

NEW ISSUE

NOT RATED

PROSPECTIVE PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED TO “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS” HEREIN. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT IN RELIANCE UPON THE EXEMPTION PROVIDED BY SECTION 3(A)(2) THEREIN. NO ACTION HAS BEEN TAKEN TO QUALIFY THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY STATE. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS” HEREIN.

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under existing law, subject to the matters described under “TAX MATTERS” herein. See “TAX MATTERS – Tax Exemption” herein for a discussion of Bond Counsel’s opinion.



\$16,300,000*
TOWN OF LITTLE ELM, TEXAS,
(a municipal corporation of the State of Texas located in Denton County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)

Dated Date: November 1, 2022

Due: September 1, as shown on page i hereof

Interest to Accrue from Date of Delivery

The Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project) (the “Bonds”) are being issued by the Town of Little Elm, Texas (the “Town”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover page hereof, and such interest will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on each March 1 and September 1, commencing March 1, 2023, until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are being issued by the Town pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance expected to be adopted by the Town Council of the Town (the “Town Council”) on October 18, 2022, and an Indenture of Trust, dated November 1, 2022 (the “Indenture”), entered into by and between the Town and the Trustee.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of the Authorized Improvements (as defined herein) in the Valencia Public Improvement District No. 2 (the “District”), (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account of the Reserve Fund, (iv) paying District formation and administration costs and (v) paying Bond issuance costs. See “THE AUTHORIZED IMPROVEMENTS” and “APPENDIX A — Form of Indenture.” Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

The Bonds, when issued and delivered, will constitute valid and binding special obligations of the Town payable solely from and secured by the Pledged Revenues, consisting primarily of Assessments (as defined herein) expected to be levied against assessable properties in the District in accordance with a Service and Assessment Plan, and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein. The Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS.”

The Bonds are subject to redemption at the times, in the amounts, and at the redemption prices more fully described herein under the subcaption “DESCRIPTION OF THE BONDS — Redemption Provisions.”

The Bonds involve a degree of risk and are not suitable for all investors. See “BONDHOLDERS’ RISKS” and “SUITABILITY FOR INVESTMENT.” Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE TOWN PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE TOWN AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE TOWN’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS, OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE TOWN SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE “SECURITY FOR THE BONDS.”

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the Town, and accepted by FMSbonds, Inc. (the “Underwriter”), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of Norton Rose Fulbright US LLP, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX D — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the Underwriter by its counsel, Winstead PC, and for the Developer by its counsel, Boghetich Law, PLLC. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about November 9, 2022 (“Date of Delivery”).

FMSbonds, Inc.

** Preliminary; subject to change.*

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS,
AND CUSIP NUMBERS**

CUSIP Prefix: _____ (a)

\$16,300,000*
TOWN OF LITTLE ELM, TEXAS,
(a municipal corporation of the State of Texas located in Denton County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield _____ %; CUSIP Suffix _____ (a) (c)

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield _____ %; CUSIP Suffix _____ (a) (b) (c)

\$ _____ % Term Bonds, Due September 1, 20 __, Priced to Yield _____ %; CUSIP Suffix _____ (a) (b) (c)

* *Preliminary; subject to change.*

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the Town's Financial Advisor, the Town or the Underwriter take any responsibility for the accuracy of such numbers.
- (b) The Bonds maturing on or after September 1, 20 __ are subject to redemption before their respective scheduled maturity date, in whole or in part, on any date on or after September 1, 20 __, at the redemption price of par plus accrued interest to the date of redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as described herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

**TOWN OF LITTLE ELM, TEXAS
TOWN COUNCIL**

<u>Name</u>	<u>Place</u>	<u>Term Expires (May)</u>
Curtis J. Cornelious	Mayor	2024
Lisa Norman	Mayor Pro Tem	2025
Jamell T. Johnson	Councilmember	2025
Tony Singh	Councilmember	2025
Neil Blais	Councilmember	2024
Jeremy Lukas	Councilmember	2023
Michael McClellan	Councilmember	2023

TOWN MANAGER

Matt Mueller

**CHIEF FINANCIAL
OFFICER**

Kelly Wilson

TOWN SECRETARY

Caitlan Biggs

ADMINISTRATOR

Municap, Inc.

FINANCIAL ADVISOR TO THE TOWN

SAMCO Capital Markets, Inc.

BOND COUNSEL

Norton Rose Fulbright US LLP

UNDERWRITER'S COUNSEL

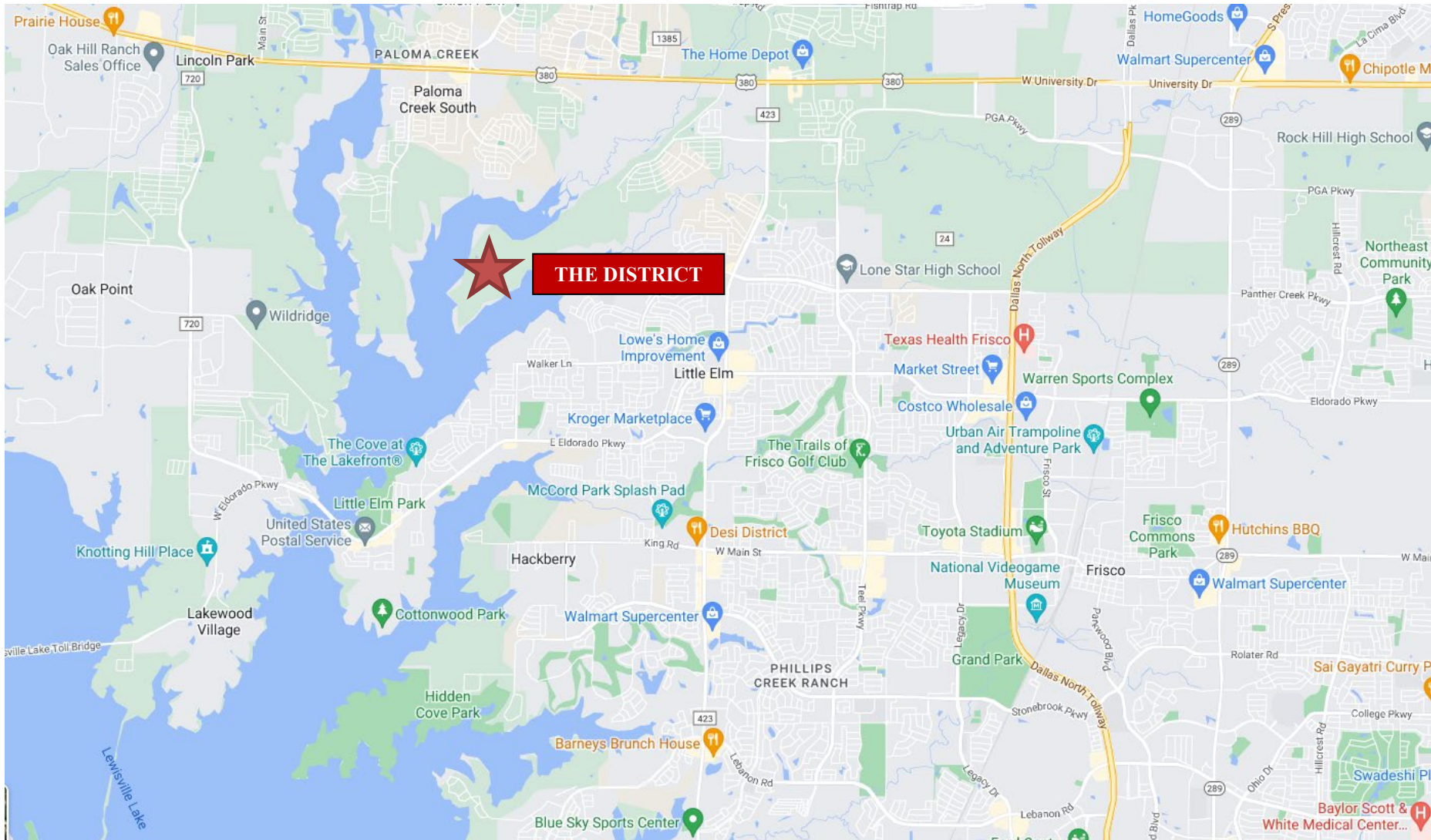
Winstead PC

For additional information regarding the Town, please contact:

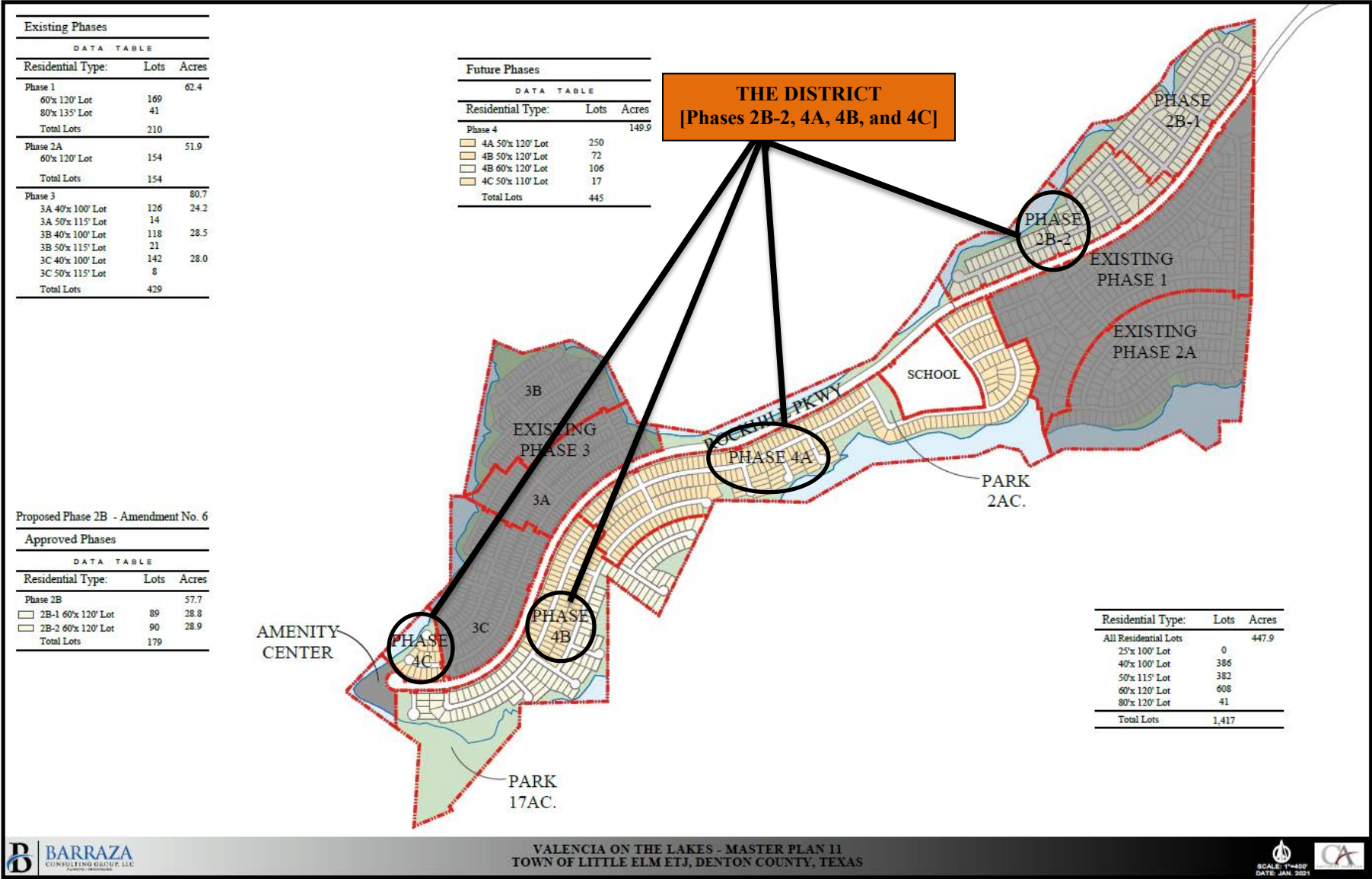
Kelly Wilson
Chief Financial Officer
Town of Little Elm, Texas
100 West Eldorado Parkway
Little Elm, Texas 75068
(214) 975-0415
kwilson@littleelm.org

Mark McLiney
SAMCO Capital Markets, Inc.
1020 NE Loop 410
Suite 640
San Antonio, Texas 78209
(214) 832-9760
mmcliney@samcocapital.com

AREA LOCATION MAP OF THE DISTRICT



MAP SHOWING BOUNDARIES OF THE DEVELOPMENT, THE DISTRICT AND PHASES



FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION ("RULE 15C2-12"), AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM, THIS DOCUMENT CONSTITUTES AN "OFFICIAL STATEMENT" OF THE TOWN WITH RESPECT TO THE BONDS THAT HAS BEEN "DEEMED FINAL" BY THE TOWN AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.

THE INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" AND "ACCREDITED INVESTORS" AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). SEE "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" HEREIN. EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS ARE SET FORTH UNDER "BONDHOLDERS' RISKS" HEREIN. EACH PURCHASER, BY ACCEPTING THE BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS."

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE TOWN OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE TOWN AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPER, WHICH ARE BELIEVED BY THE TOWN AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TOWN OR THE DEVELOPER SINCE THE DATE HEREOF.

NONE OF THE TOWN, THE FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE TOWN DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF

ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

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APPENDIX D	Form of Opinion of Bond Counsel	APPENDIX H	Pictures of Development Within the Development
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PRELIMINARY LIMITED OFFERING MEMORANDUM

\$16,300,000*

**TOWN OF LITTLE ELM, TEXAS,
(a municipal corporation of the State of Texas located in Denton County)
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)**

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover, schedules and appendices hereto, is to provide certain information in connection with the issuance and sale by the Town of Little Elm, Texas (the “Town”), of its \$16,300,000* aggregate principal amount of Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project) (the “Bonds”).

PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDHOLDERS’ RISKS.”

The Bonds are being issued by the Town pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be adopted by the Town Council of the Town (the “Town Council”) on October 18, 2022 (the “Bond Ordinance”), and an Indenture of Trust, dated as of November 1, 2022 (the “Indenture”), entered into by and between the Town and Wilmington Trust, National Association as trustee (the “Trustee”). The Bonds will be secured by a pledge and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of assessments (the “Assessments”) expected to be levied against assessable property located within Valencia Public Improvement District No. 2 (the “District”) pursuant to an ordinance expected to be enacted by the Town Council on October 18, 2022 (the “Assessment Ordinance”). Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Bonds. All capitalized terms used in this Limited Offering Memorandum that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX B — Form of Indenture.”

Set forth herein are brief descriptions of the Town, the District, Valencia on the Lake 2B2 and 4, LLC, a Texas limited liability company (the “Developer”), the Master Developer (as defined herein), the Developer Consultant (as defined herein), the Administrator (as defined herein), the Creation Resolution (as defined herein), the Assessment Ordinance, the Bond Ordinance, the TIRZ Creation Ordinance (as defined herein), the Service and Assessment Plan (as defined herein), the Construction, Funding, and Acquisition Agreement (as defined herein), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, telephone number (214) 302-2245. The form of the Indenture appears in APPENDIX B and the form of Service and Assessment Plan appears as APPENDIX C. The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

* Preliminary; subject to change.

PLAN OF FINANCE

The District

The PID Act authorizes municipalities, such as the Town, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement district to pay for certain improvements. The District was created for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Authorized Improvements, authorized by the PID Act and approved by the Town Council that confer a special benefit on the District.

The District, Development Plan and Status of Development

The District is an approximately 189.257-acre portion of an approximately 447.942 acre development known as “Valencia on the Lake” (the “Development”). The Development is located in the corporate limits of the Town and is developed as a master-planned residential development consisting of approximately 1,417 lots. Valencia on the Lake, L.P. (the “Master Developer”), an affiliate of the Developer, serves as master developer in the Development.

The Development is being developed in phases, with the development occurring in the District being the last phase of development. The boundaries of the Development, the District and the current phases are shown in the “MAP SHOWING BOUNDARIES OF THE DEVELOPMENT, THE DISTRICT AND PHASES” on page v hereof. The property within the District is solely the Phases identified as “Phase #2B-2” and “Phase #4” on the “MAP SHOWING BOUNDARIES OF THE DEVELOPMENT, THE DISTRICT AND PHASES” on page v hereof. All other references to “Phases” herein reference the respective Phase identified of the “MAP SHOWING BOUNDARIES OF THE DEVELOPMENT, THE DISTRICT, AND PHASES” on page v hereof.

In addition to the District, the entire Development (including the property located in the District) is located within Valencia Public Improvement District No. 1 (“Valencia PID No. 1”). The Town has previously levied assessments within Valencia PID No. 1 and issued bonds to finance local improvements benefitting various Phases in the Development and major improvements benefitting the entire Development, including property within the District. See “PLAN OF FINANCE – Prior Bonds Issued to Finance Improvements in the Development.” A portion of such assessments, the “Major Improvement Area Assessments” (as defined herein) were levied on the property located in the District. See “BONDHOLDERS’ RISKS – Overlapping Major Improvement Area Assessments.”

Development in the Development began in 2015. To date, construction of approximately 972 of the 1,417 lots expected within the Development, including the lots located in the area designated as Phase #2B-2 of the District, has been completed. The remaining 445 lots in the District are expected to be complete in 4Q 2022. See “THE DEVELOPMENT.”

Development in the District began with the portion of the Major Improvements (as defined herein) benefitting the District. The Master Developer was responsible for the construction of such improvements and construction of such projects was completed in Q3 2022. Construction of the internal improvements consisting of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefit the District (the “Authorized Improvements”) was completed in Q3 2022 (with respect to the Authorized Improvements benefitting Phase #2B-2) and is expected to be completed in Q4 2022 (with respect to the Authorized Improvements benefitting Phase #4A, 4B and 4C), at a total cost of approximately \$14,331,457*. The Developer is responsible for construction of the Authorized Improvements. As of September 1, 2022, the Developer has expended \$6,921,265 on the costs of the Authorized Improvements, which costs were funded with earnest money delivered pursuant to the lot purchase and sale agreements and the Acquisition and Development Loan. See “THE DEVELOPMENT – Status of Development in the District,” See “THE DEVELOPMENT – Lot Purchase and Sale Agreements in the

* Preliminary; subject to change.

District,” “THE DEVELOPER – History and Financing of the District” and “THE AUTHORIZED IMPROVEMENTS.”

The Town will pay a portion of the project costs for the Authorized Improvements from proceeds of the Bonds. The Developer will submit payment requests no more frequently than on a monthly basis for costs actually incurred in developing and constructing the Authorized Improvements and be paid in accordance with the Indenture and the Valencia Public Improvement District No. 2 Construction, Funding, and Acquisition Agreement (the “Construction, Funding, and Acquisition Agreement”). See “THE AUTHORIZED IMPROVEMENTS – General” and “APPENDIX F – Form of Construction, Funding, and Acquisition Agreement.”

Financing of Development in the District

In addition to the issuance of the Bonds, as described and defined below, the Developer has obtained a loan from the Lender (as defined herein) (such loan, the “Acquisition and Development Loan”) to finance its acquisition of the property within the District and development thereof. See “THE DEVELOPER – History and Financing of the District” for further information and details regarding such Acquisition and Development Loan.

The Bonds

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the costs of the Authorized Improvements, (ii) paying interest on the Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding the Reserve Account of the Reserve Fund, (iv) paying District formation and administration costs and, (v) paying costs of issuance of the Bonds. To the extent that a portion of the proceeds of the Bonds is allocated for the payment of the costs of issuance of the Bonds and less than all of such amount is used to pay such costs, the excess amount may, at the option of the Town, be transferred to another Account of the Project Fund (both defined herein) or to the Bond Fund to pay interest on the Bonds. See “THE AUTHORIZED IMPROVEMENTS,” “APPENDIX B – Form of Indenture” and “SOURCES AND USES OF FUNDS.”

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenues (the “Pledged Revenues”), consisting primarily of the Assessments levied against the assessable parcels or lots within the District, and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.”

THE BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE TOWN, THE STATE OF TEXAS (THE “STATE”) OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, BUT THE BONDS ARE LIMITED AND SPECIAL OBLIGATIONS OF THE TOWN PAYABLE SOLELY FROM THE TRUST ESTATE AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE TOWN, THE STATE OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE BONDS.

Prior Bonds Issued to Finance Improvements in the Development

Development in the Development began with the concurrent development of the major infrastructure to serve the entire Development (including all of the District) consisting of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements (the “Major Improvements”) as well as local infrastructure to serve Phase #1 of the Development.

Development in Phase #1 of the Development consisted of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefit only Phase #1 of the Development (the “Phase #1 Projects”). The Phase #1 Projects included a portion of the Major Improvements allocable to Phase #1.

To finance a portion of the costs of the Phase #1 Improvements, the Town previously issued its \$4,000,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2014 (Valencia Public Improvement District Phase #1 Project) (the “2014 Phase #1 Bonds”) pursuant to an Indenture of Trust dated as of February 1, 2014 (the “Phase #1 Indenture”). The proceeds of the 2014 Phase #1 Bonds were used to finance a portion of the costs of the Phase #1 Projects. The 2014 Phase #1 Bonds were secured by a pledge of and a lien upon certain pledged revenues, consisting primarily of the assessments levied on Phase #1 of the Development (the “Phase #1 Assessments”). The 2014 Phase #1 Bonds and the Town’s obligations under a separate reimbursement agreement related to Phase #1 were refunded by the Town’s \$6,929,998.05 “Town of Little Elm, Texas Special Assessment Revenue Refunding and Improvement Bonds, Series 2018 (Valencia Public Improvement District Phase #1 Project)” (the “2018 Phase #1 Refunding Bonds”) pursuant to an Indenture of Trust dated as of March 1, 2018. The Phase #1 Refunding Bonds are secured by assessments on assessable property within Phase #1 of the Development. **The Phase #1 Assessments are not pledged to and do not secure the Bonds.**

Development in Phases #2A, #2B, #3A, #3B, #3C and #4 of the Development began with the portion of the Major Improvements benefitting Phases #2-5 of Valencia PID No. 1 (the “Phases #2-5 Major Improvements”). To finance the Phases #2-5 Major Improvements, the Town previously issued its \$12,240,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2014 (Valencia Public Improvement District Phases #2-5 Major Improvement Project) (the “2014 Major Improvement Bonds”). The 2014 Major Improvement Bonds were secured by assessments levied in Phases #2A, #2B, #3A, #3B, #3C and #4 of the Development (the “Phases #2-5 Major Improvement Assessments”). **The Phases #2-4 Major Improvement Assessments are not pledged to and do not secure the Bonds.**

The Town previously issued its \$6,606,993.75 “Town of Little Elm, Texas Special Assessment Revenue Refunding Bonds, Series 2018 (Valencia Public Improvement District Major Improvement Area Project)” (the “2018 Major Improvement Area Refunding Bonds”) pursuant to an Indenture of Trust dated as of March 1, 2018 (the “Major Improvement Bond Indenture”) to refund a portion of the 2014 Major Improvement Bonds relating to improvements in Phases #2B, #3B, and #4 of the Development (the “Major Improvement Area”). The 2018 Major Improvement Area Refunding Bonds are secured by the portion of the Phases #2-5 Major Improvement Assessments levied on property in Phases #2B, #3B, and #4 (such portion referred to herein as the “Major Improvement Area Assessments”). **The Major Improvement Area Assessments are levied on property that includes the property in the District but are not pledged to and do not secure the Bonds.**

To finance a portion of the costs of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefited only Improvement Area #2 of the Development (the “IA #2 Local Improvements”), to refund a portion of the 2014 Major Improvement Bonds relating to Phases #2A, #3A and #3C of Valencia PID No. 1 (collectively referred to as “Improvement Area #2”) and refinance the portion of the Major Improvements benefitting Phases #2A, #3A and #3C of the Development (the “Phases #2A, #3A and #3C Major Improvements” and, together with the IA #2 Local Improvements, the “IA #2 Improvements”), the Town previously issued its \$12,537,928.10 Town of Little Elm, Texas, Special Assessment Revenue Refunding and Improvement Bonds, Series 2018 (Valencia Public Improvement District Improvement Area #2 Project) (the “2018 IA #2 Bonds”) pursuant to an Indenture of Trust dated as of March 1, 2018. The 2018 IA #2 Bonds were secured assessments levied on property in Improvement Area #2 of the Development relating to the IA #2 Local Improvements and the Phases #2-5 Major Improvement Assessments levied on property in Improvement Area #2 (collectively, the Improvement Area #2 Assessments”). **The Improvement Area #2 Assessments are not pledged to and do not secure the Bonds.**

To finance a portion of the costs of the construction of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefited only Phases #2B-1 and #3B (collectively “Improvement Area #3”) of the Development (the “IA #3 Local Improvements”), the Town previously issued its \$5,405,000 Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2021 (Valencia Public Improvement District Improvement Area #3 Project) (the “2021 IA #3 Bonds”) pursuant to an Indenture of Trust dated as of December 1, 2021. The 2021 IA #3 Bonds were secured by assessments levied on property in Improvement Area #3 of the Development relating to the IA #3 Local Improvements (the “Improvement Area #3 Assessments”). **The Improvement Area #3 Assessments are not pledged to and do not secure the Bonds.**

THE BONDS, THE 2018 PHASE #1 REFUNDING BONDS, THE 2018 MAJOR IMPROVEMENT AREA REFUNDING BONDS, THE 2018 IA #2 BONDS, AND THE 2021 IA #3 BONDS ARE SEPARATE AND DISTINCT ISSUES OF SECURITIES SECURED BY SEPARATE AND DISTINCT ASSESSMENTS. THE 2018 PHASE #1 REFUNDING BONDS, THE 2018 MAJOR IMPROVEMENT AREA REFUNDING BONDS, THE 2018 IA #2 BONDS, AND THE 2021 IA #3 BONDS ARE NOT OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM.

The Major Improvement Bond Indenture includes covenants by the Town relating to the issuance of additional bonds secured by assessments levied in the Major Improvement Area of Valencia PID No. 1, which includes the property in the District. In accordance with the terms of the Major Improvement Bond Indenture, the Town and the Trustee have been presented with the Appraisal (as defined herein) pursuant to the terms of the Major Improvement Bond Indenture and the Town has confirmed that the applicable covenants relating to the issuance of such additional bonds will be met. See “APPRAISAL OF PROPERTY IN THE DISTRICT.”

DESCRIPTION OF THE BONDS

General Description

The Bonds will mature on the dates and in the amounts set forth in the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing March 1, 2023 (each an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of \$100,000 of principal and any integral multiple of \$1,000 in excess thereof; provided, however, that if the total principal amount of any Outstanding Bond is less than \$100,000 then the Authorized Denomination of such Outstanding Bond shall be the amount of such Outstanding Bond (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry only form. See “BOOK-ENTRY ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

Redemption Provisions

Optional Redemption. The Town reserves the right and option to redeem the Bonds maturing on or after September 1, 20__ are subject to redemption, before their respective maturity dates at the redemption price of 100% of the principal amount plus accrued interest to the date of redemption (the “Redemption Price”).

Extraordinary Optional Redemption. The Town reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, and in an amount and on a date specified in a Town Certificate, at the Redemption Price from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund made pursuant to the terms of the Indenture), as a result of unexpended amounts transferred from the Project Fund pursuant to terms of the Indenture, or any other transfers to the Redemption Fund pursuant to the terms of the Indenture. The Town will provide the Trustee a Town Certificate directing the Bonds to be redeemed pursuant to the Indenture. No redemption shall be made which results in a Bond remaining outstanding in a principal amount less than an Authorized Denomination. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.”

