Fannin Co Public Facility Corporation

(Lease Revenue)

Fannin County

FINANCIAL STATEMENT

FINANCIAL STATEMENT	(As of September 30, 2016)		
Special Obligation De Senior Lien	ebt		\$30,955,000
Special Fund Balance Reserve	S	\$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. The outlook is negative. According to S&P, on August 18, 2016, the Department of Justice (DOJ) released a memo directing the Federal Bureau of Prisons (BOP) to "reduce and ultimately end the use of privately operated prisons" and soon there after the Department of Homeland Security directed a subcommittee to review the current policy and practices concerning the use of private operators should be eliminated. S&P believes that the change in policy at the DOJ for its BOP facilities heighten the risk that the United States Marshals Service could follow a similar path.

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. As stated in the agreement, the Corporation agreed to electronically submit payment in the amount of \$1,752,447 to the IRS and concurrently issue taxable refunding bonds for delivery on August 13, 2014 to defease al outstanding Series 2008 bonds as of August 13, 2014 and to redeem the bonds on August 14, 2014.

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 Notice stated that the IRS has no reason to believe that the Obligations fail to comply with applicable federal tax requirements. To date, that County and the Corporation have fully compled with the requests of the IRS made in the Notice.

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. On November 7, 2013, the original Bond Counsel withdrew its representation of the County and the Corporation.

The County and the Corporation retained Norton Rose Fulbright as Bond Counsel on October 14, 2013 and this law form has had continuing conversations with the IRS and believe that a Closing Agreement has been substantially finalized on or about November 13, 2013. However, senior officials of the IRS significantly increased the settlement amount for the Closing Agreement causing these settlement negotiations to stall.

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. Since the Corporation and the IRS have not yet concluded a Closing Agreement, the Corporation will be unable to timely effectuate the January 1, 2014 call of the Obligations; however, the Corporation anticipates the issuance of taxable refunding bonds to effectuate the par call of the Obligations on or before July 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

Texas Municipal Reports © Last Revised: 3/21/2017 TMR # 6526

Page 1 of 3

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 08/13/2014 Delivery Date: Sale Type: Negotiated MSRB Record Date: Bond Form: BF Denomination \$5,000 Semi-Annually: 10/01, 04/01 Interest pays 04/01/2015 1st Coupon Date:

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: Proj Rev Bds Ser 2008 $\,$

Refunded Amount	Mat Date	Coupon	Price	Sched Call
6,670,000.00	01/01/2022	7.625	Par	08/14/2014
21,935,000.00	01/01/2033	8.000	Par	08/14/2014

Maturity	Amount	01 Coupon	rig Reoffering Price/Yield	
naturrty	Allouite	coupon	in ice/field	
10/01/2016	710,000.00	3.9500%	3.850%	
10/01/2017	740,000.00	4.6000%	4.500%	
10/01/2018	775,000.00	4.9500%	4.800%	
10/01/2019	815,000.00	5.2000%	5.050%	
10/01/2020	855,000.00	5.5000%	100.00%	
10/01/2021	900,000.00	5.6500%	100.00%	
10/01/2022	955,000.00	6.0000%	100.00%	
10/01/2023	1,010,000.00	6.2000%	100.00%	
10/01/2024	1,075,000.00	6.3500%	100.00%	
10/01/2029T	6,550,000.00	6.9000%	7.200%	
10/01/2032T	5,125,000.00	7.0000%	7.350%	
10/01/2036T	11,445,000.00	7.1000%	7.450%	
			\$30,	955,000.00

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:
Redemption Period		Redemption
(Both Dates Inclusive)		Price
10/01/2019 - 09/30/2020		102.00
10/01/2020 - 09/30/2021		101.00
10/01/2021 - 10/01/2036		100.00

Bonds are also subject to $\ensuremath{\mathsf{Extraordinary}}$ Optional redemption as specified in the authorizing resolution.

