



FINANCIAL STATEMENT

FINANCIAL STATEMENT (As of September 30, 2016)

Table with 2 columns: Description, Amount. Includes Senior Lien (\$30,955,000) and Reserve (\$2,766,732).

PAYMENT RECORD: Fannin Co. Public Facility Corporation has never defaulted.

MATERIAL INFORMATION:

RATING DOWNGRADE (As of September 30, 2016) S&P Global Ratings lowered its long-term rating on the Corporation's revenue debt outstanding to BB from BBB.

MATERIAL EVENT NOTICE (As of August 13, 2014) In order to settle a dispute concerning the tax-exempt status regarding the Project Revenue Bonds Series 2008, the Corporation entered into a closing agreement with the Internal Revenue Service (IRS) to resolve this matter.

MATERIAL EVENT NOTICE (As of November 22, 2013) On December 15, 2011, the Corporation received notice, by letter dated December 12, 2011, from the Internal Revenue Service (IRS) that the IRS would be conducting an examination of the Series 2008 Project Revenue Bonds (Obligations).

The County and the Corporation's original Bond Counsel had significant conversations and negotiations with the IRS concerning the Obligations and the Project since early 2012.

The County and the Corporation retained Norton Rose Fulbright as Bond Counsel on October 14, 2013 and this law firm has had continuing conversations with the IRS and believe that a Closing Agreement has been substantially finalized on or about November 13, 2013.

The Corporation solicited and received consent form approximately 80% of the registered owners of the Obligations to amend the Indenture to permit a par call and mandatory tender of the Obligations on and after January 1, 2014.

The Corporation continues to negotiate with the IRS concerning the Project and the Obligations and are anticipating finalizing a Closing Agreement pursuant to which they will make a payment to the IRS and issue taxable refunding bonds to redeem all of the Obligations.

DETAILS OF OUTSTANDING DEBT

Details of Senior Lien Debt (Outstanding 9/30/2016)

Sr Lien Rev Ref Bds Taxable Ser 2014 (Detention Fac Proj)

Lien: Senior
Tax Treatment: Taxable
Original Issue Amount: \$31,390,000.00
Dated Date: 08/01/2014
Sale Date: 07/21/2014
Delivery Date: 08/13/2014
Sale Type: Negotiated
Record Date: MSRB
Bond Form: BE
Denomination: \$5,000
Interest pays: Semi-Annually: 10/01, 04/01
1st Coupon Date: 04/01/2015

Paying Agent: US Bank N.A., Dallas, TX
Bond Counsel: Fulbright & Jaworski LLP
Lead Manager: Aegis Capital Corporation
Co-Manager: Municipal Capital Markets Group, Inc.
Underwriter's Counsel: McCall Parkhurst & Horton L.L.P.

Use of Proceeds: Refunding.

Refunding Notes: This bond refunded maturities from the following issues:

Table with 5 columns: Proj, Refunded Amount, Mat Date, Coupon, Price, Sched Call. Shows refunding of 2008 bonds.

Table with 4 columns: Maturity, Amount, Coupon, Orig Reoffering Price/Yield. Lists bond maturities from 10/01/2016 to 10/01/2036T.

Call Option: Bonds maturing on 10/01/2020 to 10/01/2024 and term bonds maturing on 10/01/2029 and 10/01/2032 and 10/01/2036 callable in whole or in part on any date beginning 10/01/2019 as follows:

Table with 3 columns: Redemption Period, Redemption Price. Shows redemption terms for 10/01/2019, 10/01/2020, and 10/01/2021.

Bonds are also subject to Extraordinary Optional redemption as specified in the authorizing resolution.

Table with 2 columns: Mandatory Redemption Date, Principal Amount. Lists term call amounts for 10/01/2025 to 10/01/2029.

Table with 2 columns: Mandatory Redemption Date, Principal Amount. Lists term call amounts for 10/01/2030 and 10/01/2031.

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10/01/2032 \$1,825,000

Term bonds maturing on 10/01/2036:

Table with 2 columns: Mandatory Redemption Date, Principal Amount. Rows for 10/01/2033, 10/01/2034, 10/01/2035, 10/01/2036.