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their Stated Maturity and will be redeemed by the Town in part at the Redemption Price from moneys available for such purpose in the Bond Fund pursuant to the Indenture, on the dates and in the respective Sinking Fund Installments as set forth in the following schedule:

§ Term Bonds Maturing September 1, 20__

Redemption Date

September 1, 20__
September 1, 20__
September 1, 20__†

Sinking Fund Installment

§ Term Bonds Maturing September 1, 20__

Redemption Date

September 1, 20__
September 1, 20__
September 1, 20__†

Sinking Fund Installment

† Stated maturity.

At least forty-five (45) days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the terms of the Indenture, the Trustee will select a principal amount of Bonds equal to the Sinking Fund Installment amount for such date of such maturity of Bonds to be redeemed, will call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds of a Stated Maturity required to be redeemed on any redemption date pursuant to the mandatory sinking fund redemption described above shall be reduced, at the option of the Town, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the mandatory sinking fund redemption date shall have been acquired by the Town at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions of the Indenture and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption. The Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first-class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. So long as the Bonds are in book-entry-only form and held by the DTC as security depository, Owner means Cede & Co., as nominee for DTC. The notice shall state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, and subject to the partial redemption provisions of the Indenture described below, an identification of the Bonds or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable. Any notice given as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

The Town has the right to rescind any optional redemption or extraordinary optional redemption described in the Indenture by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the Redemption Price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the Town may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not

received, the notice shall be of no force and effect, the Town shall not redeem the Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

Additional Provisions with Respect to Redemption. The following defined terms apply to this subsection:

“Substantial Amount Redemption” means an extraordinary optional redemption of Bonds pursuant to the Indenture of a principal amount of Bonds that is greater than or equal to ten percent (10%) of the outstanding principal amount of the Bonds.

“Minor Amount Redemption” means an extraordinary optional redemption of Bonds pursuant to the Indenture of a principal amount of Bonds that is less than ten percent (10%) of the outstanding principal amount of the Bonds.

If less than all of the Bonds are to be redeemed pursuant to a mandatory sinking fund redemption, an optional redemption or an extraordinary optional redemption, Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral multiple thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000 may be issued.

In selecting the Bonds to be redeemed pursuant to a mandatory sinking fund redemption, the Trustee may select Bonds in any method that results in a random selection.

In selecting Bonds to be redeemed pursuant to an optional redemption, the Trustee may rely on the directions provided in a Town Certificate.

If less than all of the Bonds are called for extraordinary optional redemption pursuant to the Indenture, the Bonds or portion of a Bond to be redeemed shall be selected in the following manner:

(i) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds of all maturities; and

(ii) with respect to a Minor Amount Redemption, the Outstanding Bonds of all maturities shall be redeemed in inverse order of maturity.

Upon surrender of any Bond for redemption in part, the Trustee in accordance with the Indenture, shall authenticate and deliver an exchange Bond in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The Town and the Underwriter believe the source of such information to be reliable, but neither the Town nor the Underwriter takes responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or (3) DTC will serve and act in the manner described in this Limited Offering Memorandum. The current rules applicable to DTC are on file with the

Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of Bonds, as set forth on page i hereof, each in the aggregate principal amount or Maturity Amount, as applicable, and will be deposited with DTC.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all Bonds of the same maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such maturity to be redeemed.

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Indenture.

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

NONE OF THE TOWN, THE TRUSTEE, THE PAYING AGENT, THE TOWN'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. THE CURRENT RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

LIMITATIONS APPLICABLE TO INITIAL PURCHASERS

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to "accredited investors" as defined in Rule 501 of Regulation D promulgated under the Securities Act and "qualified institutional buyers" as defined in Rule 144A promulgated under the Securities Act. Each initial purchaser of the Bonds (each, an "Investor") will be deemed to have acknowledged, represented and warranted to the Town as follows:

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “qualified institutional buyers” as defined in Rule 501 of Regulation D promulgated under the Securities Act and “accredited investors” as defined in Rule 144A promulgated under the Securities Act. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged and represented to the Town as follows:

- 1) The Investor has authority and is duly authorized to purchase the Bonds and to execute any other instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.
- 2) The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act or a “qualified institutional buyer” under Rule 144A of the Securities Act, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.
- 3) The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. However, the investor may sell at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.
- 4) The Investor understands that the Bonds are not registered under the Securities Act and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.
- 5) The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Town, the Authorized Improvements, the Private Improvements (as defined herein), the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the Town in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the Town, its councilmembers, officers, or employees shall have any liability to the Investor whatsoever for, or in connection with the Investor’s decision to purchase the Bonds except for fraud or willful misconduct, to the extent permitted by law. For the avoidance of doubt, it is acknowledged that Underwriter is not deemed an officer or employee of the Town.
- 6) The Investor acknowledges that the obligations of the Town under the Indenture are special, limited obligations payable solely from amounts paid by the Town pursuant to the terms of the Indenture and the Town shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Town for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the Town, the District (which has no taxing power), the State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Town, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Town and the State with respect to the Bonds is subject to further limitations as set forth in the Indenture.

- 7) The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.
- 8) The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

SECURITY FOR THE BONDS

General

THE BONDS ARE SPECIAL OBLIGATIONS OF THE TOWN PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE TOWN AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE TOWN'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE TOWN SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The principal of, premium, if any, and interest on the Bonds are secured by a pledge of and a lien upon the pledged revenue (the "Pledged Revenue"), consisting primarily of Assessments expected to be levied against the assessable parcels or lots within the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, the Town has caused the preparation of a Service and Assessment Plan (as may be amended and supplemented, the "Service and Assessment Plan"), which describes the special benefit received by the property within the District, provides the basis and justification for the determination of special benefit on such property, establishes the methodology for the levy of Assessments and provides for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Assessments due in a given year. The determination by the Town of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the Town Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See "APPENDIX C — Form of Service and Assessment Plan."

Pledged Revenues

The Town is authorized by the PID Act, the Assessment Ordinance and other provisions of law to finance the Authorized Improvements by levying Assessments upon properties in the District benefitted thereby. For a description of the assessment methodology and the amounts of Assessments levied in the District, see "ASSESSMENT PROCEDURES" and "APPENDIX C — Form of Service and Assessment Plan."

Pursuant to the Indenture, Pledged Revenues are the sum of (i) the Assessment Revenue, less the Administrative Expenses; and (ii) any additional revenues that the Town may pledge to the payment of Bonds. "Assessment Revenue" means monies collected by or on behalf of the Town from any one or more of the following: (i) an Assessment levied against the property assessed in the District (the "Assessed Property"), or Annual Installment payment thereof, including any interest on such Assessment, or Annual Installment thereof, during any period of delinquency, (ii) a Prepayment, and (iii) Foreclosure Proceeds. "Annual Installments" means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal of and interest on the Assessments) as shown on the Assessment Roll attached to the Service and Assessment Plan and related to the Bonds and the Authorized Improvements; which annual payment includes the Administrative Expenses and the 0.50% additional interest rate (the "Additional Interest") collected on each annual payment of the Assessments as

described in the Indenture and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update. The Town will covenant in the Indenture that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof to be enforced continuously. See “SECURITY FOR THE BONDS — Pledged Revenue Fund,” “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of Service and Assessment Plan.”

The PID Act provides that the Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney’s fees, if incurred) are a first and prior lien (the “Assessment Lien”) against the property assessed, superior to all other liens or claims, except liens and claims for State, county, school district, or municipality ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named and runs with the land. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Assessments are paid (or otherwise discharged), and is enforceable by the Town Council in the same manner that an ad valorem property tax levied against real property may be enforced by the Town Council. See “ASSESSMENT PROCEDURES” herein. The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. See “BONDHOLDERS RISKS – Assessment Limitations.”

Collection and Deposit of Assessments

The Assessments shown on the Assessment Roll, together with the interest thereon, shall first be applied to the payment of the principal of and interest on the Bonds as and to the extent provided in the Service and Assessment Plan and the Indenture.

The Assessments assessed to pay debt service on the Bonds, together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds. An Annual Installment of an Assessment is expected to be made payable in the Assessment Ordinance in each fiscal year of the Town preceding the date of final maturity of the Bonds which, if collected, will be sufficient to first pay debt service requirements attributable to Assessments in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

A record of the Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds is shown on the Assessment Roll. Sums received from the collection of the Assessments to pay the debt service requirements (including delinquent installments, Foreclosure Proceeds and penalties) and of the interest thereon shall be deposited into the Bond Pledged Revenue Account of the Pledged Revenue Fund. Notwithstanding the foregoing, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account of the Reserve Fund to restore any transfers from the Reserve Account of the Reserve Fund made with respect to the parcel(s) of Assessed Property to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account of the Reserve Fund to restore transfers from such account made with respect to the parcel(s) of Assessed Property to which the Foreclosure Proceeds relate, and third to the Redemption Fund. The Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund. See “SECURITY FOR THE BONDS — Pledged Revenue Fund” and APPENDIX B — Form of Indenture.

The portions of the Annual Installments of Assessments collected to pay Administrative Expenses shall be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

Unconditional Levy of Assessments

The Town will impose Assessments on the property within the District to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each Fiscal Year. The Assessments shall be effective on the date of, and

strictly in accordance with the terms of, the Assessment Ordinance. Each Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Assessments. Pursuant to the Assessment Ordinance, interest on the Assessments will be calculated at the rate of interest on the Bonds plus 0.50%, calculated on the basis of a 360-day year of twelve 30-day months. Such rate may be adjusted as described in the Service and Assessment Plan. Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be calculated on September 1 and shall be billed on or about October 1 of each year. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. The initial Annual Installments will be due when billed on or about November 1, 2023, and will be delinquent if not paid prior to February 1, 2024.

As authorized by Section 372.018(b) of the PID Act, the Town will calculate and collect each year while the Bonds are Outstanding and unpaid, an assessment to pay the annual costs incurred by the Town in the administration and operation of the District. The portion of each Annual Installment used to pay such annual costs shall remain in effect from year to year until all Bonds are finally paid or until the Town adjusts the amount of the levy after an annual review in any year pursuant to Section 372.013 of the PID Act. The assessments to pay annual expenses shall be due in the manner set forth in the Assessment Ordinance on October 1 of each year and shall be delinquent if not paid by February 1 of the following year. Such assessments to pay expenses do not secure repayment of the Bonds.

There will be no discount for the early payment of Assessments.

Assessments, together with interest, penalties, and expense of collection and reasonable attorneys' fees, as permitted by the Texas Tax Code, shall be a first and prior lien against the property assessed, superior to all other liens and claims, except liens or claims for State, county, school district or municipality ad valorem taxes and shall be a personal liability of and charge against the owner of the property regardless of whether the owners are named and runs with the land. The lien for Assessments and penalties and interest begins on the effective date of the Assessment Ordinance and continues until the Assessments are paid or until all Bonds are finally paid.

Failure to pay an Annual Installment when due will not accelerate the payment of the remaining Annual Installments of the Assessments and such remaining Annual Installments (including interest) shall continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

Perfected Security Interest

The lien on and pledge of the Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate, the filing of the Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the Town under the Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate granted by the Town under the Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Owners of the Bonds the perfection of the security interest in said pledge, the Town agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur. See "APPENDIX B — Form of Indenture."

Pledged Revenue Fund

The Town has created under the Indenture a Pledged Revenue Fund to be held by the Trustee. On or before February 15 of each year while the Bonds are Outstanding and beginning February 15, 2023, the Town shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. Specifically, the Town shall deposit or cause to be deposited Pledged Revenues (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due in such calendar year, (ii) second, if necessary, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement in accordance with the Indenture, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to the Additional Interest collected, if any, in accordance

with the Indenture, (iv) fourth, to pay Actual Costs of the Authorized Improvements, and (v) fifth, to pay other costs permitted by the PID Act.

From time to time as needed to pay the obligations relating to the Bonds, but no later than five Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer to the Principal and Interest Account of the Bond Fund, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

If, after the foregoing transfers and any transfer from the Reserve Fund (as described under the subcaption "Reserve Account of the Reserve Fund" below), there are insufficient funds to make the payments to the Principal and Interest Account of the Bond Fund described above, the Trustee shall apply the available funds in the Principal and Interest Account first, to the payment of interest, and second, to the payment of principal (including any Sinking Fund Installments) on the Bonds as described in the Indenture.

Notwithstanding the deposits described in (i) first through (v) fifth above, the Trustee shall transfer Prepayments to the Redemption Fund as soon as practical after deposit of such amounts into the Pledged Revenue Fund.

Notwithstanding the deposits described in (i) first through (v) fifth above, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first to the Reserve Account to restore any transfers from the Reserve Account made with respect to the parcel(s) of Assessed Property to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in an account of the Reserve Fund, the Town may direct the Trustee by Town Certificate to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

Any additional Pledged Revenues remaining after the satisfaction of the foregoing payments shall be applied by the Trustee, as instructed by the Town pursuant to a Town Certificate, for any lawful purpose permitted by the PID Act for which such additional Pledged Revenues may be used, including transfers to other Funds and Accounts pursuant to the Indenture.

Bond Fund

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account as provided in the Indenture.

If amounts in the Principal and Interest Account are insufficient for the purposes set forth above, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency in the order described in the Indenture. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

Moneys in the Capitalized Interest Account shall be used for the payment of interest on the Bonds on the following dates and in the following amounts:

Date

Amount

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Authorized Improvements Account of the Project Fund pursuant to directions provided in a Town Certificate, or, if the Authorized Improvements Account of the Project Fund has been closed as provided in the Indenture, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Project Fund

Money on deposit in the Project Fund shall be used for the purposes as specified in the Indenture. Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more Town Certificates. Disbursements from the Authorized Improvements Account of the Project Fund to pay Actual Costs of the Authorized Improvements shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the Town or its designee approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Accounts of the Project Fund shall be pursuant to and in accordance with the disbursement procedures described in the Construction, Funding and Acquisition Agreement or as provided in such written direction from the Town. Such provisions and procedures related to such disbursement contained in the Construction, Funding and Acquisition Agreement, and no other provisions of the Construction, Funding and Acquisition Agreement, are incorporated in the Indenture by reference and deemed set forth in the Indenture in full, provided that the Trustee shall be permitted to rely fully on any Town Certificate or other written direction received pursuant to the Indenture without investigation.

If a Town Representative determines in his or her sole discretion that amounts then on deposit in the Authorized Improvements Account are not expected to be expended for the purposes of the Authorized Improvements Account, due to the abandonment, or constructive abandonment, of the Authorized Improvements, as the case may be, such that, in the opinion of the Town Representative, it is unlikely that the amounts in the Authorized Improvements Account, will ever be expended for the purposes of such Account, the Town Representative shall file a Town Certificate with the Trustee which identifies the amounts then on deposit in the Authorized Improvements Account that are not expected to be used for purposes of such Account. If such Town Certificate is so filed, the amounts on deposit in the Authorized Improvements Account, shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

In making any determination pursuant to this Section, the Town Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

Upon the filing of a Town Certificate stating that all Authorized Improvements have been completed and that all Actual Costs of the Authorized Improvements have been paid, or that any such Actual Costs of the Authorized Improvements are not required to be paid from the Authorized Improvements Account of the Project Fund pursuant to a Certification for Payment or written direction from the Town or its designee, the Trustee (i) shall transfer the amount, if any, remaining within the Authorized Improvements Account of the Project Fund to the Bond Fund, and (ii) shall close the Authorized Improvements Account of the Project Fund. If the Authorized Improvements Account of the Project Fund has been closed as described above and the Cost of Issuance Account of the Project Fund has been closed pursuant to the provisions of the Indenture, the Project Fund shall be closed.

Not later than six (6) months following the Closing Date, or upon an earlier determination by the Town Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account of the Project Fund and used to pay the Actual Costs of the respective Authorized Improvements, or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the Town in a Town Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed. See "APPENDIX B – Form of Indenture" and "APPENDIX F – Form of Construction, Funding and Acquisition Agreement."

Reserve Account of the Reserve Fund

Pursuant to the Indenture, a Reserve Account will be created within the Reserve Fund for the benefit of the Bonds and held by the Trustee and will be funded with proceeds of the Bonds in the amount of the initial Reserve Account Requirement. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds shall be an amount equal to the least of (i) Maximum Annual Debt Service on the Bonds as of their date of issuance, (ii) 125% of average Annual Debt Service on the Bonds as of their date of issuance, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the date of delivery of the Bonds, the Reserve Account Requirement is \$_____, which is an amount equal to Maximum Annual Debt Service on the Bonds as of the date of issuance.

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first from the Additional Interest Reserve Account of the Reserve Fund to the Bond Fund and, second from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to the Indenture, the Trustee shall transfer, on the Business Day prior to the redemption date (or on such other date as agreed to by the Town and the Trustee), from the Reserve Account of the Reserve Fund to the Redemption Fund, an amount specified in a Town Certificate to be applied to the redemption of the Bonds. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to the principal amount of Bonds to be redeemed with Prepayments multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayments toward payment of accrued interest, there are insufficient funds in the Redemption Fund to pay the principal amount plus accrued and unpaid interest to the date fixed for redemption of the Bonds to be redeemed, as identified in a Town Certificate, as a result of such Prepayments and as a result of the transfer from the Reserve Account under the Indenture, the Trustee shall transfer an amount equal to the shortfall, and/or any additional amounts necessary to permit the Bonds to be redeemed in minimum principal amounts of \$1,000, from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

Whenever, on any Interest Payment Date, or on any other date at the written request of a Town Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the Town Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds on the next Interest Payment Date in accordance with the Indenture, unless within thirty days of such notice to the Town Representative, the Trustee receives a Town Certificate instructing the Trustee to apply such excess: (i) to pay amounts due to the Rebate Fund created under the Indenture, (ii) to a specified Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof, or (iii) for such other use specified in such Town Certificate if the Town receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond.

Additional Interest Account of the Reserve Fund

Pursuant to the Indenture, an Additional Interest Reserve Account has been created within the Reserve Fund and held by the Trustee for the benefit of the Bonds. The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2024, an amount equal to the Additional Interest collected, if any, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the Town, in writing, of the amount of such shortfall, and the Town shall resume collecting the Additional Interest and shall file a Town Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest

Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the Town shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to the Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished to the Additional Interest Reserve Requirement. If, after such deposits, there is surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the Town of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update, unless and until it receives a Town Certificate directing that a different amount be used. Whenever a transfer is made from an Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the Town, specifying the amount withdrawn and the source of said funds.

The Additional Interest Reserve Requirement is an amount equal to 5.5% of the principal amount of the Outstanding Bonds to be funded from Assessment Revenues to be deposited to the Pledged Revenue Fund and transferred to the Additional Interest Reserve Account. See “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of Service and Assessment Plan.”

At the final maturity of the Bonds, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds.

If, after a Reserve Account withdrawal pursuant to the Indenture, the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, in accordance with the Indenture.

If the amount held in the Reserve Fund together with the amount held in the Bond Fund and Redemption Fund is sufficient to pay the principal amount and Redemption Price (if applicable) of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Outstanding Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Outstanding Bonds as of such Interest Payment Date.

Administrative Fund

The Town has created under the Indenture an Administrative Fund held by the Trustee and in the Administrative Fund, the District Administration Account. The Town shall deposit or cause to be deposited to the District Administration Account of the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs. Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered under the Indenture and used as directed by a Town Certificate solely for the purposes set forth in the Service and Assessment Plan. See “APPENDIX C — Form of Service and Assessment Plan.”

THE ADMINISTRATIVE FUND IS NOT PART OF THE TRUST ESTATE AND IS NOT SECURITY FOR THE BONDS.

Defeasance

All Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice of redemption on said date as provided in the Indenture, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee for such purpose, shall be sufficient to pay when due the principal of

and interest to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the Town verifying the sufficiency of the moneys and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if any Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then publishing a rating on such Bonds that such deposit will not result in the reduction or withdrawal of the rating on such Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Indenture and as described above nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the Town maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”); and provided further such investments and, at the time made, included in and authorized by the Town’s official investment policy as approved by the Town Council from time to time. Under current State law, Investment Securities that are authorized for the investment of funds to defease public securities are (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Town adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Indenture does not contractually limit such investments, Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Events of Default

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

1. The failure of the Town to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;
2. The failure of the Town to enforce the collection of the Assessments including the prosecution of foreclosure proceedings;
3. The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within thirty (30) days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the Town to make the payments; and
4. Default in the performance or observance of any covenant, agreement or obligation of the Town under the Indenture and the continuation thereof for a period of ninety (90) days after written notice to the

Town by the Trustee, or by the Owners of at least 25% of the aggregate Outstanding principal of the Bonds with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

Notwithstanding the foregoing, nothing in the Indenture will be viewed to be an Event of Default if it is in violation of any applicable state law or court order.

Remedies in Event of Default

Subject to provisions of the Indenture with respect to certain liabilities of the Town, upon the happening and continuance of any Event of Default, the Trustee may, and at the written direction of the Owners of at least 25% of the aggregate principal of the Bonds then Outstanding and its receipt of indemnity satisfactory to it, shall proceed against the Town for the purpose of protecting and enforcing the rights of the Owners under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by the Indenture or Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the Town may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due in an Event of Default, the Town shall determine, in its absolute discretion, and shall instruct the Trustee by Town Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the Town shall fail to deliver to the Trustee such Town Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the Town by reason of such selection, liquidation or sale.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the Town, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the Town shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the reasonable judgment of the Trustee, proper for the purpose which may be designated in such request.

Restriction on Owner's Actions

No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy thereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for ninety (90) days after such notice failed or refused to exercise the powers thereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 90-day period by the registered owners of at least 51% of the aggregate principal amount of the

Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his or their action or to enforce any right thereunder except in the manner provided therein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided therein and for the equal benefit of the registered owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the Town, nothing in the Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the Town to pay each Bond issued thereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed therein and in the Bonds.

In case the Trustee or any Owners shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the Town, the Trustee and the Owners shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Event of Default

All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee, and the fees of the Trustee in carrying out the Indenture, shall be applied by the Trustee, on behalf of the Town, to the payment of interest and principal or redemption price then due on Bonds, as follows:

FIRST: To the payment to the registered owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the registered owners entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the registered owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the registered owners entitled thereto, without any discrimination or preference.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners.

In the event funds are not adequate to cure any of the Events of Default described above, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of the Indenture.

The restoration of the Town to its prior position after any and all defaults have been cured, as provided above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

Investment or Deposit of Funds

Money in any Fund or Account (except the Additional Interest Reserve Account, as described in the Indenture) established pursuant to the Indenture shall be invested by the Trustee as directed by the Town pursuant to a Town Certificate filed with the Trustee at least two (2) days in advance of the making of such investment.

Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in the Indenture any moneys are required to be transferred by the Town to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

Against Encumbrances

Other than Refunding Bonds issued to refund all or a portion of the Bonds, or liens created in connection with indebtedness issued in compliance with the provisions described under “– Additional Obligations or Other Liens” below, the Town shall not create and, to the extent Pledged Revenues are timely received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, other than that specified in the Indenture, or upon any other property pledged under the Indenture, other than the pledge created for the security of the Bonds and a lien or pledge subordinate to the lien and pledge of such property related to the Bonds.

So long as Bonds are Outstanding under the Indenture, and except as set forth in the Indenture, the Town shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds and Refunding Bonds issued to refund all or a portion of the Bonds secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under the Indenture.

Additional Obligations and Other Liens

The Town reserves the right, subject to the provisions contained in the Indenture, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations that do not constitute or create a lien on any portion of the Trust Estate and are not payable from Pledged Revenues.

Other than Refunding Bonds issued to refund all or a portion of the Bonds, the Town will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omit to be done any matter or things whatsoever whereby the lien of the Indenture or the priority thereof might or could be lost or impaired.

Additionally, the Town has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of the Pledged Revenues securing payment of the Bonds.

Notwithstanding anything to the contrary in the Indenture, no Refunding Bonds, Additional Obligations, or subordinate obligations described by the Indenture may be issued by the Town unless: (1) the principal (including sinking fund installments) of such Refunding Bonds, Additional Obligations or subordinate obligations are scheduled to mature on September 1 of the years in which principal is scheduled to mature, and (2) the interest on such Refunding Bonds, Additional Obligations, or subordinate obligations must be scheduled to be paid on March 1 and/or September 1 of the years in which interest is scheduled to be paid.

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SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds:

Sources of Funds:

Principal Amount	\$
Total Sources	\$

Use of Funds:

Deposit to the Authorized Improvements Account of Project Fund	\$
Deposit to Reserve Account of the Reserve Fund	\$
Deposit to District Administration Account of the Administrative Fund	\$
Deposit to Capitalized Interest Account of the Bond Fund	\$
Deposit to Costs of Issuance Account of the Project Fund	\$
Underwriter's Discount ⁽¹⁾	\$
Total Uses	\$

⁽¹⁾ Includes Underwriter's Counsel's fee of \$ _____.

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OVERLAPPING TAXES AND DEBT

The land within the District and subject to assessments levied by the Town has been, and is expected to continue to be, subject to taxes and assessments imposed by taxing entities other than the Town. Such taxes are payable in addition to the Assessments levied by the Town. The District is located within the Town limits and the boundaries of Denton County and is and is subject to taxation by both entities for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The property in the District lies primarily in the Little Elm Independent School District (“LEISD”) (such property, the “LEISD Property”), and LEISD may levy ad valorem taxes upon the applicable land in the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The property in Phase #2B-2 is located in Denton ISD (“DISD”) (such property, the “DISD Property”) and DISD may levy ad valorem taxes upon the applicable land in the District for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The Town has no control over the level of ad valorem taxes or assessments levied by such taxing authorities.

In addition to the Assessments described above, all lot owners in the District pay an annual maintenance and operation fee and/or a property owner’s association fee of \$450 to the Valencia on the Lake Homeowner’s Association (the “HOA”), which HOA has been formed by the Developer.

The following table reflects the overlapping ad valorem tax rates currently levied on property located in the District.

OVERLAPPING TAXES*

<u>Taxing Entity</u>	LEISD Property Tax Year 2022 <u>Ad Valorem Tax Rate⁽¹⁾</u>	DISD Property Tax Year 2022 <u>Ad Valorem Tax Rate⁽¹⁾</u>
The Town	\$0.62990	\$0.62990
Denton County, Texas	0.217543	0.217543
Denton ISD	---	1.362000
Little Elm Independent School District	1.412900	---
Total Existing Tax Rate	<u>\$2.274343</u>	<u>\$2.223443</u>
Estimated Average Annual Installment of the Assessments in the District as tax rate equivalent per Equivalent Unit⁽²⁾	<u>\$0.551300</u>	<u>\$0.551300</u>
Estimated Average Annual Installment of the Major Improvement Area Assessments as tax rate equivalent per Equivalent Unit ⁽³⁾	<u>\$0.181100</u>	<u>\$0.181100</u>
Less Projected TIRZ Credit to Major Improvement Area Assessments per parcel as tax rate equivalent ⁽³⁾	<u>(\$0.181100)</u>	<u>(\$0.181100)</u>
“Targeted Net Average Annual Installment” of the Assessments and Major Improvement Area Assessments as tax rate equivalent ^{(2), (3)}	<u>\$0.551300</u>	<u>\$0.551300</u>
Estimated Total Tax Rate in the District as tax rate equivalent per Equivalent Unit^{(2), (3)}	<u>\$2.825643</u>	<u>\$2.774743</u>

⁽¹⁾ As reported by the taxing entities. Per \$100 in taxable assessed value.

⁽²⁾ Source: MuniCap, Inc. Derived from information presented in the Service and Assessment Plan.

* Preliminary; subject to change.