Term Call: Term bonds maturing on 10/01/2029:

Mandatory Redemption Date	Principal Amount
10/01/2025	\$1,140,000
10/01/2026	\$1,220,000
10/01/2027	\$1,305,000
10/01/2028	\$1,395,000
10/01/2029	\$1,490,000

Term bonds maturing on 10/01/2032:

Mandatory Redemption	Date	Principal Amount
10/01/2030		\$1,595,000
10/01/2031		\$1,705,000

This Texas Municipal Report ("TMR") was prepared by employees of the Municipal Advisory Council of Texas ("MAC") for informational purposes only, and is not intended to be, and should not be considered as, a recommendation, endorsement or solicitation to buy or sell any security of the issuer to which it applies. The information set forth in this TMR has been obtained from the issuer and from sources believed to be reliable, but the MAC has not independently verified such information. The MAC specifically disclaims any responsibility for, and makes no representations, warranties or guarantees about, the completeness or accuracy of such information. In this connection, this TMR reflects information as of the date referred to in the TMR, as derived from filings received by the MAC from the issuer. This TMR will be updated in the ordinary course as filings are received from the issuer, but the MAC specifically disclaims any responsibility for doing so. The reader of this TMR is advised to obtain current information from other sources before making any investment decision respecting the securities of this issuer.

Fannin Co Public Facility Corporation



(Lease Revenue)

Fannin County

10/01/2032

2036:
Principal Amount
\$1,950,000
\$2,090,000
\$2,240,000
\$5,165,000

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.

\$1.825.000

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

Bond Debt Service

Period End	ing Principal	Interest	Debt Service
09/30/17 09/30/18 09/30/20 09/30/20 09/30/22 09/30/23 09/30/24 09/30/25 09/30/25 09/30/25 09/30/27 09/30/27 09/30/28 09/30/29 09/30/30	710,000.00 740,000.00 775,000.00 815,000.00 855,000.00 900,000.00 955,000.00 1,010,000.00 1,075,000.00 1,140,000.00 1,220,000.00 1,305,000.00 1,395,000.00 1,595,000.00	2,038,157,50 2,007,115,00 1,970,913,75 1,930,542,50 1,885,840,00 1,836,902,50 1,782,827,50 1,722,867,50 1,657,426,25 1,583,965,00 1,657,426,25 1,583,965,00 1,502,545,00 1,415,432,50 1,222,750,00 1,115,520,00	2,748,157.50 2,747,115.00 2,745,913.75 2,745,542.50 2,740,840.00 2,736,902.50 2,737,827.50 2,732,867.50 2,732,426.25 2,723,965.00 2,722,545.00 2,720,432.50 2,712,750.00 2,710,520.00
09/30/32 09/30/33 09/30/34	1,705,000.00 1,825,000.00 1,950,000.00	1,000,020.00 876,470.00 743,370.00	2,705,020.00 2,701,470.00 2,693,370.00
09/30/35 09/30/36 09/30/37	2,090,000.00 2,240,000.00 5,165,000.00	599,950.00 446,235.00 183,357.50	2,689,950.00 2,686,235.00 5,348,357.50
	30,955,000.00	28,844,490.00	59,799,490.00

COMPUTED ON BASIS OF MANDATORY REDEMPTION

Debt Amortization Rates

	%	of Principal
Period Ending	Principal	Retired
09/30/2017	710,000.00	02.29%
09/30/2018	740,000.00	04.68%
09/30/2019	775,000.00	07.19%
09/30/2020	815,000.00	09.82%
09/30/2021	855,000.00	12.58%
09/30/2022	900,000.00	15.49%
09/30/2023	955,000.00	18.58%
09/30/2024	1,010,000.00	21.84%
09/30/2025	1,075,000.00	25.31%
09/30/2026	1,140,000.00	28.99%
09/30/2027	1,220,000.00	32.93%
09/30/2028	1,305,000.00	37.15%
09/30/2029	1,395,000.00	41.66%
09/30/2030	1,490,000.00	46.47%
09/30/2031	1,595,000.00	51.62%
09/30/2032	1,705,000.00	57.13%
09/30/2033	1,825,000.00	63.03%
09/30/2034	1,950,000.00	69.33%