Put Option: If the Indenture is supplemented, the Bonds shall be subject to mandatory tender in whole but not in part on the date such supplemental indenture shall take effect as described in the authorizing resolution.

Grand Total =====> \$30,955,000.00

Bond Debt Service

Table with 4 columns: Period Ending, Principal, Interest, Debt Service. Rows from 09/30/17 to 09/30/37, plus a total row at the bottom.

COMPUTED ON BASIS OF MANDATORY REDEMPTION

Debt Amortization Rates

Table with 3 columns: Period Ending, Principal, % of Principal Retired. Rows from 09/30/2017 to 09/30/2034.

Table with 3 columns: Date, Amount, Percentage. Rows for 09/30/2035, 09/30/2036, 09/30/2037.

PERTINENT PROVISIONS

SECURITY FOR THE BONDS

The Series 2008 Bonds were executed and delivered by the Fannin County Public Facility Corporation pursuant to a Trust Indenture dated as of June 1, 2008, by the Corporation and U.S. Bank National Association (Trustee).

The Series 2014 Bonds were executed and delivered by the Fannin County Public Facility Corporation pursuant to a Trust Indenture dated as of August 1, 2014, by the Corporation and U.S. Bank National Association (Trustee).

The Project is leased to the Corporation by the County pursuant to a Ground Lease, dated as of June 1, 2008, as amended and restated as of August 1, 2014 (the "Lease"). Under the Lease, the Corporation is required to make Lease Payments, which Lease Payments will be sufficient in amount to pay the principal of and interest on the Bonds when due.

The Corporation granted a first mortgage lien on and first deed of trust title to the real property portion of the Project and assigned and pledged the Corporation's interest in the leases, rents, issues, profits, revenues, income, receipts, money, rights, and benefits of and from the Project for the use and benefit of the Trustee on behalf of the owners of the Bonds, pursuant to the Deed of Trust and Assignment of Rents and Leases, dated as of even date herewith (the "Mortgage"), and the Corporation granted to the Trustee a first priority security interest in the machinery, equipment, furnishing, or other property owned by the Corporation at any time installed or located on the Land.

The obligation of the Corporation to make lease payments is a current expense, payable solely from funds annually appropriated by the District for such use from (i) the County's monthly Rental Payment Deposits and semiannual Rental Payments the due or past due, and any amounts necessary to restore the balance in the Reserve Fund to the Reserve Requirement, for deposit to the Rental Account (ii) Operation and Maintenance costs of the Project, including fees and expenses of the Trustee, payments to the County and expenses of the Corporation and the County directly incurred in performing their duties under the Lease and the Indenture, for deposit to the Operating Account (iii) an amount equal to \$15,000 or such lesser amount as is necessary to cause the balance in the Operating Reserve/Repair/Contingency Account to equal \$350,000, for deposit to the Operating Reserve/Repair/Contingency Account (iv) any Operator Fee and (v) to the Surplus Account any remaining Project Revenues.

RATE COVENANT The County covenants in the Lease to operate the Project as a detention facility and to impose and collect reasonable rates, fees and charges for the operation of the Project, including for itself for any use of the Project to house County inmates, calculated to produce Net Revenues in each Fiscal year, beginning with the second full Fiscal Year after completion of the Project, in an amount at least equal to 125% of the amount necessary to pay all Rental Payments and Rental Payment Deposits when due under the Lease and all amendments thereto payable from Project Revenues, and such Project Revenues will be pledged to the payment of Rental Payments and other amounts due under the Lease.

RESERVE FUND The Reserve Fund is established by the Indenture and is required to be funded from the proceeds of the bonds in an amount equal to \$2,766,732.50 representing the Reserve Requirements upon the issuance of the bonds. The Reserve Fund will be fully funded upon the issuance of the Series 2014 bonds.