- (3) *Source:* MuniCap, Inc. Based on Average Annual Installment per Equivalent Unit for the Major Improvement Area Assessments. The Town has agreed to offset the Major Improvement Area Assessments on a parcel-by-parcel basis with a portion of the tax increment (46%) collected with respect to such parcel. As of tax year 2022, the TIRZ Offset was approximately \$9 per Equivalent Unit within the District. See "ASSESSMENT AND TIRZ COLLECTION DATA - TIRZ and TIRZ Collection Data in the District and Phase #1, Improvement Area #2 and Improvement Area #3 of Valencia PID No. 1." It is not expected that a parcel will receive the estimated full TIRZ Credit until the second year after a home is built on the property. *Preliminary, subject to change.*

As noted above, the District includes territory located in governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes or assessments. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within the District, as of September 15, 2022, and the amount of debt secured by assessments:

<u>Taxing or Assessing Entity</u>	<u>Gross Outstanding Debt as of 9/15/2022⁽¹⁾</u>	<u>Estimated Percentage Applicable⁽¹⁾</u>	<u>Direct and Estimated Overlapping Debt</u>
The Town (Assessments)	\$ 16,300,000 ⁽³⁾	100.000%	\$16,300,000 ⁽³⁾
The Town (Major Improvement Assessments)	4,621,000	100.000%	4,621,000
The Town	110,850,000	0.790%	875,991
Denton County, Texas	559,930,000	0.036%	199,187
Little Elm Independent School District ⁽²⁾	<u>323,195,141</u>	0.775%	<u>2,504,648</u>
	<u>\$1,014,896,582</u>		<u>\$24,501,268</u>

(1) Based on the Appraisal and on the Tax Year 2022 Taxable Assessed Valuation for the taxing entities as certified by Denton Central Appraisal District.

(2) A small portion of the District (the portion of the District lying in Phase #2B-2) is located in DISD.

(3) Preliminary, subject to change.

Source: Municipal Advisory Council of Texas

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DEBT SERVICE REQUIREMENTS

The following table sets forth the anticipated debt service requirements for the Bonds:

<u>Year Ending</u> <u>(September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$	\$	\$
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
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2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
Total	\$	\$	\$

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ASSESSMENT PROCEDURES

General

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meanings given to such terms in the Service and Assessment Plan. As required by the PID Act, when the Town determines to defray a portion of the costs of the Authorized Improvements through Assessments, it must adopt a resolution generally describing the Authorized Improvements and the land within the District to be subject to Assessments to pay the cost therefor. The Town has caused the Assessment Roll, which Assessment Roll shows the land within the District to be assessed, the amount of the benefit to and the Assessments against each lot or parcel of land and the number of Annual Installments in which the Assessments are divided. The Assessment Roll was filed with the Town Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing will be conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Authorized Improvements and funding a portion of the same with Assessments. The Town expects to levy the Assessments and adopt the Assessment Ordinance immediately prior to adopting the Bond Ordinance. After such adoption, the Assessments will become legal, valid and binding liens upon the property against which the Assessments have been made.

Under the PID Act, the Actual Costs of the Authorized Improvements may be assessed by the Town against the assessable property in the District so long as the special benefit conferred upon the assessed property by the Authorized Improvements equals or exceeds the Assessments. The costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on assessed property similarly benefited. The allocation of benefits and assessments to the benefitted land within the District is set forth in the Service and Assessment Plan, which should be read in its entirety. See “APPENDIX C — Form of Service and Assessment Plan.”

Assessment Methodology

The Service and Assessment Plan describes the special benefit to be received by each parcel of assessable property in the District as a result of the Authorized Improvements, provides the basis and justification for the determination that such special benefit exceeds the Assessments being levied, and establishes the methodology by which the Town allocates the special benefit of the Authorized Improvements to parcels in the District in a manner that results in equal shares of costs being apportioned to parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Authorized Improvements are being funded with proceeds of the Bonds, which are payable from and secured by Pledged Revenues, including the Assessment Revenues. As set forth in the Service and Assessment Plan, the Town Council has determined that the Actual Costs (as defined in the Service and Assessment Plan) associated with the Authorized Improvements will be allocated to the parcels against which the Assessments are levied (the “Assessed Parcels”) be will be allocated on the basis of “Equivalent Units,” which is calculated using the average home price of each Lot Type once such property is developed.

The Town has determined that the foregoing method of allocation will result in the imposition of equal shares of the Assessments on parcels similarly situated within the District. The Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the Town of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the Town Council of its legislative authority and governmental powers and is conclusive and binding on the Developers and all future owners and developers within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

Estimated Lien to Value Analysis in the District

The following table and calculations relate to the Bonds. The Assessments may be paid in Annual Installments and will be used to pay for the Bonds.

ESTIMATED LIEN TO VALUE ANALYSIS, ASSESSMENT ALLOCATION, EQUIVALENT TAX RATE AND LEVERAGE PER EQUIVALENT UNIT FOR THE AUTHORIZED IMPROVEMENTS IN THE DISTRICT*

Lot Type	Planned No. of Units	Estimated Finished Lot Value per unit ⁽¹⁾	Projected Average Home Value per unit ⁽¹⁾	Outstanding Assessment per unit ⁽²⁾	Average Annual Installment per unit ⁽²⁾	Tax Rate Equivalent of Average Annual Installment (per \$100 Lot Value) ⁽²⁾	Tax Rate Equivalent of Average Annual Installment (per \$100 Home Value) ⁽²⁾	Ratio of Assessment to Lot Value ⁽²⁾	Ratio of Assessment to Average Home Value ⁽²⁾
60'	196	\$84,000	\$500,000	\$34,389.64	\$2,756	\$3.2814	\$0.5513	2.44	14.54
50'	339	\$70,000	\$410,000	\$28,199.50	\$2,260	\$3.2289	\$0.5513	2.48	14.54

Source: The Administrator and information presented in the Service and Assessment Plan

⁽¹⁾ As provided by the Developer. May differ from contract values under the Lot Purchase and Sale Agreements in the District. See "THE DEVELOPMENT – Lot Purchase and Sale Agreements in the District."

⁽²⁾ Information excludes Major Improvement Area Assessments levied in Valencia PID No. 1. See "OVERLAPPING TAXES AND DEBT."

* Preliminary, subject to change.

Based on aggregate of the value provided in the Appraisal and the total proposed debt after issuance of the Bonds of \$46,950,000*, the estimated value-to-lien ratio in the District is estimated to be approximately 3.05:1*.

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* Preliminary, subject to change.

Collection and Enforcement of Assessment Amounts

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the Town. The Assessments may be enforced by the Town in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Assessments incur interest, penalties and attorney's fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Assessment Lien is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See "BONDHOLDERS' RISKS — Assessment Limitations" herein.

In the Indenture, the Town will covenant to collect, or cause to be collected, Assessments as provided in the Assessment Ordinance. No less frequently than annually, Town staff or a designee of the Town shall prepare, and the Town Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Parcel. Assessments for Administrative Expenses shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

In the Indenture, the Town will covenant, agree and warrant that, for so long as any Bonds are Outstanding, that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments.

To the extent permitted by law, notice of the Annual Installments will be sent by, or on behalf of the Town, to the affected property owners on the same statement or such other mechanism that is used by the Town, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the Town.

The Town will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the Town will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the Town shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel. Furthermore, nothing shall obligate the Town, the Town Attorney, or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the Town and its appropriate collections enforcement designees.

The Town will implement the basic timeline and procedures for Assessment collections and pursuit of delinquencies set forth in Exhibit C of the Town's Continuing Disclosure Agreement set forth in APPENDIX E-1 and to comply therewith to the extent that the Town reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Assessments.

The Town shall not be required under any circumstances to expend any funds for Delinquent Collection Costs in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments will be paid to the Town or its agent. Annual Installments are due on October 1 of each year, and become delinquent on February 1 of the following year. In the event Assessments are not timely paid, there are penalties and interest as set forth below:

Date Payment <u>Received</u>	Cumulative <u>Penalty</u>	Cumulative <u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at 12%, and interest accrues at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In most cases, post-petition Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Assessment Amounts

Assessment Amounts. The Assessment Roll sets forth for each year the Annual Installment for each Assessed Parcel as calculated by the Administrator and approved by the Town Council consisting of the annual payment allocable to (i) the principal and interest on the Bonds, which amount includes the Additional Interest that funds Prepayment Costs and Delinquent Collection Costs as described in the Service and Assessment Plan and (ii) the Administrative Expenses. The Annual Installments for the District may not exceed the amounts shown on the Assessment Roll. See "APPENDIX C — Form of Service and Assessment Plan."

The Annual Installments shown on the Assessment Roll will be reduced to equal the actual costs of repaying the Bonds (which amount will include the Additional Interest) and actual Administrative Expenses (as provided for in the Indenture), taking into consideration any other available funds for these costs, such as interest income on account balances.

Method of Apportionment of Assessments. For purposes of the Service and Assessment Plan, the Town Council has determined that the Assessments shall be initially allocated to the Assessed Parcels as described under "ASSESSMENT PROCEDURES — Assessment Methodology."

For purposes of the Service and Assessment Plan, the Town Council has determined that the Assessments shall be initially allocated to the Assessed Property based on the ratio (or Equivalent Unit Factor) of the Equivalent Units of each parcel to the total Equivalent Units within the District. See "APPENDIX C — Form of Service and Assessment Plan" and "ASSESSMENT PROCEDURES — Assessment Methodology."

The Assessment per 60' lot with respect to the Bonds is \$34,389.64* and the Assessment per 50' lot with respect to the Bonds is \$28,199.50*. See "ASSESSMENT PROCEDURES — Assessment Methodology." The Bonds are secured by a first lien on and pledge of Pledged Revenues, including the Assessments. See "SECURITY FOR THE BONDS" and "APPENDIX C — Form of Service and Assessment Plan."

Prepayment of Assessments

Pursuant to the PID Act and the Indenture, the owner of any Assessed Property may voluntarily prepay (a "Prepayment") all or part of any Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. The owner of any assessed property within the District may also voluntarily prepay all or part of any Major Improvement Area Assessment levied in on property within the District. Unless

* Preliminary; subject to change.

otherwise directed to a specific assessment by the Parcel owner, any Prepayment or partial Prepayment for an Assessed Property with the District will be allocated between the Assessments and the Major Improvement Area Assessments based on the ratio of the outstanding Assessments and Major Improvement Area Assessments due from such Assessed Property at the time of such Prepayment or partial Prepayments. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Assessments.

Priority of Lien

The Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The liens are effective from the date of the Assessment Ordinance until the Assessments are paid, and may be enforced by the Town in the same manner as an ad valorem tax levied against real property may be enforced by the Town. The owner of any property assessed may pay the entire Assessment levied against any lot or parcel, together with accrued interest to the date of payment, at any time.

Foreclosure Proceedings

In the event of delinquency in the payment of any Annual Installment, except for unpaid Assessments on homestead property (unless the lien associated with the Assessment attached prior to the date the property became a homestead), the Town is empowered to order institution of an action in state district court to foreclose the lien of such delinquent Annual Installment. In such action the real property subject to the delinquent Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Assessment will be subject to the lien established for remaining unpaid installments of the Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the Town of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be an additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full. The Town is not required under any circumstance to purchase the property or to pay the delinquent Assessment on the corresponding Assessed Parcel.

In the Indenture, the Town will covenant to take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Assessments, provided that the Town is not required to expend any funds for collection and enforcement of Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the Town and distributed in accordance with the Indenture. See "APPENDIX B – Form of Indenture." See also "APPENDIX E-1 – Form of Issuer Disclosure Agreement" for a description of the expected timing of certain events with respect to collection of the delinquent Assessments.

In the Indenture, the Town creates the Additional Interest Reserve Account of the Reserve Fund and will fund such account as provided in the Indenture. The Town will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See "SECURITY FOR THE BONDS – Additional Interest Reserve Account of the Reserve Fund," "APPENDIX B – Form of Indenture" and "APPENDIX C – Form of Service and Assessment Plan."

ASSESSMENT COLLECTION AND TIRZ COLLECTION DATA IN VALENCIA PID NO. 1 AND THE DISTRICT

Collection and Delinquency History in Phase #1, Improvement Area #2, and Improvement Area #3 of Valencia PID No. 1 and in the District

THE FOLLOWING SECTION SETS FORTH, FOR INFORMATION PURPOSES ONLY, INFORMATION REGARDING COLLECTION HISTORY RELATING TO THE PHASE #1 ASSESSMENTS, THE IMPROVEMENT AREA #2 ASSESSMENTS, IMPROVEMENT AREA #3 ASSESSMENTS, AND THE MAJOR IMPROVEMENT AREA ASSESSMENTS, INCLUDING THE PROPORTIONATE AMOUNT OF THE MAJOR IMPROVEMENT AREA ASSESSMENTS LEVIED WITHIN THE DISTRICT. THE PHASE #1 ASSESSMENTS, THE IMPROVEMENT AREA #2 ASSESSMENTS, THE IMPROVEMENT AREA #3 ASSESSMENTS AND THE MAJOR IMPROVEMENT AREA ASSESSMENTS ARE NOT PLEDGED TO AND WILL NOT BE AVAILABLE FOR PAYMENT OF THE BONDS. No assurances can be made that collection of the Assessments will reflect the historical collection of prior assessments levied in Phase #1, Improvement Area #2, or Improvement Area #3 of Valencia PID No. 1, or in the District.

COLLECTION AND DELINQUENCY HISTORY OF PHASE #1 ASSESSMENTS IN VALENCIA PID No. 1⁽¹⁾

<u>Fiscal Year Ending 9/30</u>	<u>Tax Year</u>	<u>Assessment Levied</u>	<u>Delinquent Amount as of 2/1 (following year)⁽²⁾</u>	<u>Delinquent Percentage as of 2/1 (following year)</u>	<u>Delinquent Amount as of 9/1 (following year)</u>	<u>Delinquent Percentage as of 9/1 (following year)</u>	<u>Assessments Collected⁽³⁾</u>
2015	2014	\$552,742	\$0	0.00%	\$0	0.00%	\$552,742
2016	2015	\$652,886	\$0	0.00%	\$0	0.00%	\$652,886
2017 ⁽⁴⁾	2016	\$652,187	\$17,609	2.70%	\$0	0.00%	\$652,187
2018	2017	\$603,409	\$62,168	10.30%	\$0	0.00%	\$603,409
2019	2018	\$491,190	\$45,976	9.36%	\$2,469 ⁽⁵⁾	0.50%	\$491,190
2020	2019	\$421,242	\$12,843	3.05%	\$0	0.00%	\$421,242
2021	2020	\$376,525	\$1,804	0.48%	\$0	0.00%	\$376,525
2022	2021	\$361,851	\$1,391	0.38%	\$0	0.00%	\$361,851

⁽¹⁾ Information as of September 1, 2022.

⁽²⁾ Represents the amounts collected for Tax Years 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 as of 1/31/2015, 1/31/2016, 2/28/2017, 2/5/2018, 2/25/2019, 3/18/2020, 3/18/2021, and 3/18/2022, respectively.

⁽³⁾ Does not include interest and penalties.

⁽⁴⁾ The reported Delinquent Amount as of 2/1 for Tax Year 2016 has been corrected as it was erroneously reported as \$354,211. Amount shown was provided by the Trustee as of 2/18/2017.

⁽⁵⁾ One Phase #1 Parcel 662630 was delinquent for Tax Year 2018 as of 9/1/2019. The full Tax Year 2018 Annual Installment was collected as of 1/16/2020.

COLLECTION AND DELINQUENCY HISTORY OF IMPROVEMENT AREA #2 ASSESSMENTS AND MAJOR IMPROVEMENT AREA ASSESSMENTS IN IMPROVEMENT AREA #2 OF VALENCIA PID No. 1⁽¹⁾

<u>Fiscal Year Ending 9/30⁽⁴⁾</u>	<u>Tax Year</u>	<u>Assessment Levied</u>	<u>Delinquent Amount as of 2/1 (following year)⁽²⁾</u>	<u>Delinquent Percentage as of 2/1 (following year)</u>	<u>Delinquent Amount as of 9/1 (following year)</u>	<u>Delinquent Percentage as of 9/1 (following year)</u>	<u>Assessments Collected⁽³⁾</u>
2015	2014	\$346,131	\$0	0.00%	\$0	0.00%	\$346,131
2016	2015	\$543,866	\$0	0.00%	\$0	0.00%	\$543,866
2017	2016	\$546,114	\$0	0.00%	\$0	0.00%	\$546,114
2018	2017	\$545,905	\$0	0.00%	\$0	0.00%	\$545,905
2019	2018	\$972,248	\$22,035	2.27%	\$0	0.00%	\$972,248
2020	2019	\$933,841	\$6,297	0.67%	\$0	0.00%	\$933,841
2021 ⁽⁵⁾	2020	\$789,900	\$11,322	1.43%	\$0	0.00%	\$789,900
2022 ⁽¹⁾	2021	\$681,911	\$5,938	0.87%	\$1,910	0.28%	\$680,001

⁽¹⁾ Information as of September 1, 2022.

⁽²⁾ Represents the amounts collected for Tax Years 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 as of 1/31/2015, 1/31/2016, 2/28/2017, 2/5/2018, 2/25/2019, 3/18/2020, 3/18/2021, and 3/18/2022, respectively.

⁽³⁾ Does not include interest and penalties.

⁽⁴⁾ For Tax Years 2014 through 2018, Assessment Levied amounts shown represent the applicable Major Improvement Area Assessments for the parcels located within Improvement Area #2. The Improvement Area #2 Assessments were levied in Tax Year 2018 and collection thereof began in Fiscal Year 2019.

⁽⁵⁾ One Improvement Area #2 Parcel 725666 was delinquent as of 9/1/2022. This parcel has an active deferral for an over 65 exemption according to Sawko & Burroughs (the "Delinquency Attorney").

**COLLECTION AND DELINQUENCY HISTORY OF MAJOR IMPROVEMENT AREA ASSESSMENTS IN IMPROVEMENT AREA #3
OF VALENCIA PID No. 1⁽¹⁾**

<u>Fiscal Year Ending 9/30</u>	<u>Tax Year</u>	<u>Assessment Levied</u>	<u>Delinquent Amount as of 2/1 (following year)⁽²⁾</u>	<u>Delinquent Percentage as of 2/1 (following year)</u>	<u>Delinquent Amount as of 9/1 (following year)⁽³⁾</u>	<u>Delinquent Percentage as of 9/1 (following year)</u>	<u>Assessments Collected⁽⁴⁾</u>
2015	2014	\$167,613	\$0	0.00%	\$0	0.00%	\$167,613
2016	2015	\$263,366	\$0	0.00%	\$0	0.00%	\$263,366
2017	2016	\$270,125	\$0	0.00%	\$0	0.00%	\$270,125
2018	2017	\$270,021	\$0	0.00%	\$0	0.00%	\$270,021
2019	2018	\$170,536	\$0	0.00%	\$0	0.00%	\$170,536
2020	2019	\$172,588	\$0	0.00%	\$0	0.00%	\$172,588
2021 ⁽⁵⁾	2020	\$174,602	\$1,069	0.61%	\$840 ⁽⁶⁾	0.48%	\$174,602
2022 ⁽⁷⁾	2021	\$174,501	\$1,420	0.81%	\$26	0.02%	\$174,474

⁽¹⁾ Information as of September 1, 2022.

⁽²⁾ Represents the amounts collected for Tax Years 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 as of 1/31/2015, 1/31/2016, 2/28/2017, 2/5/2018, 2/25/2019, 3/18/2020, 3/16/2021, and 3/16/2022, respectively.

⁽³⁾ Represents the amounts collected for Tax Years 2020 and 2021 as of 9/1/2020 and 9/1/2022, respectively.

⁽⁴⁾ Does not include interest and penalties. Assessments for Tax Year 2020 were collected in full on 10/7/2021.

⁽⁵⁾ Improvement Area #3 Assessments applicable to Phase #2B-1 were levied in Tax Year 2018 and collection thereof began in Fiscal Year 2019. Improvement Area #3 Assessments applicable to Phase #3A, B and C were levied in Tax Year 2021 and collection thereof began in Fiscal Year 2022.

⁽⁶⁾ One Improvement Area #3 Parcel 757637 was delinquent for Tax Year 2020 as of 9/1/2021. The full Tax Year 2020 Annual Installment was collected as of 10/7/2021.

⁽⁷⁾ One Improvement Area #3 Parcel 757553 was delinquent as of 9/1/2022. This parcel has an active deferral for a 100% disabled veteran exemption according to the Delinquency Attorney.

**COLLECTION AND DELINQUENCY HISTORY OF IMPROVEMENT AREA #3 ASSESSMENTS IN IMPROVEMENT AREA #3
OF VALENCIA PID No. 1⁽¹⁾**

<u>Fiscal Year Ending 9/30</u>	<u>Tax Year</u>	<u>Assessment Levied</u>	<u>Delinquent Amount as of 2/1 (following year)⁽²⁾</u>	<u>Delinquent Percentage as of 2/1 (following year)</u>	<u>Delinquent Amount as of 9/1 (following year)⁽³⁾</u>	<u>Delinquent Percentage as of 9/1 (following year)</u>	<u>Assessments Collected⁽⁴⁾</u>
2015	2014	\$0	\$0	0.00%	\$0	0.00%	\$0
2016	2015	\$0	\$0	0.00%	\$0	0.00%	\$0
2017	2016	\$0	\$0	0.00%	\$0	0.00%	\$0
2018	2017	\$0	\$0	0.00%	\$0	0.00%	\$0
2019	2018	\$0	\$0	0.00%	\$0	0.00%	\$0
2020 ⁽⁵⁾	2019	\$269,097	\$0	0.00%	\$0	0.00%	\$269,097
2021	2020	\$271,029	\$3,130	1.15%	\$2,393 ⁽⁶⁾	0.88%	\$271,029
2022 ⁽⁷⁾	2021	\$271,690	\$3,947	1.45%	\$136	0.05%	\$271,555

⁽¹⁾ Information as of September 1, 2022.

⁽²⁾ Represents the amounts collected for Tax Years 2019, 2020, and 2021 as of 2/5/2020, 3/15/2021, and 3/16/2022, respectively.

- (3) Represents the amounts collected for Tax Years 2020 and 2021 as of 9/1/2020 and 9/1/2022, respectively.
- (4) Does not include interest and penalties. Assessments for Tax Year 2020 were collected in full on 10/7/2021.
- (5) Improvement Area #3 Assessments applicable to Phase #3B were levied in Tax Year 2018 and collection thereof began in Tax Year 2019. Improvement Area #3 Assessments applicable to Phase #2B-1 were levied in Tax Year 2021 and collection will begin in Tax Year 2022.
- (6) One Improvement Area #3 Parcel 757637 was delinquent for Tax Year 2020 as of 9/1/2021. The full Tax Year 2020 Annual Installment was collected as of 10/7/2021.
- (7) One Improvement Area #3 Parcel 757553 was delinquent as of 9/1/2022. This parcel has an active deferral for a 100% disabled veteran exemption according to the Delinquency Attorney.

**COLLECTION AND DELINQUENCY HISTORY OF THE MAJOR IMPROVEMENT AREA ASSESSMENTS LEVIED FOR
VALENCIA PID NO. 1 IN THE DISTRICT⁽¹⁾**

<u>Fiscal Year Ending 9/30</u>	<u>Tax Year</u>	<u>Assessment Levied</u>	<u>Delinquent Amount as of 2/1 (following year)⁽²⁾</u>	<u>Delinquent Percentage as of 2/1 (following year)</u>	<u>Delinquent Amount as of 9/1 (following year)⁽³⁾</u>	<u>Delinquent Percentage as of 9/1 (following year)</u>	<u>Assessments Collected</u>
2015	2014	\$423,636	\$0	0.00%	\$0	0.00%	\$423,636
2016	2015	\$665,647	\$0	0.00%	\$0	0.00%	\$665,647
2017	2016	\$682,730	\$0	0.00%	\$0	0.00%	\$682,730
2018	2017	\$682,469	\$0	0.00%	\$0	0.00%	\$682,469
2019	2018	\$431,025	\$0	0.00%	\$0	0.00%	\$431,025
2020	2019	\$436,211	\$0	0.00%	\$0	0.00%	\$436,211
2021	2020	\$441,300	\$0	0.00%	\$0	0.00%	\$441,300
2022 ⁽⁴⁾	2021	\$441,045	\$0	0.00%	\$0	0.00%	\$441,045

⁽¹⁾ Information as of September 1, 2022.

⁽²⁾ Represents the amounts collected for Tax Years 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 as of 1/31/2015, 1/31/2016, 2/28/2017, 2/5/2018, 2/25/2019, 3/18/2020, 3/16/2021, and 3/16/2022, respectively.

⁽³⁾ Represents the amounts collected for Tax Years 2020 and 2021 as of 9/1/2020 and 9/1/2022, respectively.

Foreclosure History

As of September 1, 2022, there has never been a foreclosure sale of any of the Assessed Property within Valencia PID No. 1 or the District.

Delinquency History

As of September 7, 2022, according to the Denton County Tax Assessor Collector (the "Tax Office"), (i) Improvement Area #2 Parcel 725666 is delinquent in the 2020-21 Assessment in the amount of \$1,535, which delinquency is for greater than one year. According to the Delinquency Attorney, Parcel 725666 is under an Over-65 deferral per Section 33.06(b) of the Texas Tax Code and no collection enforcement activities can be instigated against Parcel 725666 for as long as the parcel retains the Over-65 deferral designation. In addition, according to the Tax Office, Improvement Area #3 Parcel 727553 is delinquent in the 2021-22 assessment amount of \$136 as of September 7, 2022. According to the Delinquency Attorney, Parcel 757553 is under a 100% disabled veteran deferral per Section 33.06(b) of the Texas Tax Code and no collection enforcement activities can be initiated against Parcel 757553 for as long as the parcel retains the 100% disabled veteran deferral designation.

Prepayment History

As of September 1, 2022, (i) there has been one full prepayment of Phase #1 Assessments and one partial prepayment of Phase #1 Assessments totaling \$41,554.88 and (ii) there have been two full prepayments of Improvement Area #2 Assessments totaling \$51,034.61.

TIRZ and TIRZ Collection Data in the District and Phase #1, Improvement Area #2 and Improvement Area #3 of Valencia PID No. 1

Pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”), on December 17, 2013, the Town held a public hearing on the creation of Reinvestment Zone No. 4, Town of Little Elm, Texas (the “TIRZ”) and the preliminary project and financing plan. Pursuant to Ordinance No. 1185 (the “TIRZ Creation Ordinance”), the Town created the TIRZ. Pursuant to the TIRZ Act, the Town approved a final Project and Finance Plan for the TIRZ (the “TIRZ Project and Finance Plan”) by Ordinance 1221 adopted on July 1, 2014, which authorized the use of TIRZ Revenues (defined below) for project costs under the TIRZ Act, relating to the Authorized Improvements in the Development as provided for in the TIRZ Project and Finance Plan (including amendments or supplements thereto).

Pursuant to the TIRZ Act, the tax increment base of the Town is the total taxable value of all real property taxable by the Town located in the TIRZ as of January 1 the year in which the TIRZ was designated as a reinvestment zone (the “Tax Increment Base”). Pursuant to the TIRZ Act, the Town will set the amount of the “Tax Increment” for a year as Tax Increment revenues in the amount not to exceed 46% of the ad valorem tax revenues collected for such tax year over the Tax Increment Base (the “TIRZ Revenues”). Consistent with Section 311.012(b) of the TIRZ Act, the Captured Appraised Value of real property taxable by the Town for a year is the total appraised value of all real property taxable by the Town and located in the TIRZ for that year less the Tax Increment Base (the “Captured Appraised Value”). Currently, there are no other taxing units participating in the TIRZ.

