783 | \$2,473,705 | \$891,883 | \$7,672,371 | \$83,113,645 |
| 2035 | \$4,567,832 | \$2,614,952 | \$945,943 | \$8,128,727 | \$91,242,372 |
| 2036 | \$4,801,018 | \$2,810,142 | \$994,233 | \$8,605,393 | \$99,847,765 |
| 2037 | \$5,082,583 | \$2,964,313 | \$1,052,542 | \$9,099,438 | \$108,947,203 |
| 2038 | \$5,273,467 | \$3,175,843 | \$1,092,072 | \$9,541,382 | \$118,488,585 |
| 2039 | \$5,575,243 | \$3,291,661 | \$1,154,566 | \$10,021,470 | \$128,510,055 |
| 2040 | \$5,780,906 | \$3,519,226 | \$1,197,156 | \$10,497,288 | \$139,007,343 |
| TOTAL | \$78,894,539 | \$43,774,689 | \$16,338,115 | \$139,007,343 | - |
| Source: TXP | | | | | |