ADDITIONAL BONDS The County may amend the Sublease to provide for additional Rental Payments for the payment of additional bonds the proceeds of which are used with respect to additional improvements to the Project upon the following conditions: (i) upon such amendment there will be deposited in the Reserve Fund the amount necessary to cause the balance therein to equal to the Reserve Requirement taking into account the additional bonds; and (ii) the proceeds of the additional bonds are used to finance improvements to the Project, additions thereto or the acquisition and installation of equipment therein, (a) the County

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obtains a written report from an independent consultant satisfactory to the Trustee which is qualified to study operations of prison facilities and has a reputation for skill and experience in such work stating that the estimated ratio of net Revenues to the maximum amount of Rental Payments thereafter coming due during the Sublease Term (including the proposed amendment thereto but excluding the last Rental Payment) for each of the three Fiscal Years following the Fiscal Year in which it is estimated the improvements, additions or equipment financed are to be places in service, is expected to be not less than 1.35; or (b) the County obtains a written report of an independent certified public accounting stating ratio of Net Revenues of the Project to the maximum amount of Rental Payments thereafter coming due during the Sublease Term (not including the proposed amendment thereto) was not less than 1.25 for each of the two most recently ended Fiscal Years of the County of, if shorter, for the period since the Project was placed in service, and a written report of an independent consultant satisfactory to the Trustee which is qualified to study operations of prison facilities and has a reputation for skill and experience in such work stating that the estimated ratio of Net Revenues to the maximum amount of Rental Payments thereafter coming due during the Sublease Term (including the proposed amendment thereto, but excluding the last Rental Payment), for each of the three complete Fiscal Years of the County following the Fiscal Year in which it is estimated the improvements, additions or equipment financed are to be placed in service, is expected to be not less than 1.25.

The County may issue bonds for the purpose of financing improvements or additions to the Project or equipment for the Project without satisfying the requirements stated above.

THE PROJECT The project consists of the development, design, construction, and equipping of a 432-bed multi-classification secure detention center on real property in Fannin County, Texas. Approximately 15 acres of the site are contained within a secure perimeter fencing. The Project is designed to meet the requirements of the Texas Commission on Jail Standards and the applicable local, state and national codes.

ECONOMIC BACKGROUND

FANNIN COUNTY PUBLIC FACILITY CORPORATION (the "Issuer") is a non-profit public corporation and instrumentality of Fannin County formed on behalf of the District pursuant to the Public Facility Corporation Act and an order of the Board of Trustees of the District adopted on December 15, 1997. The Issuer was formed for the purpose of acquiring, constructing, and financing the Project. The Issuer currently has no assets other than its interest in the Project and its rights under the Lease. The Issuer is governed by a seven member Board of Directors, all of whom are members of the District's Board of Trustees.

Community Education Centers, Inc. (the Operator), a private for-profit company, headquartered in New Jersey and formed in Delaware in 1996, provides community-based residential and jail/prison treatment services for local, state and federal corrections systems in the United States. The Operator presently does business in 17 states.

COUNTY CHARACTERISTICS: Fannin County is located in north Texas, borders Oklahoma, and is traversed by U.S. Highways 69 and 82, State Highways 11, 50, 78, and 121, and eighteen farm-to-market roads. The county was the 4th largest producer of soybeans in 2015.

COUNTY SEAT: Bonham

2010 census: 33,915 increasing 8.6 % since 2000
2000 census: 31,242 increasing 26.0 % since 1990
1990 census: 24,804

ECONOMIC BASE
Mineral: sand.

Industry: varied manufacturing, tourism, prisons, government, communications and agriculture.

Agricultural: wheat, pecans, horses, hay, grain sorghum, corn and beef cattle.

OIL PRODUCTION (Texas Railroad Commission)

Table with 4 columns: Year, Description, Volume, % Change From Previous Year. Rows for 2012-2015 Oil production.

PARKS (Texas Parks & Wildlife)

Table with 3 columns: Year, Description, Volume. Rows for 2012-2014 Bonham State Park visitors.

RETAIL SALES & EFFECTIVE BUYING INCOME (The Nielsen Company)

Table with 4 columns: Year, Retail Sales, Effective Buying Income (EBI), County Median Household Income, State Median Household Income, % of Households with EBI below \$25K, % of Households with EBI above \$25K. Rows for 2013-2015.

EMPLOYMENT DATA (Texas Workforce Commission)

Table with 7 columns: Year, Employed, Earnings. Rows for 2014 quarterly data.

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