The Town expects to use annual TIRZ Revenues collected, on a parcel-by-parcel basis, to offset a portion of the costs of the Major Improvements benefitting the Development. The Town has agreed to transfer from the tax increment fund a portion of tax increment revenue collected each year, on a pro-rata basis relating to bonds issued to pay for Major Improvements in the Development for the payment of debt service on such bonds. Such tax increment revenue, if and when collected and transferred by the Town, will result in a reduction in annual installments of Major Improvement Assessments by a corresponding amount. The Town intends to dedicate and deposit tax increment revenues collected through fiscal year 2046 in the tax increment fund for payment of debt service on the Bonds through fiscal year 2047. On an annual basis any remaining tax increment fund balance after paying all items included in the TIRZ Project and Finance Plan is expected to be released to the Town’s General Fund for use as permitted by applicable law.

The following tables set forth TIRZ Collection Data in Phase #1, Improvement Area #2, Improvement Area #3, and the District.

TIRZ CREDIT TO MAJOR IMPROVEMENT AREA ASSESSMENTS IN PHASE #1 OF THE DEVELOPMENT				
Assessment Year Ending 9/01	Tax Year	Total Tax Increment Collected and Applied as TIRZ Credit	Total TIRZ Credit Per Equivalent Unit (\$)	Tax Equivalent Rate of TIRZ Credit Per Equivalent Unit (per \$100/Assessed Value)¹
2016	2015	\$0	\$0	\$0.0000000
2017	2016	\$0	\$0	\$0.0000000
2018	2017	\$42,802	\$241	\$0.0602500
2019	2018	\$81,799	\$462	\$0.1155000
2020	2019	\$153,133	\$865	\$0.2162500
2021	2020	\$198,198	\$1,119	\$0.2797500
2022	2021	\$221,658	\$1,254	\$0.3135000
2023	2022	\$235,921	\$1,334	\$0.3335731

⁽¹⁾ Based on an estimated \$400,000 median assessed value.

TIRZ CREDIT TO MAJOR IMPROVEMENT AREA ASSESSMENTS IN IMPROVEMENT AREA #2 OF THE DEVELOPMENT				
Assessment Year Ending 9/01	Tax Year	Total Tax Increment Collected and Applied as TIRZ Credit in Improvement Area #2	Total TIRZ Credit Per Equivalent Unit (\$)	Tax Equivalent Rate of TIRZ Credit Per Equivalent Unit (per \$100/Assessed Value) ¹
2016	2015	\$0	\$0	\$0.0000000
2017	2016	\$0	\$0	\$0.0000000
2018	2017	\$0	\$0	\$0.0000000
2019	2018	\$16,999	\$54	\$0.0154286
2020	2019	\$63,435	\$201	\$0.0574286
2021	2020	\$202,285	\$642	\$0.1834286
2022	2021	\$322,624	\$1,026	\$0.2931429
2023	2022	\$389,005	\$1,237	\$0.3535575

⁽¹⁾ Based on an estimated \$350,000 median assessed value.

TIRZ CREDIT TO MAJOR IMPROVEMENT AREA ASSESSMENTS IN IMPROVEMENT AREA #3 OF THE DEVELOPMENT				
Assessment Year Ending 9/01	Tax Year	Total Tax Increment Collected and Applied as TIRZ Credit in Improvement Area #3	Total TIRZ Credit Per Equivalent Unit (\$)	Tax Equivalent Rate of TIRZ Credit Per Equivalent Unit (per \$100/Assessed Value) ¹
2016	2015	\$0	\$0	\$0.0000000
2017	2016	\$3,166	\$19	\$0.0051514
2018	2017	\$40	\$0	\$0.0000657
2019	2018	\$6,570	\$40	\$0.0106910
2020	2019	\$5,903	\$36	\$0.0096052
2021	2020	\$9,065	\$55	\$0.0147516
2022	2021	\$27,794	\$169	\$0.0452292
2023	2022	\$67,519	\$410	\$0.1098725

⁽¹⁾ Based on an estimated \$373,000 median assessed value.

TIRZ CREDIT TO MAJOR IMPROVEMENT AREA ASSESSMENTS IN THE DISTRICT				
Assessment Year Ending 9/01	Tax Year	Total Tax Increment Collected and Applied as TIRZ Credit	Total TIRZ Credit Per Equivalent Unit (\$)	Tax Equivalent Rate of TIRZ Credit Per Equivalent Unit (per \$100/Assessed Value) ¹
2016	2015	\$0	\$0	\$0.0000000
2017	2016	\$5,185	\$12	\$0.0024904
2018	2017	\$35	\$0	\$0.0000168
2019	2018	\$3,591	\$9	\$0.0017249
2020	2019	\$1,687	\$4	\$0.0008103
2021	2020	\$1,686	\$4	\$0.0008098
2022	2021	\$1,689	\$4	\$0.0008112
2023	2022	\$3,901	\$9	\$0.0018737

⁽¹⁾ Based on an estimated \$500,000 median assessed value.

THE TOWN

Background

The Town of Little Elm is located in Denton County, Texas, and operates as a “home rule municipality” under the laws of the State. The Town is a community on Lake Lewisville located northeast of the Town of Fort Worth and is accessible primarily by FM 720 and FM 423. The Town’s 2020 census population was 46,453. The Town’s current population estimate is 53,053.

Town Government

The Town is a home-rule municipality operating under the council-manager form of government, governed by a mayor and six-member council as provided in the home-rule charter. The Town Council formulates operating policy for the Town while the Town Manager is the chief administrative officer. The current members of the Town Council and their respective expiration of terms of office and the principal administrators of the Town are set forth on page ii hereof.

General information regarding the Town and the surrounding area can be found in “APPENDIX A - General Information Regarding the Town and Surrounding Area.”

THE DISTRICT

General

The PID Act authorizes municipalities, such as the Town, to create public improvement districts within their boundaries or extraterritorial jurisdiction, and to impose assessments within the public improvement districts to pay for certain improvements. The District was created by Resolution No. 0816202201 of the Town adopted on August 16, 2022 in accordance with the PID Act (the “Creation Resolution”) for the purpose of undertaking and financing the cost of certain public improvements within the District, including the Authorized Improvements, authorized by the PID Act and approved by the Town Council that confer a special benefit to property in the District. The District is not a separate political subdivision of the State and is governed by the Town Council. A map of the property within the District is included on page v hereof.

Powers and Authority

Pursuant to the PID Act, the Town may establish and create the District and undertake, or reimburse a developer for the costs of, improvement projects that confer a special benefit on property located within the District, whether located within the Town limits or the Town’s extraterritorial jurisdiction. The PID Act provides that the Town may levy and collect Assessments on property in the District, or portions thereof, payable in full or periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the Town has the power to undertake, or reimburse a developer for the costs of, the financing, acquisition, construction or improvement of the Authorized Improvements. See “THE AUTHORIZED IMPROVEMENTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the Town has determined to undertake the construction, acquisition or purchase of certain road, water, sanitary sewer and drainage public improvements within the District comprising the Authorized Improvements and to finance a portion of the costs thereof through the issuance of the Bonds. The Town has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See “ASSESSMENT PROCEDURES” herein and “APPENDIX C — Form of Service and Assessment Plan.”

THE AUTHORIZED IMPROVEMENTS

General

The Authorized Improvements consist of the local infrastructure benefitting the District. A portion of the costs of construction of the Authorized Improvements will be funded with proceeds of the Bonds. The balance of the costs of the Authorized Improvements will be paid by the Developer. See “SOURCES AND USES OF FUNDS.”

The Authorized Improvements benefiting Phase #2B-2 of the District have been completed and the Authorized Improvements benefitting Phase #4A, 4B and 4C of the District are expected to be completed in Q4 2022. The Developer is responsible for the completion of the construction, acquisition or purchase of Authorized Improvements. The Town will pay project costs for the Authorized Improvements owed to the Developer from proceeds of the Bonds. The Developer will submit payment requests no more frequently than on a monthly basis for costs actually incurred in developing and constructing the Authorized Improvements and be paid in accordance with the Indenture and the Construction, Funding, and Acquisition Agreement.

Authorized Improvements Description

Roadway Improvements: The road improvement portion of the Authorized Improvements consists of the construction of road improvements, including related paving, excavation, drainage, curbs, gutters, sidewalks, retaining walls, signage, and traffic control devices, which benefit the Assessed Property. All roadway projects will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Water Improvements: The water improvements portion of the Authorized Improvements consists of construction and installation of a looped water main network, which includes waterlines, valves, fire hydrants, and appurtenances, necessary for the portion of the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Sanitary Sewer Improvements:

Onsite: The onsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Assessed Property. The onsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Offsite: The offsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, appurtenances, and a lift station necessary to provide sanitary sewer service to Assessed Property. The offsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Storm Drainage Improvements: The storm drainage improvements within the PID consist of reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances which benefit the Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and maintained by the Town.

Soft Costs: The soft and miscellaneous costs within the PID consist of engineering and surveying, project management fees, contingency, district formation, and other soft and miscellaneous costs.

The following table reflects the total costs of the Authorized Improvements.

	<u>Authorized Improvements</u>
<u>Type of Improvement</u>	<u>Cost</u>
Roadway Improvements	\$6,692,479
Water Improvements	\$1,673,302
Sanitary Sewer Improvements	
Onsite sanitary sewer	\$1,367,548
Offsite sanitary sewer	\$891,510
Storm Drainage Improvements	\$1,420,022
Soft Costs	<u>\$2,286,596</u>
Total	<u>\$14,331,457</u>

The Authorized Improvements are expected to be completed and dedicated to the Town in Q4 2022. As of September 1, 2022, the Developer has expended \$6,921,265 on the costs of the Authorized Improvements, which costs were funded with earnest money delivered pursuant to the lot purchase and sale agreements and the Acquisition and Development Loan. See “THE DEVELOPMENT – Status of Development in the District,” See “THE DEVELOPMENT – Lot Purchase and Sale Agreements in the District,” “THE DEVELOPER – History and Financing of the District” and “THE AUTHORIZED IMPROVEMENTS.”

Ownership and Maintenance of Improvements

The Authorized Improvements will be dedicated to and accepted by the Town and constitute a portion of the Town’s infrastructure improvements. The Town will provide for the ongoing operation, maintenance and repair of the Authorized Improvements constructed and conveyed, as outlined in the Service and Assessment Plan.

THE DEVELOPMENT

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the Town, the Town’s representatives and professional providers, the Town’s Financial Advisor, and the Underwriter, and none of the Town, the Town’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Developer has reviewed this Limited Offering Memorandum and warrant and represent that neither (i) the information under the caption “THE DEVELOPMENT” nor (ii) the information relating to the Developer’s plan for developing the land within the District under the caption “BONDHOLDERS’ RISKS” contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Developer will deliver a certificate to this effect to the Town and the Underwriter.

Overview

The District is a 189.257-acre portion of the Development known as Valencia on the Lake. The Development consists of approximately 448-acre project located within the corporate limits of the Town, south of Doe Creek Road, west of Gee Road, on the shore of Lake Lewisville. The Town, located in the north-central region of the Dallas-Fort Worth-Arlington TX Metropolitan Statistical Area (the “DFW MSA”), is poised for significant growth as the overall DFW MSA continues its growth trajectory.

The Development is an in-fill development situated directly on Lake Lewisville and surrounded by four existing subdivisions, consisting of Frisco Hills, Frisco Ranch, Sunset Point and Paloma Creek. These subdivisions are either complete or within the last phase of lot development. See “AREA LOCATION MAP OF THE DISTRICT” on page iv hereof. The site was acquired in August 2006 by the Developer as a long-term development to consist of residential land use. In addition, the Development includes a variety of parks, trails, amenity centers and open space areas for its residents, and others, to enjoy. This combination provides its residents a community environment in which to live. Furthermore, portions of the District are located within the Little Elm Independent School District and the Denton Independent School District. Additionally, a site within the District has been dedicated to the Little Elm Independent School District for use as an elementary school.

Ownership of Property in the Development

The Development was initially wholly owned by Valencia on the Lake, L.P., the Master Developer, which is an affiliate of Centurion American Custom Homes Inc. d/b/a Centurion American Development Group Inc. (“Centurion”). For a description of Centurion and its executive, see “THE DEVELOPER.” Currently the land, lots and constructed homes in the Development are held by a combination of individual homeowners, builders, affiliates of the Master Developer, and the Developer.

The following table sets forth the current ownership of land subject to assessments within the Development by phase.

Phase	Single-Family Lots	Ownership
1	210	Individual homeowners
2A	154	Individual homeowners and Trendmaker Homes
2B-1	89	MM Valencia 2BFC, LLC (under contract with DR Horton), DR Horton, and Tri Pointe
2B-2	90	Valencia on the Lake 2B2 and 4, LLC (under contract with DR Horton and Mattamy)
3A	140	Individual homeowners and Beazer Homes of Texas, L.P.
3B	139	Individual homeowners
3C	150	Individual homeowners
4	445	Valencia on the Lake 2B2 and 4, LLC (under contract with Beazer, First Texas, DR Horton and Mattamy)
Total	1,417	

Photographs of Existing Development in the Development and the District

Photographs of development within the Development and the District are attached hereto as APPENDIX H.

Update on Phase #1 of the Development (Valencia PID No. 1)

Development in Phase #1 of the Development (located solely in Valencia PID No. 1) consisted of the construction of the Phase #1 Improvements. The Master Developer was responsible for the construction of the Phase #1 Improvements.

The following table summarizes the status of home sales, construction and lot delivery in Phase #1 of the Development as of September 1, 2022.

Status of Homes in Phase #1								
Lot Type	Qty.	Completed Lots	Average Lot Price	Lots Closed to Homebuilders	Homes Under Construction	Completed Homes	Homes Closed to End Users	Average Home Price
60'	169	169	\$70,000	169	0	169	169	\$350,000
80'	41	41	\$80,000	41	0	41	41	\$400,000
Total	210	210		210	0	210	210	

Update on Improvement Area #2 of the Development (Valencia PID No. 1)

Development in Improvement Area #2 of the Development (located solely in Valencia PID No. 1), consisted of the construction of the Improvement Area #2 Improvements. The Master Developer was responsible for the construction of the Major Improvements benefitting Improvement Area #2. The Master Developer and builder-developers in Improvement Area #2 were responsible for the construction of local improvements benefitting Improvement Area #2.

The following table summarizes the status of home sales, construction and lot delivery in Improvement Area #2 of the Development as of September 1, 2022.

Status of Homes in Improvement Area #2								
Lot Type	Qty.	Completed Lots	Average Lot Price	Lots Closed to Homebuilders	Homes Under Construction	Completed Homes	Homes Closed to End Users	Average Home Price
60' (2A)	154	154	\$70,000	150	0	154	154	\$350,000
40' (3A/3C)	268	268	\$50,000	268	0	268	268	\$250,000
50' (3A/3C)	22	22	\$60,000	22	0	22	22	\$300,000
Total	444	444		444	0	444	444	

Update on Improvement Area #3 of the Development (Valencia PID No. 1)

Development in Improvement Area #3 of the Development, located solely in Valencia PID No. 1 consisted of the construction of the Improvement Area #3 Improvements. The Master Developer was responsible for the construction of the Major Improvements benefitting Improvement Area #3. The Master Developer and builder-developers in Improvement Area #3 were responsible for the construction of local improvements benefitting Improvement Area #3.

The following table summarizes the status of home sales, construction and lot delivery in Improvement Area #3 of the Development as of September 1, 2022.

<i>Status of Homes in Improvement Area #3</i>								
Lot Type	Qty.	Completed Lots	Average Lot Price	Lots Closed to Homebuilders	Homes Under Construction	Completed Homes	Homes Closed to End Users	Average Home Price
40' (3B)	118	118	N/A ^(a)	118	0	118	118	\$342,592
50' (3B)	21	21	N/A ^(a)	21	0	21	21	\$372,592
60' (2B-1)	89	89	\$72,000	87	30	56	56	\$423,500
Total	228	228		226	30	195	195	

^(a) Estimated value. Lots were sold as paper lots and developed by the builder.

Status of Development in the District

Development in the District, which also constitutes a portion of Valencia PID No. 1, began with the portion of the Major Improvements (as defined herein). The Master Developer was responsible for the construction of such improvements and construction of such projects was completed in 2022. Construction of the Authorized Improvements, consisting of certain roadway improvements, water distribution system improvements, sanitary sewer collection system improvements, and storm drainage collection system improvements that benefit the District, was completed in Q3 2022 (with respect to the Authorized Improvements benefitting Phase #2B-2) and is expected to be completed in Q4 2022 (with respect to the Authorized Improvements benefitting Phase #4A, 4B and 4C), at a total cost of approximately \$14,331,457*. The Developer is responsible for construction of the Authorized Improvements. As of September 1, 2022, the Developer has expended \$6,921,265 on the costs of the Authorized Improvements, which costs were funded with earnest money delivered pursuant to the lot purchase and sale agreements and the Acquisition and Development Loan. See, "THE DEVELOPMENT – Lot Purchase and Sale Agreements in the District," "THE DEVELOPER – History and Financing of the District" and "THE AUTHORIZED IMPROVEMENTS."

Lot Purchase and Sale Agreements in the District

The Developer has entered into lot purchase and sale agreements for all 535 of the 535 lots in the District with Beazer Homes USA, Inc ("Beazer"), First Texas Homes, Inc. ("First Texas"), D.R. Horton – Texas, Ltd. ("Horton") and Mattamy Homes, LLC ("Mattamy").

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* Preliminary; subject to change.

The following table provides a summary of the lot types, total lots, base lot prices, and the takedown schedule for the lot contracts in the District.

<u>Builder</u>	<u>Phase</u>	<u>Number of Lots Contracted (Number/Size)</u>	<u>Lot Price</u>	<u>Lot Takedown information</u>
Beazer ⁽¹⁾	4A, 4B and 4C	(239) – 50’s	\$70,000	20 lots in Phase 4A ten days after Substantial Completion thereof and 20 lots during each 90 day period thereafter 20 lots in Phase 4B ten days after Substantial Completion thereof and 20 lots during each 90 day period thereafter 20 lots in Phase 4C ten days after Substantial Completion thereof and 20 lots during each 90 day period thereafter
First Texas	4A, 4B and 4C	(100) – 50’s & (34) – 60’	\$70,000 – 50’ \$81,000 – 60’	15 (50s) and 12 (60s) at initial closing 15 (50s) and 12 (60s) additional within 150 days of initial closing 15 (50s) and 12 (60s) every 90 days thereafter If there are not sufficient 60’ lots to comply with the above, First Texas will acquire any other type to ensure at least 20 lots are taken down during each 90 day period
Mattamy	4A, 4B and 4C	(72) – 60s	\$81,000	12 lots at initial closing 12 additional lots within 120 days of initial closing 12 lots every 90 days thereafter
	2B-2	(28) – 60’ Lots	\$81,000	12 initial 12 additional within 120 days of initial 12 every 90 days thereafter
Horton	2B-2	(62) – 60’ Lots	\$72,000	12 initial 12 additional within 120 days of initial 12 every 90 days thereafter

Pursuant to the Lot Purchase and Sale Agreement with Beazer, Beazer deposited approximately \$2,499,000 in earnest money related to the lots Beazer expects to purchase in the District (the “Beazer Earnest Money”). The Beazer Earnest Money was released to the Developer and was used for closing costs in the connection with the purchase of property in the District as described under “THE DEVELOPER – History and Financing of the District” and development costs of the Authorized Improvements. The Beazer Earnest Money is secured by a second lien deed of trust on certain property in the District.

Pursuant to the Lot Purchase and Sale Agreement with Mattamy, Mattamy deposited approximately \$1,215,000 in earnest money related to the lots Mattamy expects to purchase in the District (the “Mattamy Earnest Money”). The Mattamy Earnest Money was released to the Developer and was used in the connection with the purchase of property in the District as described under “THE DEVELOPER – History and Financing of the District.” The Mattamy Earnest Money is secured by a second lien deed of trust on certain property in the District.

Pursuant to the Lot Purchase and Sale Agreement with First Texas, First Texas deposited approximately \$1,463,100 in earnest money related to the lots First Texas expects to purchase in the District (the “First Texas Earnest Money”). The First Texas Earnest Money was released to the Developer and was used for closing costs in the connection with the purchase of property in the District as described under “THE DEVELOPER – History and Financing of the District” and development costs of the Authorized Improvements. The First Texas Earnest Money is secured by a second lien deed of trust on certain property in the District.

Pursuant to the Lot Purchase and Sale Agreement with Horton, Horton deposited approximately \$1,200,000 in earnest money related to the lots Horton expects to purchase in the District (the “Horton Earnest Money”). The Horton Earnest Money was released to the Developer and was used for closing costs in the connection with the purchase of property in the District as described under “THE DEVELOPER – History and Financing of the District” and development costs of the Authorized Improvements. The Horton Earnest Money is secured by a second lien deed of trust on certain property in the District.

Actual and Expected Build-Out of the Development

The following tables provide the actual and expected build-out schedule of the Development, estimated home prices for the Development and absorption schedule for the Development.

Phase/ Improvement Area	Single-Family Lots	Actual/Expected Major Infrastructure Completion Date	Actual/Expected Internal Infrastructure Completion Date	Actual/Expected Final Lot Sale Date
<u>Valencia PID No. 1</u>				
<u>Phase #1</u>				
1	210	Q2 2016	Q2 2016	Q1 2018
<u>Improvement Area #2</u>				
2A	154	Q1 2018	Q1 2018	N/A*
3A	140	Q4 2017	Q4 2017	N/A*
3C	150	Q4 2017	Q4 2017	N/A*
<u>Improvement Area #3</u>				
2B-1	89	Q3 2019	Q3 2021	Q2 2023
3B	139	Q1 2019	Q2 2019	N/A
<u>The District</u>				
2B-2	90	Q3 2022	Q3 2022	Q2 2024
4	445	Q3 2022	Q4 2022	Q2 2025
Total	1,417			

* Lots sold to builders a paper lots and lots developed by builders

ESTIMATED LOT AND HOME PRICES IN THE DEVELOPMENT		
<u>Lot Size</u>	<u>Base Lot Price*</u>	<u>Estimated Average Base Home Price*</u>
40' Lot	\$45,000	\$290,000
50' Lot	\$70,000	\$410,000
60' Lot	\$84,000	\$500,000
80' Lot	\$75,000	\$600,000

*Developer estimates; subject to change. Base lot price for 80' lots is based on lot contracts entered into for prior phase of development in Valencia PID No. 1.

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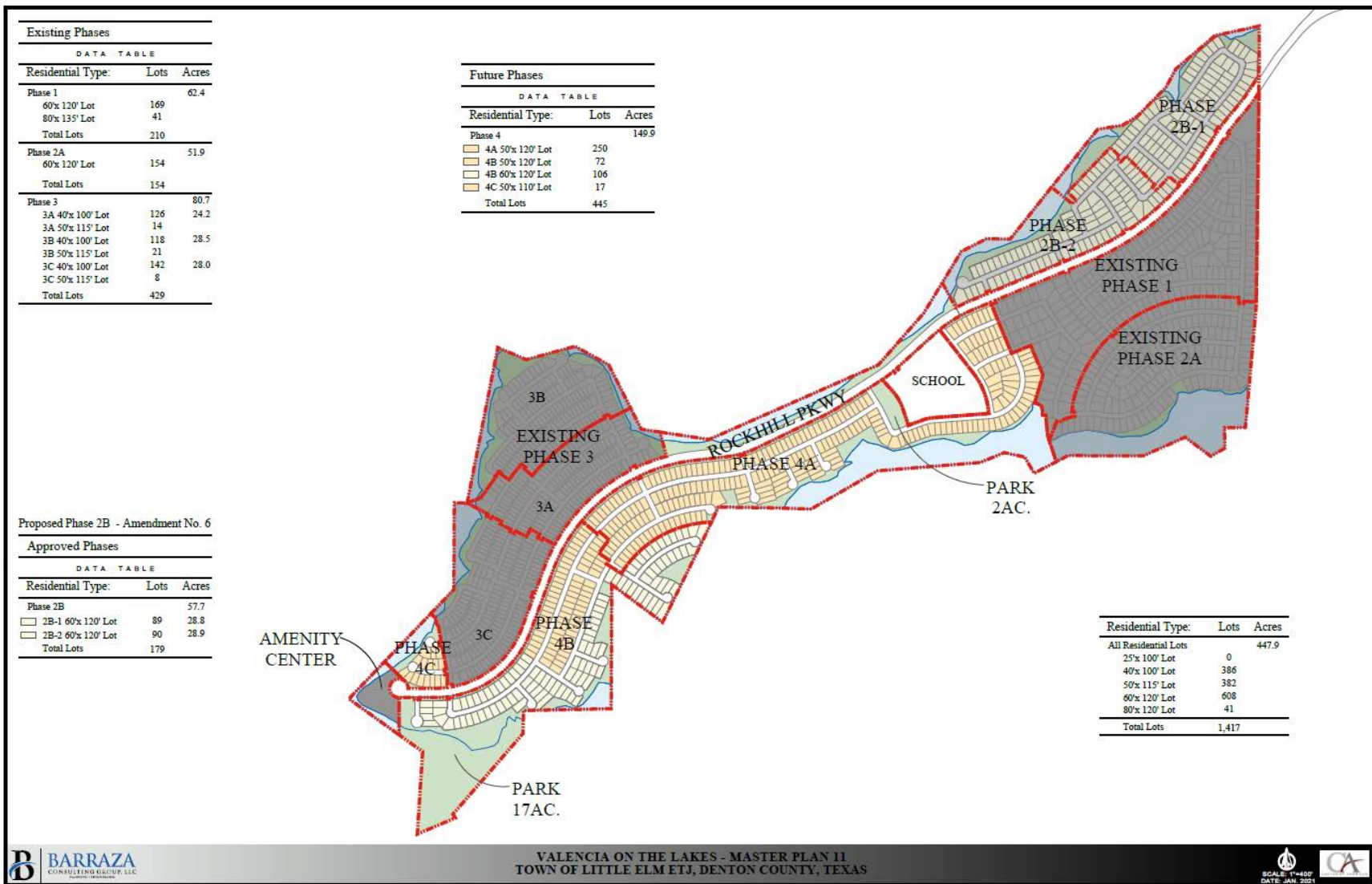
ACTUAL AND EXPECTED LOT ABSORPTION IN THE DEVELOPMENT ⁽¹⁾									
	Valencia PID No. 1						The District		
	Phase #1	Improvement Area #2			Improvement Area #3				
Actual/Expected Final Sale Date	Phase #1	Phase #2A	Phase #3A	Phase #3C	Phase #2B-1	Phase #3B	Phase #2B-2	Phase #4	Total Lots
2015	20								20
2016	46								46
2017	75			150					225
2018	51	80	140						271
2019	16	62				139			217
2020	2	10							12
2021		2			35				37
2022					54				54
2023							60	180	240
2024							30	180	210
2025								85	85
Total	210	154	140	150	89	139	90	445	1,417

⁽¹⁾ For years 2022-2024 based on Developer Estimates.

Concept Plan

Below is the current concept plan of the Development as approved by the Town. The concept plan is conceptual and subject to change consistent with the Town's zoning and subdivision regulations. See "— Zoning" below.

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Zoning/Permitting

The Development is zoned as a Planned Development pursuant to Ordinance 1233, as amended by Ordinance 1616, each adopted by the Town Council (the “Zoning Ordinances”). The Zoning Ordinances provide certain limitations on setbacks, uses, lot sizes and lot mix within the Development, which lot sizes and lot mixes are reflected in the Concept Plan provided herein. See “—Concept Plan” above.