Texas Municipal Reports © Last Revised: 3/21/2017 TMR # 6526

Page 2 of 3

09/30/2035	2,090,000.00	76.08%
09/30/2036	2,240,000.00	83.31%
09/30/2037	5,165,000.00	100.00%

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 Londenture, 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 (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 from 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 a 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 amended 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

This Texas Municipal Report ("TMR") was prepared by employees of the Municipal Advisory Council of Texas ("MAC") for informational purposes only, and is not intended to be, and should not be considered as, a recommendation, endorsement or solicitation to buy or sell any security of the issuer to which it applies. The information set forth in this TMR has been obtained from the issuer and from sources believed to be reliable, but the MAC has not independently verified such information. The MAC specifically disclaims any responsibility for, and makes no representations, warranties or guarantees about, the completeness or accuracy of such information. In this connection, this TMR reflects information as of the date referred to in the TMR, as derived from filings received by the MAC from the issuer. This TMR will be updated in the ordinary course as filings are received from the issuer, but the MAC specifically disclaims any responsibility for doing so. The reader of this TMR is advised to obtain current information from other sources before making any investment decision respecting the securities of this issuer.

Fannin Co Public Facility Corporation



(Lease Revenue)

Fannin County

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.

Texas Municipal Reports © Last Revised: 3/21/2017 TMR # 6526

Page 3 of 3

OIL PRODUCTION (Texas Railroad Commis Year Description Volume 2012 0i1 50 BBL 2013 0i1 0 BBL 2014 0i1 0 BBL 2015 0i1 0 BBL			evious Year
PARKS (Texas Parks & Wildlife) Year Description Volume 2012 Bonham State Park 52,631 Visito 2013 Bonham State Park 53,871 Visito 2014 Bonham State Park 55,277 Visito	rs		
RETAIL SALES & EFFECTIVE BUYING INCOM 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	2015 \$329.7M \$618.8M \$40,553 \$53,037 13.0 %	2014 \$433.7M \$579.8M \$39,048 \$50,464 15.1 %	2013 \$339.1M \$584.9M \$38,783
EMPLOYMENT DATA (Texas Workforce Comm 2016 2015 Employed Earnings Employed 1st Q: 7.256 \$65.0M 6.964 2nd Q: 7.247 \$66.9M 7.074	Earnings \$62.7M		\$60.9M

FINANCE CONNECTED OFFICIALS

7,150

7.187

\$67.3M

\$71.1M

6,826

6.819

\$63.4M

\$65.2M

N/A

N/A

President Creta L. Carter II 101 E. Sam Rayburn Suite 101 Bonham, TX 75418 Phone: 903-583-7455 Fax: 903-583-7811 clcarter@fanninco.net

3rd Q: N/A

4th 0: N/A

County Auditor Don Grammar 101 East Sam Rayburn Dr. Ste. 303 Bonham, TX 75418 Phone: 903-583-7451 Fax: 903-640-5806 dgrammar@fanninco.net

EGB

This Texas Municipal Report ("TMR") was prepared by employees of the Municipal Advisory Council of Texas ("MAC") for informational purposes only, and is not intended to be, and should not be considered as, a recommendation, endorsement or solicitation to buy or sell any security of the issuer to which it applies. The information set forth in this TMR has been obtained from the issuer and from sources believed to be reliable, but the MAC has not independently verified such information. The MAC specifically disclaims any responsibility for, and makes no representations, warranties or guarantees about, the completeness or accuracy of such information. In this connection, this TMR reflects information as of the date referred to in the TMR, as derived from filings received by the MAC from the issuer. This TMR will be updated in the ordinary course as filings are received from the issuer, but the MAC specifically disclaims any responsibility for doing so. The reader of this TMR is advised to obtain current information from other sources before making any investment decision respecting the securities of this issuer.