Education

The majority of the Development is located within LEISD, and a portion of the Development (a portion of Phase #1, most of Phase #2B-1, and Phase #2B-2 of the Development) is located within DISD. The portion of the District comprised of Phase #2B-2 is located in DISD. In 2016, the Boards of Trustees of LEISD and DISD passed a Joint Resolution designating the area of the District lying in DISD as a “School Choice Area,” which will allow residents in such School Choice Area to choose between attending LEISD and DISD, regardless of their residence.

LEISD currently enrolls more than 8,100 students in five elementary schools, a K-8 campus, a sixth grade center, a middle school, and one high school. According to the Texas Education Agency (“TEA”), in 2021-2022, LEISD received an accountability rating of “C” from the TEA.

DISD encompasses 180 square miles and contains all or parts of 17 cities, communities or major developments, including a portion of the District. DISD enrolls over 30,000 students in four comprehensive high schools, eight middle schools, 23 elementary schools, two early childhood centers, an alternative high school, an advanced technology complex and other specialized schools and centers. According to the Texas Education Agency (“TEA”), in 2021-2022, DISD received an accountability rating of “B” from the TEA.

Amenities

The Master Developer constructed certain amenities within the development as part of the costs of the “Private Improvements” to serve the Development, including open space improvements and an amenity center (consisting of a main pool, a lap pool, a kiddie pool, a parking lot and a bathroom facility, a tennis court, volleyball courts, and an parking lot). The amenity center was completed at a cost of approximately \$2,935,484, which was funded by the Master Developer through various loans. Photos of the amenity center are included in APPENDIX H.

Environmental

Phase One Environmental Site Assessments of the property within the Development, including property in the District, were completed in November 2005 and on January 25, 2014 (together, the “Phase One ESAs”). Based on the information presented in the Phase One ESAs, there was no evidence that the Development was under environmental regulatory review or enforcement action and there were no material adverse environmental conditions affecting the property within the Development as of the date of each such Phase One ESA.

According to the website for the United States Fish and Wildlife Service, the whooping crane is an endangered species in Denton County. The Developer is not aware of any endangered species located on the property in the Development.

Flood Designation

According to Federal Emergency Management Area Flood Insurance Rate Map for Denton County, Texas, Map Number 48121C0410G, revision date April 18, 2011, (i) approximately 383.562 acres of the Development lie in Zone X (unshaded), defined as areas determined to be outside the 0.2% annual chance floodplain or Zone X (shaded area), defined as areas of 0.2% annual chance of flood with average depths of less than 1 foot or with drainage areas less than 1 square mile and areas protected by levees from 1% annual flood chance and (ii) approximately 64.38 acres of the Development lie in Zone AE, defined as base flood elevations. All of the land in Zone AE is dedicated to open space and will not be used for development. Approximately 35.452 acres in the District are located in Zone AE.

Utilities

The Town provides both water and wastewater service to the Development. Additional utilities are provided by: (1) Phone/Data - AT&T; (2) Electric - CoServ Electric; (3) Cable - AT&T; and (4) Gas – Atmos Energy.

THE DEVELOPER

The following information has been provided by the Developer. Certain of the following information is beyond the direct knowledge of the Town, the Town's Financial Advisor and the Underwriter, and none of the Town, the Town's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Developer has reviewed this Limited Offering Memorandum and warrants and represents that neither (i) the information herein under the caption "THE DEVELOPER" nor (ii) the information relating to the Developer under the subcaption "BONDHOLDERS' RISKS" contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of the Bonds. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

Description of the Developer

The Developer is an affiliate of Centurion and was created by Centurion for the purpose of managing and ultimately conveying property in the Development to third parties. The Developer is a nominally capitalized limited liability company, the primary assets of which are unsold property within the District.

The Developer will have no source of funds with which to pay Assessments or taxes levied by the Town or any other taxing entity other than funds resulting from the sale of property within the District or funds advanced to the Developer by an affiliated party. The Developer's ability to make full and timely payments of Assessments or taxes will directly affect the Town's ability to meet its obligation to make payments on the Bonds.

Since 1990, Centurion has developed over 100,000 single-family lots in dozens of communities surrounding North Texas. It has worked closely with investors, land-owners, financial institutions, and vendors to acquire over 50,000 acres of land inventory for a diverse mix of developments in size and scope. Centurion's communities include amenities such as parks, golf courses, water park themes, and hiking and biking trails. Over the past thirty years, Centurion has demonstrated the ability to successfully deliver master-planned communities that have been recognized in the real estate industry.

Mr. Mehrdad Moayedhi has ultimate control of Centurion and its affiliates. Centurion maintains a staff of approximately 50 employees. Centurion creates single-asset limited liability companies to own development sites and contracts with developers and other professionals in the delivery of its communities.

In addition, Centurion works closely with local municipalities, commercial developers, and public school systems as part of its overall master plan. Centurion works with North Texas' top builders to deliver the latest concepts ranging from upscale, luxury homes in secluded neighborhoods to affordable housing communities for

first-time home buyers. Centurion purchases and develops land in prime locations with the right mix of natural land settings, strong job growth, good school systems and access to local community shopping. A snapshot of some of the communities Centurion has developed is presented below.

<u>Name</u>	<u>County</u>	<u>Property Type</u>	<u>Starting Home Price</u>	<u>Status of Development</u>
*Entrada at Westlake	Tarrant	Mixed-use	\$1,100,000	Vertical ongoing
River Walk at Central Park	Denton	Mixed-use	\$375,000	Vertical Ongoing
The Villas at Twin Creeks	Collin	Single-family	\$230,000	Completed
Kensington Gardens	Dallas	Single-family	\$500,000	Phase 1: Started 6/2012 Phase 2: Delivered 12/2018
Water's Edge at Hogan's Glen	Denton	Single-family	\$480,000	Completed/Ashton Finishing Construction
Montalcino Estates	Denton	Single-family	\$700,000	Under Development
Estancia Estates	Denton	Single-family	\$400,000	Completed /Built Out
Highlands Glen	Denton	Single-family	\$300,000	Completed/Ashton Finishing Up
The Highlands at Trophy Club	Denton	Single-family	\$250,000	Completed/Ashton Finishing Up
Water's Edge	Denton	Single/Multifamily	\$300,000	Started 9/2018 * Delivered Q4 2019
Williamsburg	Rockwall	Single-family	\$150,000	Fee Developer
Crestview at Prosper Creek	Collin	Single-family	\$250,000	Complete - Megatel Finishing Construction
Palomar Estates	Tarrant	Single-family	\$750,000	Complete
Estancia	Tarrant	Single-family	\$450,000	Complete
Verandah	Rockwall	Single-family	\$200,000	Development Ongoing
Terracina	Denton	Single-family	\$400,000	Development Complete / Toll Brothers Bldg Phase 3
The Resort on Eagle Mountain Lake	Tarrant	Single	\$250,000	Development Ongoing - Builder Doing Takedowns
Travis Ranch	Kaufman	Single-family	\$200,000	Development Ongoing - Builder Doing Takedowns
Carter Ranch	Collin	Single-family	\$150,000	Phase 1: Completed * Phase 2CII: Bldg Completed
Frisco Hills	Denton	Single-family	\$200,000	Development Complete / HB Finishing Up
Rolling Meadows	Tarrant	Single-family	\$100,000	Phase 1: Completed * Phase 2A2 & 3 HB Completed
Waterfront at Enchanted Bay	Tarrant	Single-family	\$150,000	Phase 1: Started 5/2005 * Phase 1: Delivered 2/2007 Phase 2: Being Engineered
Thornbury	Travis	Single-family	\$150,000	Development Complete / HB Complete
Rough Hollow	Travis	Single-family	\$550,000	Development Complete / HB Complete
Lexington Parke	Travis	Single-family	\$150,000	Development Complete / HB Complete
Villages of Woodland Springs	Tarrant	Single-family	\$150,000	Started Q4 2000 * Delivered Q4 2017
Spring Creek	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Silver Ridge	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Sendera Ranch	Tarrant	Single-family	\$150,000	Centurion Owns Future Land / Banking Land
Rosemary Ridge	Tarrant	Single-family	\$100,000	Development Complete / HB Complete
Llano Springs	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Hills of Lake Country	Tarrant	Single-family	\$150,000	Development Complete / HB Complete
Garden Springs	Tarrant	Single-family	\$125,000	Development Complete / HB Complete

Dominion Estates	Tarrant	Single-family	\$125,000	Development Complete / HB Complete
Deer Creek North	Tarrant	Single-family	\$125,000	Development Complete / HB Complete
Creekside of Crowley	Tarrant	Single-family	\$150,000	Sold Land / Ashton Building / Also Banking
Bonds Ranch	Tarrant	Single-family	\$150,000	Purchased all Finished Lots / All Lots sold in Q4 2017
Crown Valley	Parker	Single-family	\$150,000	Development Complete / Sold Phase / Pod Sale
Windmill Farms	Kaufman	Single-family	\$150,000	HB Complete
Knox Ranch	Hood	Mixed-use	\$450,000	HB Complete
Windsor Hills	Ellis	Single-family	\$250,000	Undeveloped; in the Zoning Process
Saddlebrook	Ellis	Mixed-use	\$175,000	Next Phase Going Through Engineering
The Villas of Indian Creek	Denton	Single-family	\$150,000	Development Complete / HB Complete
*Valencia on the Lake	Denton	Single-family	\$175,000	Next Phase Going Through Engineering
Shale Creek	Wise	Single-family	\$100,000	Last Phase Going Through Engineering
Shahan Prairie	Denton	Single-family	\$150,000	Sold Land
Frisco Ranch	Denton	Single-family	\$150,000	Development Complete / HB Complete
Brookfield	Denton	Single-family	\$180,000	Sold Land
Sweetwater Crossing	Collin	Single-family	\$150,000	Development Complete / HB Complete
Prestwyck	Collin	Mixed-use	\$190,000	Development Complete / HB Complete
Oak Hollow	Collin	Single-family	\$100,000	Development Complete / HB Complete
Northpointe Crossing	Collin	Single-family	\$100,000	Development Complete / HB Complete
McKinney Greens	Collin	Single-family	\$150,000	Development Complete / HB Complete
The Dominion	Dallas	Single-family	\$250,000	Development Complete / HB Ongoing
Residences at the Stoneleigh	Dallas	Condo	\$750,000	Unit Sales Ongoing
Mountain Creek	Dallas	Multifamily	\$225,000	Development Complete / HB Complete
Chateaus of Coppell	Dallas	Single-family	\$350,000	Development Ongoing - HB Building
The Bridges at Preston Crossings	Parker	Single-family	\$250,000	Development Complete / HB Complete
*Winn Ridge	Denton	Single-family	\$250,000	Development Complete / HB Complete
*Sutton Fields	Denton	Single-family	\$350,000	Development Complete / HB Complete
*Hillstone Pointe	Denton	Single-family	\$250,000	Phase 1: Delivered 12/2017, Remainder Raw Land Sold to Horton & Lennar
*Northlake Estates	Denton	Single-family	\$300,000	Development Ongoing - HB Building
*Creeks of Legacy	Denton/Collin	Single-family	\$350,000	Development Ongoing - HB Building
University Place	Dallas	Single-family	\$450,000	Development Ongoing - HB Building
*Lakewood Hills	Denton	Single-family	\$450,000	Development Ongoing - HB Building
Steeplechase	Denton	Single-family	\$500,000	Development Ongoing - HB Building
*Mercer Crossing	Dallas	Mixed-use	\$350,000	Development Ongoing - HB Building
*Ownsby Farms	Collin	Single-family	\$300,000	Development Ongoing - HB Building
*Anna Hurricane Creek	Collin	Single-family	\$300,000	PID Bonds issued; Phase 1: Started 9/2018, Currently Being Developed
*Chalk Hill	Collin	Single-family	\$300,000	Phase 1: Started 9/2018, Currently Being Developed
Windsor Hills	Dallas	Single-family	TBD	Pre-development process.

Walden Pond	Kaufman	Single/Multifamily	TBD	Pre-development process.
Mobberly	Denton	Single-family	TBD	Pre-development process.
*Whitewing Trails	Collin	Single-family/Multifamily	\$281,000	PID Bonds issued; Development ongoing.
Denton - Kings Ridge	Denton	Single/Multifamily	\$250,000	Zoning approved.
*Hickory Farms	Dallas	Single-family	TBD	PID bonds issued.
Dove Creek	Collin	Single-family	\$275,000	Under Development
Preston Hills	Collin	Single-family	\$400,000	Under Development
Founders Park	Tarrant	Single/Multifamily	300,000	Development Complete -HB Building
Barcelona	Collin	Single-family	\$350,000	Phase 3; Under Development
Bloomridge	Collin	Single-family	\$300,000	Phase 2; Under Development
Erwin Farms	Collin	Single-family	\$350,000	Phase 3; Under Development
Enchanted Creek	Collin	Single-family	\$300,000	Engineering Phase 2
Alpha Ranch	Wise/Denton	Single-family	\$225,000	Pre-development process.
Bear Creek	Dallas	Single-family	\$250,000	Phase 3; Under Development
Wade Settlement	Collin	Single-family	\$350,000	Phase 2; Development
Falls of Prosper	Collin	Single-family	\$400,000	Phase 2; Development
*Iron Horse	Dallas	Mixed-use	\$250,000	PID bonds issued; Development Ongoing
*Polo Ridge	Kaufman	Single-family	\$350,000	PID bonds issued; Development Ongoing
*City Point	Tarrant	Mixed-use	\$290,000	PID bonds issued; Development Ongoing
*Edgewood Creek	Denton	Single-family	\$300,000	PID bonds issued; Development Ongoing
*Cartwright Ranch	Kaufman	Single-family	\$220,000	PID bonds issued; Development Ongoing
*Spiritas Ranch	Denton	Single-family	\$250,000	PID bonds issued; Development Ongoing
*Thunder Rock	Burnet	Mixed-use	\$250,000	PID Bonds issued; Development Ongoing
*Anna Hurricane North	Collin	Single-family	\$300,000	PID Bonds issued; Development Ongoing
*Collin Creek Redevelopment	Collin	Mixed-use	\$600,000	PID Bonds issued; Development Ongoing
*Sutton Fields East	Collin	Single-family	\$315-375,000	PID Bonds issued; Development Ongoing
*Mobberly Farms	Denton	Single-family	\$294-335,000	PID Bonds issued; Development Ongoing
*Creekview Meadows	Denton	Single-family	\$350-400,000	PID Bonds issued; Development Ongoing

* — developments utilizing public improvement districts

Executive Biography

Mehrdad Moayedí is the President and Chief Executive Officer of Centurion. Mr. Moayedí has more than thirty years of direct experience in the development industry. With a background in construction and real estate, Mr. Moayedí employs a comprehensive approach to each Centurion development. Mr. Moayedí has extensive knowledge of the interconnection of all parts of residential real estate development.

Before forming JBM Development in 1986, Mr. Moayedí completed several construction and fee development projects in Northeast Tarrant County, Texas subdivisions as well as various construction and remodeling projects. JBM Development, along with Centurion American Custom Homes, formed Centurion in 1990. The company has become broadly diversified, with residential developments ranging from upscale high-rise residential towers to affordable housing communities for first-time home buyers.

History and Financing of the District

The land in the District was acquired by the Developer from the Master Developer and MM Valencia 2BFC, LLC (a Centurion entity affiliated with the Master Developer and the Developer) on August 21, 2021. The conveyance of such land from the Master Developer was treated as deed through equity. The basis of the land to the Developer was \$14,865,728.

The Developer obtained the Acquisition and Development Loan from SLR Finance 1, LLC (“SLR”) in an amount up to \$31,467,000. At closing, SLR assigned its rights in the Acquisition and Development Loan to Valcap I, LLC (the “Lender”). The Acquisition and Development Loan bears interest at a rate of 9.25%, and matures on August 24, 2024, which maturity date may be extended to August 24, 2025 by the Lender in its sole and absolute discretion upon written request of the Developer. Interest on the Acquisition and Development Loan accrues until paid, and unpaid interest compounds into the outstanding principal balance of the Acquisition and Development Loan annually. Payments on the Acquisition and Development Loan are due upon disposition of any land in the District, payment of any reimbursements for Authorized improvements, and on the maturity date. As of September 1, 2022, the Acquisition and Development Loan is outstanding in the amount of \$11,969,057.

The Acquisition and Development Loan is secured, inter alia, by a lien on approximately 174 acres of the land owned by the Developer in the District, assignments of certain contracts related to the District, and an assignment of lot contracts and proceeds of reimbursement of the Authorized Improvements received from the Town.

The PID Act provides that the Assessment Lien is a first and prior lien against an Assessed Parcel within the District and is superior to all other liens and claims except liens or claims for state, county, school district, or municipality ad valorem taxes. Additionally, at or prior to delivery of the Bonds, the Lender shall consent to and acknowledge the creation of the District, the levy of the Assessments and the subordination of the lien securing the Acquisition and Development Loan to the assessment liens on property within the District securing payment of the Assessments. As a result, the lien on the property within the District securing the Assessments will have priority over the lien on the property within the District securing the Acquisition and Development Loan.

THE DEVELOPMENT CONSULTANT

The Development Consultant is an affiliate of Scarborough Lane Development, Inc. (“Scarborough”), a Dallas, Texas based real estate development and investment firm that brings together the experience, expertise and financial knowledge that is necessary to succeed in the real estate industry. The Development Consultant has been retained by the Developer to assist in the administration and implementation of the Development.

Scarborough’s core team has worked on major successful projects over the last twenty-five years and has a demonstrable track record of residential and commercial developments that use the very latest methods of land planning and development using smart growth practices and green technologies. Currently, Scarborough is managing dozens of large, complex, and multifaceted real estate assets throughout the State.

Ryan Burkhardt, President of Scarborough, has over fifteen years of experience in real estate development, including special district creation and financing. Mr. Burkhardt was previously employed by Ernst and Young, LLP, where he specialized in the real estate sector. He is a graduate of Texas Tech University.

THE ADMINISTRATOR

The following information has been provided by the Administrator. Certain of the following information is beyond the direct knowledge of the Town, the Town’s Financial Advisor and the Underwriter, and none of the Town, the Town’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information. The Administrator has reviewed this Official Statement and warrant and represent that the information herein under the caption “THE ADMINISTRATOR” does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading.

The Town has entered into an agreement with MuniCap, Inc. (the “Administrator”) as the Administrator for the District to provide specialized services related to the administration of the District needed to support the administration of the District. The Administrator is a public finance consulting firm with a specialized consulting practice providing services related to the formation and administration of special tax and special assessment districts. The Administrator currently acts as the administrator for over 300 special assessment and taxing districts in 30 states, including Texas.

The Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The MuniCap Agreement includes seven general types of services provided by the Administrator: (i) administrative support services related to the Assessments, (ii) delinquency management, (iii) prepayment of Assessments, (iv) arbitrage rebate services, (v) continuing disclosure services, (vi) accounting and audit coordination, and (vii) IRS compliance monitoring

MuniCap periodically donates to certain charitable or public events hosted by the Town.

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

The Appraisal

General. Peyco Southwest Realty (the “Appraiser”), prepared an appraisal report for the Town dated August 29, 2022, effective as of September 1, 2022 (for Phase #2B-2) and as of January 1, 2023 (for Phase #4), with respect to the District, based upon a physical inspection of the District conducted on August 16, 2022 (the “Appraisal”). The Appraisal was prepared at the request of the Town. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX G and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth therein. See “APPENDIX G — APPRAISAL OF PROPERTY WITHIN THE DISTRICT.”

Value Estimates. The Appraiser estimated the aggregate market value of the fee simple interest in various tracts of land comprising the land in the District under the hypothetical condition that the Authorized Improvements are completed as described in the Appraisal. See “THE AUTHORIZED IMPROVEMENTS.” The Appraisal does not reflect the as-is condition of the District as the Authorized Improvements have not yet been constructed. Moreover, the Appraisal does not reflect the value of the District as if sold to a single purchaser in a single transaction. The Appraisal provides the fee simple estate values for the District. See “APPENDIX G — APPRAISAL OF PROPERTY IN THE DISTRICT.”

The value estimate for the assessable property within Phase #2B-2 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of September 1, 2022 is \$8,900,000. The value estimate for the assessable property within Phase #4 of the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of January 1, 2023 is \$38,050,000. The aggregate value estimate for the assessable property within the District using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, effective as of the dates provided therein, is \$46,950,000.

None of the Town, the Developer, the Financial Advisor, or the Underwriter makes any representation as to the accuracy, completeness assumptions or information contained in the Appraisal. The assumptions and qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized and the Town, the Developer and the Underwriter make no representation as to the reasonableness of such assumptions.

BONDHOLDERS’ RISKS

General

Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not

be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE TOWN PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE TOWN AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE TOWN'S TAXING POWER TO PAY THE PRINCIPAL OF OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE TOWN SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE TOWN OTHER THAN THE PLEDGED REVENUES, AND OTHER FUNDS COMPRISING THE TRUST ESTATE.

The ability of the Town to pay debt service on the Bonds as due is subject to various factors that are beyond the Town's control. These factors include, among others, (a) the ability or willingness of property owners within the District to pay the Assessments, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within the District, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell the lots or homes within the District, it being understood that poor economic conditions within the Town, State and region may slow the assumed pace of sales of such lots or homes.

The rate of development of the property in the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within the District should proceed more slowly than expected and the Developer is unable to pay the Assessments related to the land owned by such entities, only the value of the lands, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within the District. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the Town or the Town's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

The Town has not applied for or received a rating on the Bonds. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so.

Deemed Representations and Acknowledgment by Investors

Each Investor will be deemed to have acknowledged and represented to the Town the matters set forth under the heading "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" which include, among others, a representation and acknowledgment that the purchase of the Bonds involves investment risks, certain of which are set forth under this heading "BONDHOLDERS' RISKS" and elsewhere herein, and such Investor, either alone or with its purchaser representative(s) (as defined in Rule 501(h) of Regulation D under the Securities Act), has sophisticated knowledge and experience in financial and business matters and the capacity to evaluate such risks in

making an informed investment decision to purchase the Bonds, and the Investor can afford a complete loss of its investment in the Bonds.

Assessment Limitations

Annual Installments of Assessments are billed to property owners in the District. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under “ASSESSMENT PROCEDURES” herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of Bonds maturing in each year and the annual collection costs for such year. See “ASSESSMENT PROCEDURES” herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Annual Installments of Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in the District, the Town has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy” herein.

Upon an ad valorem tax lien foreclosure event of a property within the District, any lien securing an Assessment that is delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Assessments, the liens securing such delinquent ad valorem taxes and delinquent Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, § 372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Assessment Lien as it relates to installment payments that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code § 372.018(d) supports this position, stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property. It is unclear under Texas law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under Texas law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. It is expected that, as of the date of adoption of the Assessment Ordinance, no such homestead rights will be claimed. Furthermore, the Developer is not eligible to claim homestead rights and the Developer is expected to own all of the assessable property within the District as of the date of the Assessment Ordinance. Consequently, there are and can be no homestead rights on the Assessed Parcels superior to the Assessment Lien and, therefore, the Assessment Liens may be foreclosed upon by the Town.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or inability of the Town to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels may result in the inability of the Town to make full or punctual payments of debt service on the Bonds.

THE ASSESSMENTS WILL CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE PROPERTY ASSESSED, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND WILL BE PERSONAL OBLIGATIONS OF AND CHARGES AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN THE DISTRICT.

Overlapping Major Improvement Area Assessment

The property in the District has been assessed with both the Assessments and the Major Improvement Area Assessments. **The Assessments levied for the payment of the Bonds and the Major Improvement Area Assessments (which Major Improvement Area Assessments are pledged to the payment of the Major Improvement Bonds) have a lien of equal dignity on the parcels assessed therefor. In the event of partial payments of the Annual Installments of the Assessments and the Major Improvement Area Assessments, the Denton County Tax Assessor/Collector advises that such partial payments will be applied to the payment of the Annual Installments of the Assessments and the Major Improvement Area Assessments on a pro rata basis unless otherwise directed by the payer of such Annual Installments of the Assessments and the Major Improvement Area Assessments.**

Competition; Real Estate Market

The housing industry in the Dallas-Fort Worth area is very competitive, and none of the Developer, the Town, the Town's Financial Advisor or the Underwriter can give any assurance that the building programs which are planned will ever commence. The successful development of the land within the District, the success of the Development, and the sale of residential units therein, once such homes are built, may be affected by unforeseen changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Developer. Moreover, the Developer has the right to modify or change its plans for development of the District, as a whole from time to time, including, without limitation, land use changes, changes in overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No prediction can be made about the state of the real estate market in the future or the availability of financing for potential home buyers. The competitive position of the Developer in the sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District.

Contracts that the Developer may have with individual homebuilders are subject to a myriad of contractual conditions and contingencies, all or some of which if not complied with, could precipitate a termination or winding up of such contractual arrangement for the sale of lots, causing the Developer to possibly need to execute a different strategy for the development and sale of lots and residential units within the District. As described herein, the Assessments are an imposition against the land only. Neither the Developer nor any other subsequent landowner is a guarantor of the Assessments and the recourse for the failure of the Developer or any other landowner to pay the Assessments is limited to the collection proceedings against the land as described herein.

There can be no assurances that other similar projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development.

TIRZ Credit to Major Improvement Area Assessments and Marketing of the Development

The TIRZ Revenues are generated only from ad valorem taxes levied and collected by the Town on the captured appraisal value in the TIRZ in any year. Any delay or failure by the Developer to develop the District may result in a reduced amount of the TIRZ Revenue being available to credit the Major Improvement Area Assessments. TIRZ Revenues generated from the captured appraised value for each parcel in the District during the development of such parcel will result in a TIRZ Credit which is not sufficient to achieve the Targeted Net Average Major Improvement Area Annual Installment. The TIRZ Credit will likely not provide for the Targeted Net

Average Major Improvement Area Annual Installment until the second year that a home on such parcel is assessed. See “OVERLAPPING TAXES AND DEBT.”

It is uncertain what impact, if any, the TIRZ Credit application to the Annual Installments of the Major Improvement Area Assessments will have on the underwriting of residential mortgages. If the underwriter of a residential mortgage does not recognize the TIRZ Credit it will likely make it more difficult for a borrower to qualify for a home mortgage which could have a negative impact on home sales and projected absorption.

Recent Changes in State Law Regarding Public Improvement Districts; Failure of Developer to Deliver Required Notice Pursuant to Texas Property Code May Affect Absorption Schedule and Provide for Prepayments Causing Partial Redemptions of Bonds

The 87th Legislature passed HB 1543, which became effective September 1, 2021, and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract or purchase and sale. If the Developer or any homebuilders within the District do not provide the required notice and prospective purchasers of property within the District terminate a purchase and sale contract, the anticipated absorption schedule may be affected. In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all costs relative to the purchase, plus interest and reasonable attorney’s fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney’s fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Assessments on such property may be prepaid. In the event of such prepayment, a partial redemption of the Bonds could occur. See “DESCRIPTION OF THE BONDS – Redemption Provisions.” On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further however, if the Developer or any homebuilders within the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The form of notice to be provided to homebuyers is attached to the Service and Assessment Plan and will be attached to each Annual Service Plan Update. See “APPENDIX C — Form of Service and Assessment Plan.”

Risks Related to Current Increase in Costs of Building Materials

As a result of the Pandemic (as defined herein), low supply and demand and the ongoing trade war, there have been substantial increases in the cost of lumber and other materials, causing many homebuilders and general contractors to experience budget overruns. If the costs of material continue to increase, it may affect the ability of the homebuilders to construct homes within the District. There is no way to predict whether such cost increases or low supply of building materials will continue or if such continuance will affect the development of the District.

Loss of Tax Exemption

The Indenture contains covenants by the Town intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. As discussed under the caption “TAX MATTERS” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Town in violation of its covenants in the Indenture.

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

Bankruptcy

The payment of Assessments and the ability of the Town to foreclose on the lien of a delinquent unpaid Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Assessments might not be paid in full.

Direct and Overlapping Indebtedness, Assessments and Taxes

The ability of an owner of property within the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within the District and will likely do so in the future. Such entities could also impose assessment liens on the property within the District. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners to pay the Assessments.

Depletion of Reserve Account of the Reserve Fund

Failure of the owners of property within the District to pay the Assessments when due could result in the rapid, total depletion of Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under "SECURITY FOR THE BONDS — Reserve Account of the Reserve Fund" herein.

Hazardous Substance

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well-known and widely applicable of these laws. It is likely that, should any of the parcels of land located in the District be affected by a hazardous substance, the marketability and value of such parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the District does not take into account the possible liability of the Developer or any homebuilders for the remediation of a hazardous substance condition on the property in the District. The Town has not independently verified, and is not aware, that the Developer or any homebuilders within the District has such a current liability with respect to its property; however, it is possible that such liabilities do currently exist and that the Town is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. The actual occurrence of any of these possibilities could significantly negatively affect the value of a parcel that is realizable upon a foreclosure.

See “THE DEVELOPMENT – Environmental” for discussion of the Phase One ESAs performed on certain property within the District.

Regulation

Development within the District may be subject to future federal, state and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

Bondholders’ Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of at least 25% the owners of the Bonds and its receipt of indemnity satisfactory to it, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Town’s obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The owners of the Bonds cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Town. In this regard, should the Town file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the Town to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “BONDHOLDERS’ RISKS — Bankruptcy Limitation to Bondholders’ Rights” herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the Town to collect delinquent Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Court reviewed *Wasson Interests, Ltd. v. City of Jacksonville* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the

authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

The Town is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the Town's sovereign immunity from a suit for money damages in the absence of Town action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the Town for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the Town under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

No Acceleration

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

Bankruptcy Limitation to Bondholders' Rights

The enforceability of the rights and remedies of the owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Town. The Town is authorized under Texas law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The Town may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the Town decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the Town would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the Town is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under Texas law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the Town's debt.

Successor Trustee

The Indenture provides a contractual limitation which limits the compensation of the Trustee under the terms thereof. In the event that at some point subsequent to the date of the Indenture, the Trustee reasonably expects that the value to be received under the Indenture would otherwise exceed the value limitation established under the terms of the Indenture but for such contractual limitation, the Trustee may seek to (i) amend the Indenture to increase such value if such amendment may be made in accordance with applicable Texas law and the Indenture or (ii) resign as trustee and paying agent pursuant to the terms of the Indenture. Any such amendment to the Indenture (including a supplement appointing a successor trustee) would have to be made in accordance with the terms of the

Indenture. Any successor trustee would have to satisfy the qualifications set forth in, and be appointed in accordance with the terms of, the Indenture. Under certain facts and circumstances, a delay in identifying or appointing a qualified successor trustee to assume the duties and responsibilities of trustee under the Indenture and in accordance with applicable Texas law could result in the delay of certain remedies being available to the Owners of the Bonds. See “APPENDIX B — FORM OF INDENTURE” for more information regarding the process of amending or supplementing the Indenture and the appointment of a successor trustee.

The Indenture provides that, if the position of Trustee shall become vacant for any reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least 25% of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Town. Until such successor Trustee shall have been appointed by the Owners of the Bonds, the Town shall forthwith (and in no event in excess of 30 days after such vacancy occurs) appoint a Trustee to act under the terms of the Indenture. Copies of any instrument of the Town providing for any such appointment shall be delivered by the Town to the Trustee so appointed. The Town shall mail notice of any such appointment to each Owner of any Outstanding Bonds within 30 days after such appointment. Any appointment of a successor Trustee made by the Town immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds. See “APPENDIX B — FORM OF INDENTURE” for more information regarding the process of amending or supplementing the Indenture and the appointment of a successor trustee.

Management and Ownership

The management and ownership of Developer or the homebuilders in the District and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in development projects comparable to that of the Development.

General Risks of Real Estate Investment and Development

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, as well as the operating revenues of the Developer, including those derived from the Development, are not within the control of the Developer. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developer or homebuilders within in the Development.

The Development cannot be initiated or completed without the Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developer.

Potential Future Changes in State Law Regarding Public Improvement Districts

During prior sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding state level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. To date, no legislation has been introduced to act on such recommendations; however, it is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds.

Use of Appraisal

Caution should be exercised in the evaluation and use of valuations included in the Appraisal. The Appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation and specified therein. The estimated market value specified in the Appraisal is not a precise measure of value, but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the appraiser's forecasts for properties in the District is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in the District.

In performing its analysis, the Appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser's, Underwriter's and Town's control, as well as certain factual matters. Furthermore, the Appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation and date of the Appraisal.

Exercise of Third-Party Property Rights

As described herein under "THE DEVELOPMENT — Existing Mineral Rights, Easements and Other Third-Party Property Rights", third parties hold title to certain Third-Party Rights applicable to real property within and around the District, including reservations of mineral rights and royalty interests and easements, pursuant to various instruments in the chain of title for various tracts of land within and around the District.

The Developer does not expect the existence or exercise of such Third-Party Property Rights or other third-party real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within the District to pay Assessments. However, none of the Town's Financial Advisor, the Underwriter, or the Administrator provide any assurances as to the Developer's expectations.

Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates

Set forth below is a summary of certain litigation and other matters involving certain affiliates of Centurion. No assurances can be given as to the result of the following lawsuits or any charges related thereto or the impact, if any, of such result on one or more of Mehrdad Moayed ("Moayed"), the operations of Centurion, and the Developer's ability to continue funding the Development.

Investigation of United Development Funding. Subsidiaries of Centurion American are involved in the development of master planned residential community and mixed-use projects. Some of these projects have previously been developed using funding provided by various entities associated with United Development Funding ("UDF"), including United Development Funding IV, a publicly traded real estate investment trust ("UDF IV"). In connection with governmental investigations of UDF (the "UDF Investigations"), Centurion and some of its

employees were contacted in mid-2016 to provide certain information to such governmental fact-finders as part of an information gathering process on the UDF Investigations. Centurion and its employees fully complied with the information gathering process. Neither Centurion nor any of its employees or affiliates have received any information indicating that they are either targets or subjects of any governmental investigation.

Rainier Medical Investors LLC & RMI River Walk Investors LP v. Centurion Riverwalk, LLC, et al., in Denton County, Texas. Plaintiff Rainier Medical Investors LLC and Plaintiff RMI River Walk Investors, LP (“Rainier Plaintiffs”) brought claims against Defendant Centurion Riverwalk, LLC (“Centurion”) and Defendant 2M Riverwalk, LLC (“2M,” together with Centurion, “Rainier Defendants”) and alleged various causes of action against other defendants, including Defendant Megatel Lakeshores TH, LLC (“Megatel TH”). Megatel TH asserted a cross-petition against Rainier Defendants and Third-Party Defendant Moayeddi for statutory fraud, fraudulent inducement, and breach of contract (“Cross-Claims”). On May 27, 2020, Megatel TH non-suited without prejudice its claims against Moayeddi. On July 8, 2020, the Court signed an order dismissing, with prejudice, all claims between the Rainier Plaintiffs and Rainier Defendants. On April 29, 2021, Megatel TH filed an agreed scheduling order. However, the Court did not sign the Order because the proposed September 20, 2021 trial date was no longer available. Thereafter, without a signed scheduling order reopening discovery, Megatel TH propounded written discovery to the Rainier Defendants and noticed the depositions of the Rainier Defendants. The Rainier Defendants timely objected as discovery was closed. On June 9, 2021, the Rainier Defendants filed their motion for summary judgment. Thereafter, Megatel TH moved to reopen and to compel discovery. On July 15, 2021 the Court heard Megatel TH’s motion to enter new scheduling order, motions to quash depositions, and objections to discovery. The judge granted Megatel’s motions and re-opened discovery. The Rainier Defendants were ordered by the Court to respond to Megatel TH’s written discovery by August 16, 2021. Additionally, the Rainier Defendants’ summary judgment motion, which was originally set for hearing on August 11, 2021, was continued by the Court until after November 30, 2021. Further, the Court ordered the depositions of the Rainier Defendants and Non-Party Travis Boghetich. Megatel TH conducted such depositions on September 15, 2021. Currently, there is no trial date set in this case.

Megatel Homes III, LLC v. Wilbow-Windhaven Development Corporation v. Centurion Windhaven, LP, et al.; in Denton County Texas. Plaintiff Megatel Homes III, LLC (“Megatel”) brought claims against both Defendant Wilbow Windhaven Development Corp. (“Wilbow”), Defendant Centurion Acquisitions, LP (“CA”), and Defendant CADG Windhaven, LLC (“CADG,” collectively with CA, “Centurion Defendants”). Megatel’s claims against Wilbow consist of request for Declaratory Judgment; Breach of Contract; and Indemnity. Megatel’s claims against CA and CADG consist of Breach of Contract; Fraud; and Indemnity. A Motion to Expunge Lis Pendens was granted by court on October 2, 2020. Megatel re-filed the Lis Pendens and Wilbow filed a Motion to Expunge. The court granted the Motion to Expunge the Lis Pendens on May 19, 2021. No trial date is set.

Megatel Claims. Megatel has brought several additional causes of action against Moayeddi, Centurion (and certain of its affiliates) and UDF as listed below. Megatel has asserted various allegations of fraud, RICO violations, conspiracy, breach of fiduciary duty, and others in what Centurion believes to be an attempt to force Moayeddi, Centurion and UDF to settle with Megatel. In addition to the filing of the below lawsuits, Megatel has also filed Lis Pendens against property owned by third-parties, has sent letters to Megatel’s competitors attempting to interfere with their relationship with Centurion and has possibly partnered with parties believed to be adversarial to Moayeddi, Centurion and UDF. Centurion continues to aggressively fight against these actions and against what it believes to be the baseless claims made in the lawsuits.

1. Cause No. 3:20-CV-00688-L: *Megatel Homes, LLC, et al. v. Mehrdad Moayeddi, et al., in U.S. District Court, Northern District of Texas;*
2. Cause No. DC-19-08774 in the 160th Judicial District Court, Dallas Co., Texas; *Megatel Homes, LLC, et. al. v. United Development Funding L.P., et. al.;*
3. Cause No. 380-02960-2020 in the 380th District Court, Collin County, Texas; *Megatel Homes III, LLC v. MM Plano 54, LLC;*
4. Cause No. DC-19-18033 in the 160th District Court, Dallas County, Texas; *Megatel Homes III, LLC v. CADG Mercer MM Holdings, LLC et. al.;*
5. Cause No. 219-01995-2021 in the 219th Judicial District Court, Collin County, Texas; *Megatel Homes III, LLC v. CTMGT Erwin Farms, LLC and CADG Erwin Farms, LLC;*

6. *Cause No. 199-01546-2021 in the 199th Judicial District Court, Collin County, Texas; Megatel Homes III, LLC v. CTMGT Frontier 80, LLC;*
7. *Cause No. DC-21-08227 in the 68th District Court, Dallas County, Texas; Megatel Homes III, LLC v. MM Finished Lots, LLC and CADG Shady Side, LLC; and*
8. *Cause No. 21-8109-431; Megatel Homes III, LLC v. MM Northlake Phase 203, LLC, as successor in interest to CADG Property Holdings III, LLC.*

Infectious Disease Outbreak – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State in response to the Pandemic. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed his declaration monthly, most recently on September 19, 2022. On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and phased reopening of the State. On March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate. Most recently, on July 21, 2021 the Governor issued Executive Order GA-38, which, among other things, maintains that there are no COVID-19 related operating limits for any business or establishment and that no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. The Governor’s order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>.

Most of the federal and state actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. Stock values and crude oil prices, in the United States and globally, have seen significant declines attributed to COVID-19 concerns. The State may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, may reduce or negatively affect economic conditions in the Town and lead to unemployment for property owners within the District or may otherwise have a negative impact on the sale of parcels, lots or homes within the District. The Bonds are secured primarily by Assessments levied on benefitted property within the District. If lot or home sales are negatively impacted by the Pandemic, the Developer will continue to be responsible for the payment of the Assessments as long as it owns such lots.

The Town continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the Town. While the potential impact of the Pandemic on the Town cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Town’s operations and financial condition. None of the Town, the Financial Advisor, the

Underwriter or the Developer can predict the impact the Pandemic may have on the Town, the financial and operating condition of the Developer, the projected buildout schedule, home prices and buildout values or an investment in the Bonds.

Risk from Weather Events

All of the State, including the Town and the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, flooding, heavy rains and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the Town or the District.

100-Year and 500-Year Flood Plain

According to Federal Emergency Management Area Flood Insurance Rate Map for Denton County, Texas, Map Number 48121C0410G, revision date April 18, 2011, (i) approximately 383.562 acres of the Development lie in Zone X (unshaded), defined as areas determined to be outside the 0.2% annual chance floodplain or Zone X (shaded area), defined as areas of 0.2% annual chance of flood with average depths of less than 1 foot or with drainage areas less than 1 square mile and areas protected by levees from 1% annual flood chance and (ii) approximately 64.38 acres of the Development lie in Zone AE, defined as base flood elevations. All of the land in Zone AE is dedicated to open space and will not be used for development. Approximately 35.452 acres in the District are located in Zone AE.

FEMA will from time to time revise its Flood Insurance Rate Maps. None of the Town, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may occur more often than assumed in creating the 100-year flood plain.

Judicial Foreclosures

Judicial foreclosure proceedings are not mandatory; however, the Town has covenanted (subject to the provisions set forth in the Indenture) to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the Town of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the Town must join other taxing units that have claims for delinquent taxes against all or part of the same property and the proceeds of any sale of property the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See “OVERLAPPING TAXES AND DEBT.” Collection of delinquent taxes, assessments and the Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

No Credit Rating

The Town has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

Limited Secondary Market for the Bonds

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a Bondholder thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Bondholder of the Bonds, depending on the progress of development of the District subject to the Assessments, existing real estate and financial market conditions and other factors.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced as APPENDIX D. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Town made in a certificate dated the Closing Date pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Town with the provisions of the Indenture subsequent to the issuance of the Bonds. The Indenture contains covenants by the Town with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Town described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Town as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Town may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The

amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by (i) the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the Town under the Constitution and laws of the State, payable from the Trust Estate and, (ii) based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

Norton Rose Fulbright US LLP, serves as Bond Counsel to the Town. Winstead PC serves as Underwriter's Counsel. The legal fees paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Legal Opinions

The Town will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special obligations of the Town. The Town will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special obligations of the Town under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal thereof and interest thereon, are payable from and secured by a pledge of and lien on the Pledged Revenues. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS." A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX D — Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Limited Offering Memorandum under the captions or subcaptions "PLAN OF FINANCE — The Bonds" and "Prior Bonds Issued to Finance Improvements in the Development" "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS," "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology" "Estimated Lien to Value Analysis in the District" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings," "LEGAL MATTERS — Legal Opinions," "SUITABILITY FOR INVESTMENT," "CONTINUING DISCLOSURE — The Town", "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and APPENDIX B and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance and the Indenture.

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

Litigation — The Town

At the time of delivery and payment for the Bonds, the Town will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or overtly threatened against the Town affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the Town contemplated by any of the said documents, or the collection or application of the Pledged Revenues, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the Town or its authority with respect to the Bonds or any action of the Town contemplated by any documents relating to the Bonds.

Litigation — The Developer

At the time of delivery and payment for the Bonds, the Developer will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the Developer, threatened against or affecting the Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of the Developer or its officers or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Construction, Funding, and Acquisition Agreement or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”).

For a description of litigation and other matters related to affiliated entities of CADG, see “BONDHOLDERS’ RISKS — Developer Principal Financial Relationships and Other Matters Relating to Developer Affiliates.”

SUITABILITY FOR INVESTMENT

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS.” The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the Town or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the Town and the opportunity to ask questions of the Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors and enacted before or after such delivery.

NO RATING

No application for a rating on the Bonds has been made to any rating agency, nor is there any reason to believe that the Town would have been successful in obtaining an investment grade rating for the Bonds had application been made.

CONTINUING DISCLOSURE

The Town

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the Town, the Administrator, and MuniCap, Inc. (in such capacity, the “Dissemination Agent”) will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Issuer”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Issuer, certain financial information and operating data relating to the Town (collectively, the “Town Reports”). The specific nature of the information to be contained in the Town Reports is set forth in “APPENDIX E-1 — Form of Issuer Disclosure Agreement.” Under certain circumstances, the failure of the Town to comply with its obligations under the Disclosure Agreement of the Issuer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Issuer would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The Town has agreed to update information and to provide notices of certain specified events only as provided in the Disclosure Agreement of the Issuer. The Town has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Issuer. The Town makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Town disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Issuer or from any statement made pursuant to the Disclosure Agreement of the Issuer.

The Town’s Compliance with Prior Undertakings

During the last five years, the Town has previously complied in all material respects with its continuing disclosure agreements made in accordance with the Rule.

The Developer

The Developer, the Administrator, and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the “Developer Disclosure Agreement”) for the benefit of the Owners of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Developer Disclosure Agreement, certain information regarding the Development and the Authorized Improvements (collectively, the “Developer Reports”). The specific nature of the information to be contained in the Developer Reports is set forth in “APPENDIX E-2 — Form of Developer Disclosure Agreement.” Under certain circumstances, the failure of the Developer or the Administrator to comply with its obligations under the Developer Disclosure Agreement constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Developer Disclosure Agreement would allow the Owners of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance. The Developer Disclosure Agreement is a voluntary agreement made for the benefit of the holders of the Bonds and is not entered into pursuant to the Rule.

The Developer has agreed to provide (i) certain updated information to the Administrator, which consultant will prepare and provide such updated information in report form and (ii) notices of certain specified events, only as provided in the Developer Disclosure Agreement. The Developer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided in this Limited Offering Memorandum, except as provided in the Developer Disclosure Agreement. The makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Developer Disclosure Agreement or from any statement made pursuant to the Developer Disclosure Agreement.

UNDERWRITING

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the Town at a purchase price of \$_____ (the par amount of the Bonds, less an underwriting discount of \$_____, which includes Underwriter’s Counsel’s fee of \$_____). The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State that have adopted investment policies and guidelines in accordance with the PFIA, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “NO RATING” above. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits only to the extent of their market value. No review by the Town has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The Town made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

INVESTMENTS

The Town invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Town Council. Both Texas law and the Town’s investment policies are subject to change.

Under Texas law, the Town is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies,

counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the Town selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the Town selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the Town appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for Town deposits, or (ii) where (a) the funds are invested by the Town through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Town as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Town; (b) the broker or the depository institution selected by the Town arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Town; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Town appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Town with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Town, held in the Town's name, and deposited at the time the investment is made with the Town or with a third party selected and approved by the Town and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Town, held in the Town's name and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the Town with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and

instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Political subdivisions such as the Town are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than “A” or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Town or a third party designated by the Town; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

INFORMATION RELATING TO THE TRUSTEE

The Town has appointed Wilmington Trust, National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Town of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the Town. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at www.wilmingtontrust.com. Neither the information on the Trustee's website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Bonds.

SOURCES OF INFORMATION

General

The information contained in this Limited Offering Memorandum has been obtained primarily from the Town's records, the Developer and its representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the Town or the Developer described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the

correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Source of Certain Information

The information contained in this Limited Offering Memorandum relating to the description of the Authorized Improvements, the Development and the Developer generally and, in particular, the information included in the sections captioned “PLAN OF FINANCE — Development Plan and Status of Development,” “THE AUTHORIZED IMPROVEMENTS,” “THE DEVELOPMENT,” “THE DEVELOPER,” “BONDHOLDERS’ RISKS” (only as it pertains to the Developer, the Authorized Improvements and the Development), “LEGAL MATTERS — Litigation — The Developer,” and “CONTINUING DISCLOSURE — The Developer” has been provided by the Developer.

Experts

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by MuniCap, Inc. and has been included in reliance upon the authority of such firm as experts in the field of assessment districts and administration thereof.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by the Appraiser and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property.

Updating of Limited Offering Memorandum

If, subsequent to the date of the Limited Offering Memorandum, the Town learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Limited Offering Memorandum to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the Town will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Limited Offering Memorandum satisfactory to the Underwriter; provided, however, that the obligation of the Town to so amend or supplement the Limited Offering Memorandum will terminate when the Town delivers the Bonds to the Underwriter, unless the Underwriter notifies the Town on or before such date that less than all of the Bonds have been sold to ultimate customers; in which case the Town’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Town delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED HEREIN TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE TOWN DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS,

CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

AUTHORIZATION AND APPROVAL

In the Bond Ordinance, the Town Council is expected to approve the form and content of this preliminary Limited Offering Memorandum and authorize and ratify the use of this preliminary Limited Offering Memorandum by the Underwriter in connection with the marketing and sale of the Bonds, and approve the form and content of the final Limited Offering Memorandum.

APPENDIX A

GENERAL INFORMATION REGARDING THE TOWN AND SURROUNDING AREA

The Town

The Town of Little Elm (the “Town”) is a residential community located approximately 10 miles east of the City of Denton and 33 miles north of downtown Dallas, on the northeast shore of Lewisville Lake (the “Lake”) and is the sixth largest municipality in Denton County. The Town was incorporated on June 7, 1966 and adopted its Home Rule Charter in May, 2001. The town is governed by the Town Council, which consists of the Mayor and six Council Members, who serve for three-year staggered terms. The Mayor and Council Members in place one and six are elected at large, while the remainder represent a specific district. At the time of incorporation in 1966, the population of the Town was 363 and the original Town encompassed 1,222 acres. The Town covers approximately 22 square miles. The Town’s location as part of the growing Dallas-Fort Worth Metroplex has resulted in rapid growth over the last several years. The Town’s 2020 census population was 46,453. The Town’s current population estimate is 53,053.

Located on two peninsulas of the Lake, a 23,280 acre reservoir operated by the U.S. Army corps of Engineers, the town has more miles of shoreline than any other community adjacent to the Lake. The Town’s geographic positioning provides shoreline that can be used for numerous recreational opportunities. The Town provides a full range of municipal services, including police and fire protection, municipal courts, street maintenance, engineering, traffic and transportation, water distribution, sewage treatment, sanitation and health inspection, outdoor recreation and library services.

Easy access to the North Dallas Tollway, as well as FM720 (a major road through the Town) provides connections to neighboring cities and job centers (Denton, Frisco, The Colony, Carrollton, Lewisville and Plano). This accessibility to major thoroughfares has been one of the major driving forces in the overall growth and development of the area.

In August 2009, the Lewisville Lake Toll Bridge opened to traffic. The bridge and approaching roadways have provided an east-west connection between Interstate 35E, the North Dallas Tollway, and even further east to State Highway 75. Little Elm has two main arteries that run through the middle of town - FM 720 (Eldorado Parkway) going east towards Frisco and North/Northwest to US Highway 380, and FM 423 going north to US 380 and south to SH 121 in the Colony. Population growth, along with transportation corridor improvements, continues to stimulate both residential and commercial development in Little Elm. Due to surging population growth in the region over the last decade, the Town’s thoroughfares are under major construction. FM 720 (Eldorado Parkway) has just re-opened after a major five-mile thoroughfare expansion. The project expanded Eldorado Parkway from two lanes to a six-lane divided highway with stamped concrete and landscaping in the medians. FM 423 North from Little Elm Parkway to US 380 is currently under construction. The project will expand FM 423 from two lanes to a six-lane divided highway. Estimated completion date is the fall of 2017. FM 720 to US 380 is scheduled to be expanded in two phases. The first phase, which covers FM 720 from West Eldorado to Martop, is in the pre-construction phase. The two-lane roadway is scheduled to be expanded to a six-lane divided thoroughfare. Construction should commence early in 2016, with a projected completion date of spring 2018. The second phase should begin in 2018. Denton County (the “County”) is located in north central Texas and was created in 1846 from Fannin County. The 2010 Census was 662,614, which is a 53.0% increase since 2000. The current population estimate for the County is 758,370. The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay and wheat as the principal source of agricultural income. Minerals produced in the county include natural gas and clay. Institutions of higher education include University of North Texas and Texas Woman’s University. Lake Lewisville attracts over 3,000,000 visitors annually. Alliance Airport, located in the County has continued to expand. Texas Motor Speedway, a major NASCAR race track was opened in 1997, which has had a positive impact on employment and recreations spending for the area.

Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas and other information from the Town.

The following information has been provided for informational purposes only.

Historical Employment in the Town of Little Elm (Average Annual)⁽¹⁾

	Average Annual				
	2022 ⁽²⁾	2021	2020	2019	2018
Civilian Labor Force	31,212	29,602	27,443	27,431	25,826
Total Employed	30,031	28,287	25,650	26,587	24,913
Total Unemployed	1,181	1,315	1,793	844	913
Unemployment Rate	3.8%	4.4%	6.5%	3.1%	3.5%

⁽¹⁾ Source: Texas Workforce Commission.

⁽²⁾ Source: Data through June 2022.

Major Employers in the Town

The major employers in the Town are set forth in the table below. ⁽¹⁾

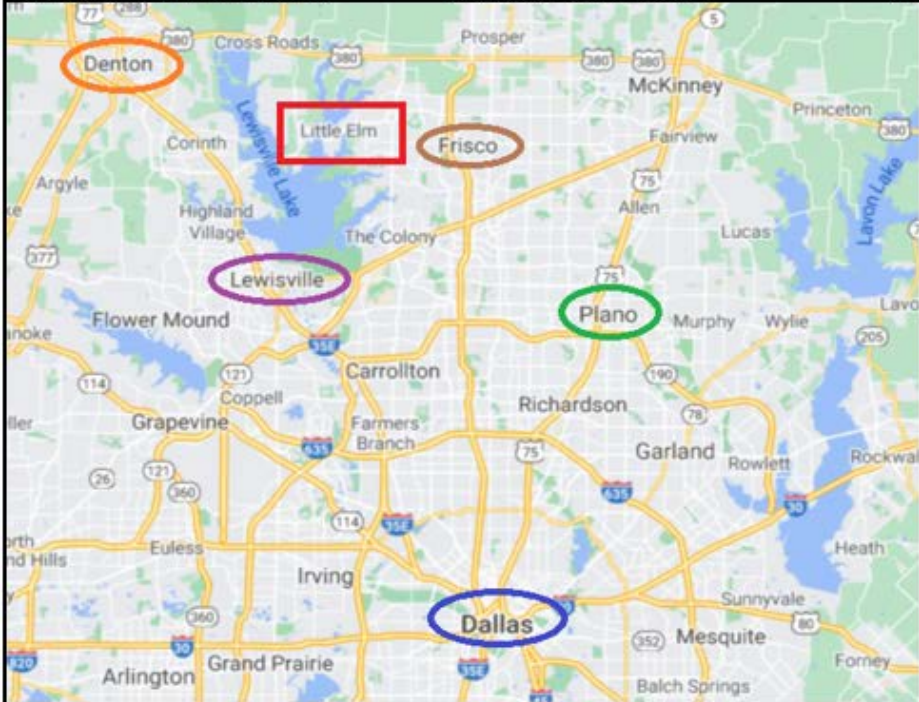
<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Little Elm Independent School District	Education	1,300
Town of Little Elm	Municipal Government	326
Kroger	Grocery	200
Lowes Home Center	Retail	150
Retractable Technologies	Medical Production	149
Holt	Construction Equipment	80
Hula Hut	Restaurant	67

⁽¹⁾ Source: Town of Little Elm 2021 Comprehensive Annual Financial Report

Surrounding Economic Activity

The major employers in municipalities surrounding the Town are set forth in the table below.

City of Frisco		City of Denton		City of Lewisville	
Approximately 6 miles from the City		Approximately 11 miles from the City		Approximately 9 miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Frisco ISD	7,442	University of North Texas	8,891	Lewisville ISD	3,076
City of Frisco	1,628	Denton ISD	4,431	Wal-Mart	1,136
T-Mobile USA	1,000	Peterbilt Motors-Headquarters & Plz	2,000	Bed Bath & Beyond	825
Mario Sinacola & Sons Excavating	800	Denton County	1,822	City of Lewisville	776
Conifer	615	Denton State Supported Living Cent	1,146	TIAA-CREF	650
Baylor Medical Center	460	City of Denton	1,104	Mary Kay	626
Fiserv	460	Texas Presbyterian Hospital	1,100	HOYA Vision Care	566
IKEA Frisco	423	Sally Beauty Holdings, Inc.	1,000	Medical City Lewisville	532
UT Southwestern/ Texas Health Hosp.	415	Medical City Denton	799	SYSCO	476
Baylor Scott White/ Centennial Hosp.	400	Safran Electrical & Power	571	Othofix	451



City of Plano	
Approximately 16 miles from the City	
Employer	Employees
Capital One Finance	5,023
JP Morgan Chase	4,988
Toyota Motor North America, Inc.	3,815
Liberty Mutual Insurance Company	2,652
Ericsson	2,545
AT&T Foundry	2,500
PepsiCo	1,881
NTT DATA, Inc.	1,794
Frito-Lay	1,712
FedEx Office	1,186

City of Dallas	
Approximately 23 miles from the City	
Employer	Employees
Texas Instruments Inc.	11,527
Baylor University Medical Center	9,671
AT&T Inc.	8,100
Southwestern Airlines	7,859
Texas Health Presbyterian Hospital Dalla	6,501
TXU	5,500
Match Group	4,800
ClubCorp USA Inc.	4,634
Children's Medical Center of Dallas	4,487
Walmart Store	4,205

Source: Municipal Advisory Council of Texas

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APPENDIX B
FORM OF INDENTURE

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INDENTURE OF TRUST

By and Between

TOWN OF LITTLE ELM, TEXAS

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

DATED AS OF NOVEMBER 1, 2022

SECURING

\$ _____
TOWN OF LITTLE ELM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of November 1, 2022 is by and between the TOWN OF LITTLE ELM, TEXAS (the "Town"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, a petition was submitted and filed with the Town Secretary of the Town (the "Town Secretary") pursuant to the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended (the "PID Act"), requesting the creation of a public improvement district located within the corporate limits of the Town to be known as the Valencia Public Improvement District No. 2 (the "District"); and

WHEREAS, the petition contained the signature of the owner of taxable property representing more than fifty percent of the appraised value of taxable real property liable for assessment within the District, as determined by the then current ad valorem tax rolls of the Denton Central Appraisal District, and the signature of the record owner of taxable real property that constitutes more than fifty percent of the area of all taxable property that is liable for assessment by the District; and

WHEREAS, on August 16, 2022, after due notice, the Town Council of the Town (the "Town Council") held the public hearing in the manner required by law on the advisability of the improvement projects and services described in the petition as required by Section 372.009 of the PID Act and on August 16, 2022, the Town Council made the findings required by Section 372.009(b) of the PID Act and, by Resolution No. 0816202201, adopted by a majority of the members of the Town Council, authorized the District in accordance with its finding as to the advisability of the improvement projects and services and also made findings and determinations relating to the estimated total costs of certain Authorized Improvements; and

WHEREAS, on August 19, 2022, the Town filed a copy of Resolution No. 0816202201 with the county clerk of each county in which all or a part of the District is located in accordance with the provisions of the PID Act; and

WHEREAS, no written protests of the District from any owners of record of property within the District were filed with the Town Secretary within 20 days after August 16, 2022, and

WHEREAS, on September 6, 2022 the Town Council by Resolution No. 0906202201 made findings and determinations relating to the Actual Costs of certain Authorized Improvements allocable to the property within the District, received and accepted a preliminary Service and Assessment Plan, including a proposed assessment roll for the District, called a public hearing for October 18, 2022, and directed Town staff to: (i) file said proposed assessment roll with the Town Secretary and make it available for public inspection as required by Section 372.016(b) of the PID Act, and (ii) publish such notice of the October 18, 2022 hearing as required by Section 372.016(b) of the PID Act; and

WHEREAS, on September 17, 2022, the Town Council, pursuant to Section 372.016(b) of the PID Act, published notice of the public hearing in the *Denton Record-Chronicle*, a newspaper of general circulation in the Town, to consider the proposed "Assessment Roll" and the "Valencia Public Improvement District No. 2 Service and Assessment Plan" (as updated,

amended, or restated, the "Service and Assessment Plan"), and the levy of the "Assessments" on property in the District; and

WHEREAS, the Town Council, pursuant to Section 372.016(c) of the PID Act, mailed notice of the public hearing to consider the proposed Assessment Roll, and the Service and Assessment Plan and the levy of the Assessments on property in the District to the last known address of the owner of the property liable for the Assessments; and

WHEREAS, on October 18, 2022, the Town Council convened the public hearing with respect to the Assessments, at which time, all persons who appeared, or requested to appear, in person or by their attorney, were given the opportunity to contend for or contest the proposed Service and Assessment Plan, the proposed Assessment Roll and Assessments, and to offer testimony pertinent to any issue presented on the amount of the Assessments, the allocation of the Actual Costs of the Authorized Improvements (as defined herein), the purposes of the Assessments, the special benefits of the Authorized Improvements, and the penalties and interest on Annual Installments (as defined herein) and on delinquent Annual Installments of the Assessments, and there were no written protests, objections or evidence submitted to the Town Secretary in opposition to the Service and Assessment Plan, the allocation of Actual Costs of the Authorized Improvements, the Assessment Roll, and the levy of the Assessments; and

WHEREAS, the Town Council closed the hearing with respect to the Assessments, and, after considering all written and documentary evidence presented at the hearing, including all written comments and statements filed with the Town, the Town Council approved Ordinance No. _____ (the "Assessment Ordinance"), which levied the Assessments and approved and accepted the Service and Assessment Plan as the service and assessment plan in conformity with the requirements of the PID Act and the Town Council found and determined that the Assessments should be levied as provided in the Service and Assessment Plan and the Assessment Roll; and

WHEREAS, the Town Secretary will file a copy of the Assessment Ordinance with the county clerk of each county in which all or a part of the District is located not later than the seventh day after the Town approved the Assessment Ordinance in accordance with the provisions of the PID Act; and

WHEREAS, the Town Council is authorized by the PID Act to issue its revenue bonds payable from the Assessments for the purpose of (i) paying a portion of the Actual Costs of the Authorized Improvements, (ii) paying a portion of the interest on the Bonds (as defined herein) during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance of the Bonds; and

WHEREAS, the Town Council now desires to issue revenue bonds, in accordance with the PID Act, such bonds to be entitled "Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)" (the "Bonds"), such Bonds being payable solely from the Trust Estate (defined below) and for the purposes set forth in the preamble of this Indenture; and

WHEREAS, prior to the issuance of the Bonds, evidence satisfactory to the Town and its advisors has been presented that the requirements of Section 13.2(e) of the indenture authorizing the Major Improvement Area Bonds have been satisfied and that the Bonds may be issued as additional obligations in accordance with such indenture; and

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms set forth in this Indenture;

NOW, THEREFORE, the Town, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN, and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the "Trust Estate"):

FIRST GRANTING CLAUSE

The Pledged Revenues, as herein defined, and all moneys and investments held in the Pledged Funds, including any and all proceeds thereof and any contract or any evidence of indebtedness related thereto or other rights of the Town to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and

SECOND GRANTING CLAUSE

Any and all other property or money of every name and nature which is, from time to time hereafter by delivery or by writing of any kind, conveyed, pledged, assigned or transferred, to the Trustee as additional security hereunder by the Town or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property or money at any and all times and to hold and apply the same subject to the terms thereof;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors or assigns;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Bonds from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Bonds in accordance with their terms, and for the performance of and compliance with the obligations, covenants, and conditions of this Indenture;

PROVIDED, HOWEVER, that if and to the extent any Assessments have been prepaid, the lien on real property associated with such Assessment prepayment shall be released and any rights of the Trustee and the Owners as provided in this Indenture to request the Town proceed with foreclosure procedures for the purpose of protecting and enforcing the rights of the Owners with respect to the Assessments levied against such property shall terminate;

PROVIDED, FURTHER, HOWEVER, if the Town or its assigns shall well and truly pay, or cause to be paid, the principal or Redemption Price (as defined herein) of and the interest on all the Bonds at the times and in the manner stated in the Bonds, according to the true intent and meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture is to be and remain in full force and effect;

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as

hereinafter expressed, and the Town has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds as follows:

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.1. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Indenture, the following terms shall have the meanings specified below:

“Account” means any of the accounts established pursuant to Section 6.1 of this Indenture.

“Actual Costs” means, with respect to the Authorized Improvements, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a Certification for Payment that has been reviewed and approved by the Town. Actual Costs may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction, and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, and taxes, (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders, and material men in connection with the acquisition, construction or implementation of such Authorized Improvements, (f) all related permitting, zoning, and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, Town permit fees, and development fees), insurance premiums, and miscellaneous expenses.

“Additional Interest” means the amount collected by application of the Additional Interest Rate.

“Additional Interest Rate” means the 0.50% additional interest rate charged on the Assessments pursuant to Section 372.018 of the PID Act.

“Additional Interest Reserve Account” means the reserve account administered by the Town and segregated from other funds of the Town in accordance with the provisions of Section 6.7 of this Indenture.

“Additional Interest Reserve Requirement” means an amount equal to 5.50% of the principal amount of the Outstanding Bonds to be funded from Assessment Revenues to be deposited to the Pledged Revenue Fund and transferred to the Additional Interest Reserve Account.

“Additional Obligations” means any bonds or obligations, including specifically, any installment contracts, reimbursement agreements, temporary notes or time warrants hereafter issued or incurred and secured in whole or in part by an assessment, other than the Assessments securing the Bonds, levied against property within the District in accordance with the PID Act.

"Administrative Expenses" mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of: (i) creating and organizing the District, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the District, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of installments of the Assessments and the system of registration and transfer of the Bonds, (v) issuing, paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds. Administrative Expenses collected and not expended for actual Administrative Expenses in one year shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

"Administrative Fund" means that Fund established by Section 6.1 and administered pursuant to Section 6.9 hereof.

"Administrator" means an employee of the Town or third-party designee of the Town who shall have the responsibilities provided in the Service and Assessment Plan, this Indenture, or any other agreement or document approved by the Town related to the duties and responsibilities of the administration of the District. The initial Administrator is MuniCap, Inc.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of Sinking Fund Installments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any Sinking Fund Installments due in such Bond Year).

"Annual Installment" means, with respect to each Assessed Parcel, each annual payment of the Assessments (including both principal of and interest on the Assessments) as shown on the Assessment Roll attached to the Service and Assessment Plan as Appendix G as it relates to the Authorized Improvements; which annual payment includes Administrative Expenses and the Additional Interest collected on each annual payment of the Assessments as described in Section 6.7 herein and as defined and calculated in the Service and Assessment Plan or in any Annual Service Plan Update.

"Annual Service Plan Update" means the annual review and update of the Service and Assessment Plan required by the PID Act and the Service and Assessment Plan.

"Applicable Laws" means the PID Act, and all other laws or statutes, rules, or regulations, and any amendments thereto, of the State of Texas or of the United States, by which the Town and its powers, securities, operations, and procedures are governed or from which its powers may be derived.

"Assessed Parcel" means each respective parcel of land located within the District against which an Assessment has been levied in accordance with the Assessment Ordinance in accordance with the Service and Assessment Plan.

"Assessed Property" means, collectively, all Assessed Parcels.

“Assessment Ordinance” means, Ordinance No. ____ adopted by the Town Council on October 18, 2022 that levied the Assessments on the Assessed Property.

“Assessments” means, collectively the aggregate Assessments as shown on the Assessment Roll. The singular of such term means the assessment levied against an Assessed Parcel as shown on the Assessment Roll, subject to the reallocation upon the subdivision of an Assessed Parcel or reduction according to the provisions of the Service and Assessment Plan and the PID Act.

“Assessment Revenue” means monies collected by or on behalf of the Town from any one or more of the following: (i) an Assessment levied against the Assessed Property, or Annual Installment payment thereof, including any interest on such Assessment, or Annual Installment thereof, during any period of delinquency, (ii) a Prepayment, and (iii) Foreclosure Proceeds.

“Assessment Roll” means the Assessment Roll attached as Appendix G to the Service and Assessment Plan or any other assessment roll in an amendment or supplement to the Service and Assessment Plan or in an Annual Service Plan Update, showing the total amount of the Assessments against each Assessed Parcel related to the Bonds and the Authorized Improvements, as updated, modified, or amended from time to time, in accordance with the terms of the Service and Assessment Plan and the PID Act.

“Authorized Denomination” means \$100,000 and any integral multiple of \$1,000 in excess thereof; provided, however, that if the total principal amount of any Outstanding Bond is less than \$100,000 then the Authorized Denomination of such Outstanding Bond shall be the amount of such Outstanding Bond.

“Authorized Improvements” means collectively, the Authorized Improvements to be constructed within the District, as described in Section III of the Service and Assessment Plan.

“Authorized Improvements Account” means the Account of such name established pursuant to Section 6.1.

“Bond” means any of the Bonds.

“Bond Counsel” means Norton Rose Fulbright US LLP or any other attorney or firm of attorneys designated by the Town that is nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Date” means the date designated as the initial date of the Bonds by Section 3.2(a) of this Indenture.

“Bond Fund” means the Fund of such name established pursuant to Section 6.1 and administered as provided in Section 6.4.

“Bond Ordinance” means Ordinance No. ____ adopted by the Town Council on October 18, 2022 authorizing the issuance of the Bonds pursuant to this Indenture.

“Bond Pledged Revenue Account” means the Account of such name established pursuant to Section 6.1.

“Bond Year” means the one-year period beginning on September 1 in each year and ending on August 31 in the following year.

“Bonds” means the Town's bonds authorized to be issued by Section 3.1 of this Indenture entitled “Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)”.

“Business Day” means any day other than a Saturday, Sunday or legal holiday in the State of Texas observed as such by the Town or the Trustee.

“Capitalized Interest Account” means the Account of such name established pursuant to Section 6.1.

“Certification for Payment” means a certificate substantially in the form of Exhibit B attached to the Construction, Funding, and Acquisition Agreement and/or otherwise approved by the Developer and a Town Representative executed by a Person approved by a Town Representative, delivered to the Town Representative and the Trustee specifying the amount of work performed related to the Authorized Improvements and the Actual Costs thereof, and requesting payment for such Actual Costs from money on deposit in the proper account of the Project Fund, as further described in the Construction, Funding, and Acquisition Agreement and Section 6.5 herein.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

“Construction, Funding and Acquisition Agreement” means the “Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement” by and between the Town and the Developer dated as of October 18, 2022 which provides, in part, for the deposit of proceeds from the issuance and sale of the Bonds and the payment of costs of Authorized Improvements within the District, the issuance of bonds, and other matters related thereto.

“Costs of Issuance Account” means the Account of such name established pursuant to Section 6.1.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities.

“Delinquent Collection Costs” means the costs related to the foreclosure on an Assessed Parcel and the costs of collection of the respective delinquent Assessment, in accordance with the PID Act, including penalties and reasonable attorney's fees actually paid, but excluding amounts representing interest and penalty interest.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Indenture, the transfer/payment office located in Wilmington, Delaware, or such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the Town and such successor.

"Developer" means Valencia on the Lake 2B2 & 4, LLC, a Texas limited liability company, and its successors and assigns.

"District Administration Account" means the Account of such name established pursuant to Section 6.1.

"DTC" shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Foreclosure Proceeds" means the proceeds, including interest and penalty interest, received by the Town from the enforcement of the Assessments against any Assessed Parcel or Assessed Parcels, whether by foreclosure of lien or otherwise, but excluding and net of all Delinquent Collection Costs.

"Fund" means any of the funds established pursuant to Section 6.1 of this Indenture.

"Indenture" means this Indenture of Trust as originally executed or as it may be from time to time supplemented or amended by one or more indentures supplemental hereto and entered into pursuant to the applicable provisions hereof.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the Town who, or each of whom: (i) is judged by the Town, as the case may be, to have experience in matters relating to the issuance and/or administration of the Bonds; (ii) is in fact independent and not under the domination of the Town; (iii) does not have any substantial interest, direct or indirect, with or in the Town, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the Town as an officer or employee of the Town, but who may be regularly retained to make reports to the Town.

"Initial Bond" means the Initial Bond as set forth in Exhibit A to this Indenture.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being on September 1 and March 1 of each year, commencing March 1, 2023.

"Investment Securities" means those authorized investments described in the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended; and provided further such investments are, at the time made, included in and authorized by the Town's official investment policy as approved by the Town Council from time to time.

"Major Improvement Area Bonds" means the "Town of Little Elm, Texas, Special Assessment Revenue Refunding Bonds, Series 2018 (Valencia Public Improvement District Major Improvement Area Project)" authorized pursuant to an indenture of trust between the Town and the Trustee dated as of March 1, 2018.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Minor Amount Redemption” means a redemption, pursuant to Section 4.4 of this Indenture of a principal amount, of Bonds that is less than 10% of the Outstanding principal amount of the Bonds.

“Outstanding” means, as of any particular date when used with reference to Bonds, all Bonds authenticated and delivered under this Indenture except (i) any Bond that has been canceled by the Trustee (or has been delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for which the payment of the principal or Redemption Price of and interest on such Bond shall have been made as provided in Article IV, and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Section 3.10 herein.

“Owner” means the Person who is the registered owner of a Bond or Bonds, as shown in the Register, which shall be Cede & Co., as nominee for DTC, so long as the Bonds are in book-entry only form and held by DTC as securities depository in accordance with Section 3.11 herein.

“Paying Agent/Registrar” means initially the Trustee, or any successor thereto as provided in this Indenture.

“Person” or “Persons” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PID Act” means Texas Local Government Code, Chapter 372, as amended.

“Pledged Funds” means the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

“Pledged Revenue Fund” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.3 herein.

“Pledged Revenues” means the sum of (i) Assessment Revenue less the Administrative Expenses and (ii) any additional revenues that the Town may pledge to the payment of Bonds.

“Prepayment” means the payment of all or a portion of an Assessment before the due date thereof.

“Principal and Interest Account” means the Account of such name established pursuant to Section 6.1.

“Project Fund” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.5 herein.

“Purchaser” means the initial purchaser of the Bonds.

“Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Rebate Fund” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.8 herein.

“Record Date” means the close of business on the fifteenth calendar day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

“Redemption Fund” means that fund of such name established pursuant to Section 6.1 and administered pursuant to Section 6.6 herein.

“Redemption Price” means, when used with respect to any Bond or portion thereof subject to optional redemption pursuant to the provisions hereof, the applicable redemption price shown in Article IV of this Indenture.

“Refunding Bonds” means bonds issued pursuant to the PID Act and/or Chapter 1207 of the Texas Government Code or any other applicable law of the State of Texas (each as amended) to refund all or any portion of the then-Outstanding Bonds.

“Register” means the register specified in Article III of this Indenture.

“Reserve Account” means the Account of such name established pursuant to Section 6.1.

“Reserve Account Requirement” means the least of: (i) Maximum Annual Debt Service on the Bonds as of the Closing Date, (ii) 125% of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) 10% of the lesser of the principal amount of the Outstanding Bonds or the original issue price of the Bonds. As of the Closing Date, the Reserve Account Requirement is \$_____ which is an amount equal to [Maximum Annual Debt Service on the Bonds as of the Closing Date].

“Reserve Fund” means that fund of such name established pursuant to Section 6.1 and administered in Section 6.7 herein.

“Service and Assessment Plan” means the “Valencia Public Improvement District No. 2, Service and Assessment Plan”, dated October 18, 2022, including the Assessment Roll, as amended, updated, and/or restated by an Annual Service Plan Update or otherwise, a version of which is attached as an exhibit to the Assessment Ordinance.

“Sinking Fund Installment” means the amount of money to redeem or pay at maturity the portion of the principal of Bonds payable from such installments at the times and in the amounts provided in Section 4.2 herein.

“Stated Maturity” means the date the Bonds, or any portion of the Bonds, as applicable, are scheduled to mature without regard to any redemption or prepayment.

“Substantial Amount Redemption” means a redemption, pursuant to Section 4.4 of this Indenture, of a principal amount of Bonds that is greater than or equal to 10% of the Outstanding principal amount of the Bonds.

“Supplemental Indenture” means an indenture which has been duly executed by the Trustee and the Town Representative pursuant to an ordinance adopted by the Town Council and which indenture amends or supplements this Indenture, but only if and to the extent that such indenture is specifically authorized hereunder.

“Tax Certificate” means the Certificate as to Tax Exemption delivered by the Town on the Closing Date for the Bonds setting forth the facts, estimates and circumstances in existence on the Closing Date which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the interest on such Bonds to be included in the gross income of the Owners thereof for Federal income tax purposes.

“Town Certificate” means a certificate signed by a Town Representative and delivered to the Trustee.

“Town Representative” means any official or agent of the Town authorized by the Town Council to undertake the action referenced herein.

“Trust Estate” means the Trust Estate described in the granting clauses of this Indenture.

“Trustee” means Wilmington Trust, National Association, Dallas, Texas and its successors, and any other corporation or association that may at any time be substituted in its place, as provided in Article IX, such entity to serve as Trustee and Paying Agent/Registrar for the Bonds.

Section 1.2. Findings.

The declarations, determinations and findings declared, made and found in the preamble to this Indenture are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.3. Table of Contents, Titles and Headings.

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 1.4. Interpretation.

(a) 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.

(b) Words importing persons include any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(c) Any reference to a particular Article or Section shall be to such Article or Section of this Indenture unless the context shall require otherwise.

(d) This Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Indenture.

ARTICLE II

THE BONDS

Section 2.1. Security for the Bonds.

The Bonds, as to both principal and interest, are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Trust Estate.

The lien on and pledge of the Trust Estate shall be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate,

the filing of this Indenture or any other act; all as provided in Texas Government Code, Chapter 1208, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the Town under this Indenture, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Trust Estate granted by the Town under this Indenture is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Owners of the Bonds the perfection of the security interest in said pledge, the Town agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 2.2. Limited Obligations.

The Bonds are special and limited obligations of the Town, payable solely from and secured solely by the Trust Estate, including the Pledged Revenues and the Pledged Funds; and the Bonds shall never be payable out of funds raised or to be raised by taxation or from any other revenues, properties or income of the Town.

Section 2.3. Authorization for Indenture.

The terms and provisions of this Indenture and the execution and delivery hereof by the Town to the Trustee have been duly authorized by official action of the Town Council of the Town. The Town has ascertained and it is hereby determined and declared that the execution and delivery of this Indenture is necessary to carry out and effectuate the purposes set forth in the preambles of this Indenture and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes herein described.

Section 2.4. Contract with Owners and Trustee.

(a) The purposes of this Indenture are to establish a lien and the security for, and to prescribe the minimum standards for the authorization, issuance, execution and delivery of, the Bonds and to prescribe the rights of the Owners, and the rights and duties of the Town and the Trustee.

(b) In consideration of the purchase and acceptance of any or all of the Bonds by those who shall purchase and hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Town with the Owners, and shall be deemed to be and shall constitute a contract among the Town, the Owners, and the Trustee.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.1. Authorization.

The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly the PID Act, as amended. The Bonds shall be issued in the aggregate principal amount of \$_____ for the purpose of (i) paying a portion of the Actual Costs of the Authorized Improvements, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Authorized

Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance of the Bonds.

Section 3.2. Date, Denomination, Maturities, Numbers and Interest.

(a) The Bonds shall be dated November 1, 2022 (the "Bond Date") and shall be issued in Authorized Denominations. The Bonds shall be in fully registered form, without coupons, and shall be numbered separately from R-1 upward, except the Initial Bond, which shall be numbered T-1.

(b) Interest shall accrue and be paid on each Bond from the later of the Closing Date or the most recent Interest Payment Date to which interest has been paid or provided for, at the rate per annum set forth below until the principal thereof has been paid on the maturity date specified below or otherwise provided for. Such interest shall be payable semiannually on September 1 and March 1 of each year, commencing March 1, 2023, computed on the basis of a 360-day year of twelve 30-day months.

(c) The Bonds shall mature on September 1 in the years and in the principal amounts and shall bear interest as set forth below:

<u>Year</u>	<u>Principal Amount(\$)</u>	<u>Interest Rate (%)</u>
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(d) The Bonds shall be subject to mandatory sinking fund redemption, optional redemption, and extraordinary optional redemption prior to maturity as provided in Article IV herein, and shall otherwise have the terms, tenor, denominations, details, and specifications as set forth in the form of Bond set forth in Exhibit A to this Indenture.

Section 3.3. Conditions Precedent to Delivery of Bonds.

The Bonds shall be executed by the Town and delivered to the Trustee, whereupon the Trustee shall authenticate the Bonds and, upon payment of the purchase price of the Bonds, shall deliver the Bonds upon the order of the Town, but only upon delivery to the Trustee of:

- (a) a certified copy of the executed Assessment Ordinance;
- (b) a copy of the executed Bond Ordinance;
- (c) a copy of the executed Construction, Funding, and Acquisition Agreement;
- (d) a copy of this Indenture executed by the Trustee and the Town; and
- (e) a Town Certificate directing the authentication and delivery of the Bonds, describing the Bonds to be authenticated and delivered, designating the purchasers to whom the Bonds are to be delivered, stating the purchase price of the Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the Town.

Section 3.4. Medium, Method and Place of Payment.

(a) Principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be payable to the Owners thereof as shown in the Register at the close of business on the relevant Record Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from or on behalf of the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

(c) Interest on the Bonds shall be paid by check, dated as of the Interest Payment Date, and sent, United States mail, first-class, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each Owner as such appears in the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 3.2 of this Indenture.

(f) Unclaimed payments of amounts due hereunder shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which such unclaimed payments pertain. Subject to any escheat, abandoned property, or similar law of the State of Texas, any such payments remaining unclaimed by the Owners entitled thereto for two years after the applicable payment or redemption date shall be applied to the next payment or payments on such Bonds thereafter coming due and, to the extent any such money remains after the retirement of all Outstanding Bonds, shall be paid to the Town to be used for any lawful purpose. Thereafter, none of the Town, the Paying Agent/Registrar, or any other Person shall be liable or responsible to any Owners for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law of the State of Texas.

Section 3.5. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the Town by the Mayor or Mayor Pro Tem and Town Secretary, by their manual or facsimile signatures, and the official seal of the Town shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Town had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the Town whose manual or facsimile signature appears on the Bonds ceases to hold such office before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Indenture unless and until there appears thereon the Certificate of Trustee substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Trustee. It shall not be required that the same officer or authorized signatory of the Trustee sign the Certificate of Trustee on all of the Bonds. In lieu of the executed Certificate of Trustee described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his or her duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas, is a valid and binding obligation of the Town, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchaser, or its designee, executed with the manual or facsimile signatures of the Mayor or Mayor Pro Tem and the Town Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.6. Ownership.

(a) The Town, the Trustee, the Paying Agent/Registrar and any other Person may treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment as provided herein (except interest shall be paid to the Person in whose name such Bond is registered on the relevant Record Date) and for all other purposes, whether or not such Bond is overdue, and neither the Town nor the Trustee, nor the Paying Agent/Registrar, shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of any Bond shall be valid and effectual and shall discharge the liability of the Town, the Trustee and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.7. Registration, Transfer and Exchange.

(a) So long as any Bond remains Outstanding, the Town shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Indenture. The Paying Agent/Registrar represents and warrants that it will, upon written instruction, file and maintain a copy of the Register with the Town, and shall cause the Register to be current with all registration and transfer information as from time to time may be applicable.

(b) A Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and bearing the same interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange.

(d) The Trustee is hereby authorized to authenticate and deliver Bonds transferred or exchanged for other Bonds in accordance with this Section. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first-class, postage prepaid, to the Owner or his designee. Each transferred Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the Town and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such transferred Bond is delivered.

(e) Each exchange Bond delivered in accordance with this Section shall constitute an original contractual obligation of the Town and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(f) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different Authorized Denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

(g) Neither the Town nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond or portion thereof called for redemption prior to maturity within 45 days prior to the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond redeemed in part.

Section 3.8. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Indenture, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and

delivered in accordance with this Indenture, shall be cancelled, and proper records shall be made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with the records retention requirements of the Trustee.

Section 3.9. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the Town may execute and, upon the Town's request, the Trustee shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Town executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Indenture.

(c) The Town, without unreasonable delay, shall prepare, execute and deliver to the Trustee the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and the Trustee shall authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in an Authorized Denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.10. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Trustee shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The Town or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Trustee, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the Trustee to save them and the Town harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Trustee and the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the Town and the Trustee.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Town and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost, or expense incurred by the Town, the Paying Agent/Registrar or the Trustee in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the Town and shall be entitled to the benefits and security of this Indenture to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.11. Book-Entry Only System.

The Bonds shall initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the Town to DTC. On the Closing Date, the definitive Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Town and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Town and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other Person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Indenture to the contrary, the Town and the Paying Agent/Registrar shall be entitled to treat and consider the Person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Indenture, and all such

payments shall be valid and effective to fully satisfy and discharge the Town's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the Town to make payments of amounts due pursuant to this Indenture. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks or drafts being mailed to the registered owner at the close of business on the relevant Record Date, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

Section 3.12. Successor Securities Depository: Transfer Outside Book-Entry-Only System.

In the event that the Town determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the Town to DTC, the Town shall (i) appoint a successor securities depository, qualified to act as such under Section 17A of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Paying Agent/Registrar to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

Section 3.13. Payments to Cede & Co.

Notwithstanding any other provision of this Indenture to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the blanket letter of representations from the Town to DTC.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.1. Limitation on Redemption.

The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article IV.

Section 4.2. Mandatory Sinking Fund Redemption.

(a) The Bonds are subject to mandatory sinking fund redemption prior to their Stated Maturity and will be redeemed by the Town in part at the price of par plus accrued and unpaid interest to the redemption date (the "Redemption Price") from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to Article VI, on the dates and in the respective Sinking Fund Installments as set forth in the following schedule:

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
------------------------	--

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__ *

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
------------------------	--

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__ *

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
------------------------	--

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__ *

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
------------------------	--

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__

September 1, 20__ *

* maturity

(b) At least 45 days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by subparagraphs (c) and (d) of this Section 4.2, the Trustee shall select a principal amount of Bonds (in accordance with Section 4.5) of such maturity equal to the Sinking Fund Installment amount of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in Section 4.6.

(c) The principal amount of Bonds of a Stated Maturity required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced, at the option of the Town, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the mandatory sinking fund redemption date shall have been acquired by the Town at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

(d) The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date pursuant to subparagraph (a) of this Section 4.2 shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.3. Optional Redemption.

The Town reserves the right and option to redeem Bonds maturing on or after September 1, 20__, before their respective scheduled maturity date, in whole or in part, on any date on or after September 1, 20__, at the Redemption Price.

Section 4.4. Extraordinary Optional Redemption.

Notwithstanding any provision in this Indenture to the contrary, the Town reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part and in an amount and on a date specified in a Town Certificate, at the Redemption Price of 100% of the principal amount of such Bonds, or portions thereof, to be redeemed plus accrued interest to the date of redemption from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund made pursuant to the terms of this Indenture) or as a result of unexpended amounts transferred from the Project Fund pursuant to the terms of this Indenture or any other transfers to the Redemption Fund pursuant to the terms of this Indenture. The Town will provide the Trustee a Town Certificate directing the Bonds to be redeemed pursuant to this Section 4.4, in accordance with the provisions of Section 4.5 hereof.

Section 4.5. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Sections 4.2, 4.3, or 4.4, Bonds shall be redeemed in minimum principal amounts of \$1,000 or any integral multiple thereof. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by \$1,000. No redemption shall result in a Bond in a denomination of less than the Authorized Denomination in effect at that time; provided, however, if the amount of the Outstanding Bond is less than an Authorized Denomination after giving effect to such partial redemption, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued.

(b) In selecting the Bonds to be redeemed pursuant to Section 4.2, the Trustee may select Bonds in any method that results in a random selection.

(c) In selecting the Bonds to be redeemed pursuant to Section 4.3, the Trustee may rely on the directions provided in a Town Certificate.

(d) If less than all of the Bonds are called for extraordinary optional redemption pursuant to Section 4.4 hereof, the Bonds to be redeemed shall be selected by the Town in the following manner:

(i) with respect to a Substantial Amount Redemption, the principal amount called for redemption shall be allocated on a pro rata basis among all Outstanding Bonds of all maturities; and

(ii) with respect to a Minor Amount Redemption, the Outstanding Bonds or Bonds of all maturities, as applicable, shall be redeemed in inverse order of maturity.

(e) Upon surrender of any Bond for redemption in part, the Trustee in accordance with Section 3.7 of this Indenture, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

Section 4.6. Notice of Redemption to Owners.

(a) The Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first-class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond or portion thereof to be redeemed, at the address shown in the Register. So long as the Bonds are in book-entry-only form and held by DTC as security depository, references to Owner in this Indenture means Cede & Co., as nominee for DTC.

(b) The notice shall state the redemption date, the Redemption Price or the amount of principal and accrued and unpaid interest due at such redemption, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, and subject to Section 4.5 hereof, an identification of the Bonds or portions thereof to be redeemed, any conditions to such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

(d) The Town has the right to rescind any optional redemption or extraordinary optional redemption described in Section 4.3 or 4.4 by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

(e) With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the principal or Redemption Price of and interest amount due on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the Town may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the Town shall not redeem the Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

Section 4.7. Payment Upon Redemption.

(a) The Trustee shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Redemption Fund or otherwise received by the Trustee from the Town and shall use such funds solely for the purpose of paying the principal or Redemption Price of and interest on such Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office of the Trustee on or after the date fixed for redemption, the Trustee shall pay the principal or Redemption Price of and interest on such Bond to the date of redemption from the moneys set aside for such purpose.

Section 4.8. Effect of Redemption.

Notice of redemption having been given as provided in Section 4.6 of this Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the principal or Redemption Price of and interest on such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

ARTICLE V

FORM OF THE BONDS

Section 5.1. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Trustee, and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in Exhibit A to this Indenture with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the Town or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typewritten, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 5.2. CUSIP Registration.

The Town may secure identification numbers through the CUSIP Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association, New York, New York, and authorizes the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof; and, none of the Town, the Trustee, nor the

attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds. The Trustee may include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners of the Bonds and that neither the Town nor the Trustee shall be liable for any inaccuracies of such numbers.

Section 5.3. Legal Opinion.

The approving legal opinion of Bond Counsel may be printed on or attached to each Bond over the certification of the Town Secretary of the Town, which may be executed in facsimile.

ARTICLE VI

FUNDS AND ACCOUNTS

Section 6.1. Establishment of Funds and Accounts.

(a) Creation of Funds. The following Funds are hereby created and established under this Indenture:

- (i) Pledged Revenue Fund;
- (ii) Bond Fund;
- (iii) Project Fund;
- (iv) Reserve Fund;
- (v) Redemption Fund;
- (vi) Rebate Fund; and
- (vii) Administrative Fund.

(b) Creation of Accounts.

(i) The following Account is hereby created and established under the Pledged Revenue Fund:

- (A) Bond Pledged Revenue Account.

(ii) The following Accounts are hereby created and established under the Bond Fund:

- (A) Capitalized Interest Account; and
- (B) Principal and Interest Account.

(iii) The following Accounts are hereby created and established under the Project Fund:

- (A) Authorized Improvements Account; and
- (B) Costs of Issuance Account.

(iv) The following Accounts are hereby created and established under the Reserve Fund:

- (A) Reserve Account; and
- (B) Additional Interest Reserve Account.

(v) The following Account is hereby created and established under the Administrative Fund:

- (A) District Administration Account.

(c) Each Fund and each Account created within such Fund shall be maintained by the Trustee separate and apart from all other funds and accounts of the Town. The Pledged Funds shall constitute trust funds which shall be held in trust by the Trustee as part of the Trust Estate solely for the benefit of the Owners of the Bonds.

(d) Interest earnings and profit on each respective Fund and Account established by this Indenture shall be applied or withdrawn for the purposes of such Fund or Account as specified below.

Section 6.2. Initial Deposits to Funds and Accounts.

(a) The proceeds from the sale of the Bonds shall be paid to the Trustee and deposited or transferred by the Trustee as follows:

- (i) to the Capitalized Interest Account of the Bond Fund: \$_____;
- (ii) to the Reserve Account of the Reserve Fund: \$_____;
- (iii) to the Authorized Improvements Account of the Project Fund: \$_____;
- (iv) to the Costs of Issuance Account of the Project Fund: \$_____; and
- (v) to the District Administration Account of the Administrative Fund: \$_____.

Section 6.3. Pledged Revenue Fund.

(a) On or before February 15 of each year while the Bonds are Outstanding and beginning February 15, 2023 the Town shall deposit or cause to be deposited the Pledged Revenues into the Pledged Revenue Fund. From amounts deposited into the Pledged Revenue Fund, the Town shall deposit or cause to be deposited Pledged Revenues as follows: (i) first, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds next coming due in such calendar year, (ii) second, if necessary, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement in accordance with Section 6.7(a) hereof, (iii) third, to the Additional Interest Reserve Account of the Reserve Fund in an amount equal to the Additional Interest collected, if any, in accordance with Section 6.7(b) hereof, (iv) fourth, to pay Actual Costs of the Authorized Improvements, and (v) fifth, to pay other costs permitted by the PID Act.

(b) From time to time as needed to pay the obligations relating to the Bonds, but no later than five Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account and transfer to the Principal and Interest Account of the Bond Fund, an amount, taking into account any amounts then on deposit in such Principal

and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds on the next Interest Payment Date.

(c) If, after the foregoing transfers and any transfer from the Reserve Fund as provided in Section 6.7 herein, there are insufficient funds to make the payments provided in paragraph (b) above, the Trustee shall apply the available funds in the Principal and Interest Account first, to the payment of interest and second, to the payment of principal (including any Sinking Fund Installments) on the Bonds, as described in Section 11.4(a) hereof.

(d) Notwithstanding Section 6.3(a) hereof, the Trustee shall deposit Prepayments to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer such Prepayments to the Redemption Fund.

(e) Notwithstanding Section 6.3(a) hereof, the Trustee shall deposit Foreclosure Proceeds to the Pledged Revenue Fund and as soon as practicable after such deposit shall transfer Foreclosure Proceeds first, to the Reserve Account to restore any transfers from the Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, second, to the Additional Interest Reserve Account to restore any transfers from the Additional Interest Reserve Account made with respect to the Assessed Parcel(s) to which the Foreclosure Proceeds relate, and third, to the Redemption Fund

(f) After satisfaction of the requirement to provide for the payment of the principal and interest on the Bonds and to fund any deficiency that may exist in an account of the Reserve Fund, the Town may direct the Trustee by Town Certificate, to apply Assessments for any lawful purposes permitted by the PID Act for which Assessments may be paid.

(g) Any additional Pledged Revenues remaining after the satisfaction of the foregoing shall be applied by the Trustee, as instructed by the Town pursuant to a Town Certificate, for any lawful purpose permitted by the PID Act for which such additional Pledged Revenues may be used, including transfers to other Funds and Accounts created pursuant to this Indenture.

Section 6.4. Bond Fund.

(a) On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds, less any amount to be used to pay interest on the Bonds on such Interest Payment Date from the Capitalized Interest Account, as provided below.

(b) If amounts in the Principal and Interest Account are insufficient for the purposes set forth in paragraph (a) above, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency in the order described in Section 6.7(f) hereof. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account and transferred to the Paying Agent/Registrar.

(c) Moneys in the Capitalized Interest Account shall be used for the payment of interest on the Bonds on the following dates and in the following amounts:

Date

Amount (\$)

Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Authorized Improvements Account of the Project Fund, pursuant to directions provided in a Town Certificate, or, if the Authorized Improvements Account of the Project Fund has been closed as provided in Section 6.5(e) herein, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

Section 6.5. Project Fund.

(a) Money on deposit in the Project Fund shall be used for the purposes specified in Section 3.1 hereof.

(b) Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to one or more Town Certificates. Disbursements from the Authorized Improvements Account of the Project Fund to pay Actual Costs of the Authorized Improvements shall be made by the Trustee upon receipt by the Trustee of either a properly executed and completed Certification for Payment or written direction from the Town or its designee approving the disbursement to the Developer or the Developer's designee. The disbursement of funds from the Accounts of the Project Fund shall be pursuant to and in accordance with the disbursement procedures described in the Construction, Funding and Acquisition Agreement or as provided in such written direction from the Town. Such provisions and procedures related to such disbursement contained in the Construction, Funding and Acquisition Agreement, and no other provisions of the Construction, Funding and Acquisition Agreement, are herein incorporated by reference and deemed set forth herein in full, provided that the Trustee shall be permitted to rely fully on any Town Certificate or other written direction received pursuant to this section of the Indenture without investigation.

(c) If a Town Representative determines in his or her sole discretion that amounts then on deposit in the Authorized Improvements Account are not expected to be expended for the purposes of the Authorized Improvements Account, due to the abandonment, or constructive abandonment, of the Authorized Improvements, as the case may be, such that, in the opinion of the Town Representative, it is unlikely that the amounts in the Authorized Improvements Account, will ever be expended for the purposes of such Account, the Town Representative shall file a Town Certificate with the Trustee which identifies the amounts then on deposit in the Authorized Improvements Account that are not expected to be used for purposes of such Account. If such Town Certificate is so filed, the amounts on deposit in the Authorized Improvements Account, shall be transferred to the Redemption Fund to redeem Bonds on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture.

(d) In making any determination pursuant to this Section, the Town Representative may conclusively rely upon a certificate of an Independent Financial Consultant.

(e) Upon the filing of a Town Certificate stating that all Authorized Improvements have been completed and that all Actual Costs of the Authorized Improvements have been paid, or that any such Actual Costs of the Authorized Improvements are not required to be paid from the Authorized Improvements Account of the Project Fund pursuant to a Certification for Payment or written direction from the Town or its designee, the Trustee (i) shall transfer the amount, if any,

remaining within the Authorized Improvements Account of the Project Fund to the Bond Fund, and (ii) shall close the Authorized Improvements Account of the Project Fund. If the Authorized Improvements Account of the Project Fund have been closed as described above and the Cost of Issuance Account of the Project Fund has been closed pursuant to the provisions of Section 6.5(f), the Project Fund shall be closed.

(f) Not later than 6 months following the Closing Date, or upon an earlier determination by the Town Representative that all costs of issuance of the Bonds have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to another Account of the Project Fund and used to pay the Actual Costs of the respective Authorized Improvements, or to the Principal and Interest Account of the Bond Fund and used to pay interest on the Bonds, as directed by the Town in a Town Certificate filed with the Trustee, and the Costs of Issuance Account shall be closed.

Section 6.6. Redemption Fund.

(a) The Trustee shall cause to be deposited to the Redemption Fund from the Bond Pledged Revenue Account of the Pledged Revenue Fund an amount sufficient to redeem Bonds as provided in Sections 4.3 and 4.4 on the dates specified for redemption as provided in Sections 4.3 and 4.4. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee to redeem Bonds as provided in Article IV.

Section 6.7. Reserve Fund.

(a) The Town agrees with the Owners of the Bonds to accumulate from the deposits described in Section 6.3(a) hereof, and when accumulated, maintain in the Reserve Account of the Reserve Fund, an amount equal to not less than the Reserve Account Requirement except to the extent such deficiency is due to the application of Section 6.7(d) hereof. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund as provided in this Indenture.

(b) The Trustee, if needed, will transfer from the Bond Pledged Revenue Account of the Pledged Revenue Fund to the Additional Interest Reserve Account on March 1 and September 1 of each year, commencing March 1, 2024, an amount equal to the Additional Interest collected, if any, until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account. If the amount on deposit in the Additional Interest Reserve Account shall at any time be less than the Additional Interest Reserve Requirement, the Trustee shall notify the Town, in writing, of the amount of such shortfall, and the Town shall resume collecting the Additional Interest and shall file a Town Certificate with the Trustee instructing the Trustee to resume depositing the Additional Interest from the Bond Pledged Revenue Account of the Pledged Revenue Fund into the Additional Interest Reserve Account until the Additional Interest Reserve Requirement has been accumulated in the Additional Interest Reserve Account; provided, however, that the Town shall not be required to replenish the Additional Interest Reserve Account in the event funds are transferred from the Additional Interest Reserve Account to the Redemption Fund as a result of an extraordinary optional redemption of Bonds from the proceeds of a Prepayment pursuant to Section 4.4 of this Indenture. In the event the amount on deposit in the Additional Interest Reserve Account is less than the Additional Interest Reserve Requirement then the deposits described in the immediately preceding sentence shall continue until the Additional Interest Reserve Account has been fully replenished to the Additional Interest Reserve Requirement. If, after such deposits, there is

surplus Additional Interest remaining, the Trustee shall transfer such surplus Additional Interest to the Redemption Fund, and shall notify the Town of such transfer in writing. In calculating the amounts to be transferred pursuant to this Section, the Trustee may conclusively rely on the Annual Installments as shown on the Assessment Roll in the Service and Assessment Plan or an Annual Service Plan Update unless and until it receives a Town Certificate directing that a different amount be used.

(c) Whenever a transfer is made from an Account of the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the Town, specifying the amount withdrawn and the source of said funds.

(d) Whenever Bonds are to be redeemed with the proceeds of Prepayments pursuant to Section 4.4, the Trustee shall transfer, on the Business Day prior to the redemption date (or on such other date as agreed to by the Town and the Trustee), from the Reserve Account of the Reserve Fund to the Redemption Fund, an amount specified in a Town Certificate to be applied to the redemption of the Bonds. The amount so transferred from the Reserve Account of the Reserve Fund shall be equal to the principal amount of Bonds to be redeemed with Prepayments multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayments toward payment of accrued interest, there are insufficient funds in the Redemption Fund to pay the principal amount plus accrued and unpaid interest to the date fixed for redemption of the Bonds to be redeemed, as identified in a Town Certificate as a result of such Prepayments and as a result of the transfer from the Reserve Account under this Section 6.7(d), the Trustee shall transfer an amount equal to the shortfall, and/or any additional amounts necessary to permit the Bonds to be redeemed in minimum principal amounts of \$1,000, from the Additional Interest Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds.

(e) Whenever, on any Interest Payment Date, or on any other date at the written request of a Town Representative, the amount in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the Town Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of debt service on the Bonds on the next Interest Payment Date in accordance with Section 6.4 hereof, unless within thirty days of such notice to the Town Representative, the Trustee receives a Town Certificate instructing the Trustee to apply such excess: (i) to pay amounts due under Section 6.8 hereof, (ii) to an Account of the Project Fund if such application and the expenditure of funds is expected to occur within three years of the date hereof, or (iii) for such other use specified in such Town Certificate if the Town receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such alternate use will not adversely affect the exemption from federal income tax of the interest on any Bond.

(f) Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer first, from the Additional Interest Reserve Account of the Reserve Fund to the Bond Fund and second, from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

(g) At the final maturity of the Bonds, the amount on deposit in the Reserve Account and the Additional Interest Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds.

(h) If, after a Reserve Account withdrawal pursuant to Section 6.7(f) hereof, the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, in accordance with Section 6.3.

(i) If the amount held in the Reserve Fund together with the amount held in the Bond Fund and Redemption Fund is sufficient to pay the principal amount and Redemption Price (if applicable) of all Outstanding Bonds on the next Interest Payment Date, together with the unpaid interest accrued on such Outstanding Bonds as of such Interest Payment Date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Outstanding Bonds as of such Interest Payment Date.

Section 6.8. Rebate Fund; Rebate Amount.

(a) There is hereby established a special fund of the Town to be designated "Town of Little Elm, Texas, Rebate Fund" (the "Rebate Fund") to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts relating to the Bonds that are due the United States Government in accordance with the Code.

(b) In order to assure that Rebate Amount is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made in accordance with the Code and the Tax Certificate.

(c) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and Section 7.5(h) and shall not be liable or responsible if it follows the instructions of the Town and shall not be required to take any action under this Section and Section 7.5(h) in the absence of written instructions from the Town.

(d) If, on the date of each annual calculation, the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Town may direct the Trustee, pursuant to a Town Certificate, to transfer the amount in excess of the Rebate Amount to the Bond Fund.

Section 6.9. Administrative Fund.

(a) The Town shall deposit or cause to be deposited to the District Administration Account of the Administrative Fund the amounts collected each year to pay Administrative Expenses and Delinquent Collection Costs.

(b) Moneys in the District Administration Account of the Administrative Fund shall be held by the Trustee separate and apart from the other Funds and Accounts created and administered hereunder and used as directed by a Town Certificate solely for the purposes set forth in the Service and Assessment Plan.

Section 6.10. Investment of Funds.

(a) Money in any Fund or Account established pursuant to this Indenture shall be invested by the Trustee, as directed by the Town pursuant to a Town Certificate, filed with the

Trustee at least two days in advance of the making of such investment. The money in any Fund or Account shall be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act Texas Government Code, Chapter 2256, as amended, or any successor law, as in effect from time to time; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any Fund will be available at the proper time or times. Notwithstanding the preceding sentence, amounts in the Additional Interest Reserve Account may not be invested above the Yield (as defined in Section 7.5(a) hereof) on the Bonds, unless and until the Town receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that such investment and/or the failure to comply with such yield restriction will not adversely affect the exemption from federal income tax of the interest on any Bond. Investments shall be valued each year in terms of current market value as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds or Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold to prevent any default. To ensure that cash on hand is invested, if the Town does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee is hereby directed to invest and re-invest cash balances in Wilmington U.S. Government Money Market Fund – Institutional Share Class (CUSIP 97181C605); provided, however, that money required to be expended from any Fund or Account will be available at the proper time or times.

(b) Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, subject, however, to the requirements of this Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in this Indenture any moneys are required to be transferred by the Town to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

(c) The Trustee and its affiliates may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. The Trustee shall have no investment discretion and the Trustee's only responsibility for investments shall be to follow the written instructions contained in a Town Certificate. The Trustee shall not incur any liability for losses arising from any investments made pursuant to this Section. The Trustee shall not be required to determine the suitability or legality of any investments. The Parties acknowledge that the Trustee is not providing investment supervision, recommendations, or advice.

(d) Investments in any and all Funds and Accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular Funds or Accounts of amounts received or held by the Trustee hereunder, provided that the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture.

(e) The Trustee will furnish the Town and the Administrator monthly cash transaction statements which include detail for all investment transactions made by the Trustee hereunder; and, unless the Trustee receives a written request, the Trustee is not required to provide brokerage confirmations so long as the Trustee is providing such monthly cash transaction statements.

(f) The Trustee may conclusively rely on Town Certificates pursuant to Section 6.10(a) that such an investment will comply with the Town's investment policy and with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

Section 6.11. Security of Funds.

All Funds or Accounts heretofore created, to the extent not invested as herein permitted, shall be secured in the manner and to the fullest extent required by law for the security of public funds, and such Funds or Accounts shall be used only for the purposes and in the manner permitted or required by this Indenture.

ARTICLE VII

COVENANTS

Section 7.1. Confirmation of Assessments.

The Town hereby confirms, covenants, and agrees that the Assessments to be collected from the Assessed Property, is reflected in the Service and Assessment Plan (as it may be updated from time to time) and, in accordance with the Assessment Ordinance, it has levied the Assessments against the respective Assessed Parcels from which the Pledged Revenues will be collected and received.

Section 7.2. Collection and Enforcement of Assessments.

(a) For so long as any Bonds are Outstanding and/or amounts are due to the Developer to pay it for funds it has contributed to pay Actual Costs of the Authorized Improvements, the Town covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Assessments.

(b) The Town will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the Town will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the Town shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or the corresponding Assessed Parcel. Furthermore, nothing shall obligate the Town, the Town Attorney, or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the Town and its appropriate collections enforcement designees.

Section 7.3. Against Encumbrances.

(a) Other than Refunding Bonds issued to refund all or a portion of the Bonds, or liens created in connection with indebtedness issued in compliance with Section 13.2 hereof, the Town shall not create and, to the extent Pledged Revenues are timely received, shall not suffer to remain, any lien, encumbrance or charge upon the Trust Estate, other than that specified in Section 9.6 of this Indenture, or upon any other property pledged under this Indenture other than the pledge created for the security of the Bonds.

(b) So long as Bonds are Outstanding hereunder, and except as set forth in Section 13.2 hereof, the Town shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds and Refunding Bonds issued to refund all or a portion of the Bonds, secured by any pledge of or other lien or charge on the Pledged Revenues or other property pledged under this Indenture.

Section 7.4. Records, Accounts, Accounting Reports.

The Town hereby covenants and agrees that so long as any of the Bonds or any interest thereon remain Outstanding and unpaid, and/or the obligation to the Developer to pay it for funds it has contributed to pay Actual Costs of the Authorized Improvements remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the Assessments. The Trustee and Owner(s) of any Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect all such records, accounts, and data relating thereto, upon written request to the Town by the Trustee or duly authorized representative, as applicable. The Town shall provide the Trustee or duly authorized representative, as applicable, an opportunity to inspect such books and records relating to the Bonds during the Town's regular business hours and on a mutually agreeable date not later than 30 days after the Town receives such request.

Section 7.5. Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms shall have the following meanings:

“*Closing Date*” means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

“*Code*” means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

“*Computation Date*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

“*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“Nonpurpose Investment” means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

“Regulations” means any proposed, temporary or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“Yield” of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The Town shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Town receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Town shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the Town shall at all times prior to the last Stated Maturity of Bonds:

(i) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the Town or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan.

(i) Except to the extent permitted by Section 141 of the Code and the Regulations and rulings thereunder, the Town shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(ii) The Town covenants and agrees that the levied Assessments will meet the requirements of the "tax assessment loan exception" within the meaning of Section 1.141-5(d) of the Regulations on the date the Bonds are delivered and will ensure that the Assessments continue to meet such requirements for so long as the Bonds are outstanding hereunder.

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the Town shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested) if, as a result of such investment, the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the Town shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The Town shall timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in Section 148(f) of the Code and the Regulations and rulings thereunder:

(i) The Town shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Bond is discharged. However, to the extent permitted by law, the Town may commingle Gross Proceeds of the Bonds with other money of the Town, provided that the Town separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Town shall calculate the Rebate Amount in accordance with rules set forth in Section 148(f) of the Code and the Regulations and rulings thereunder. The Town shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Town shall, pursuant to a Town Certificate, direct the Trustee to transfer to the Rebate Fund from the funds or subaccounts designated in such Town Certificate and direct the Trustee to pay to the United States from the Rebate Fund the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iv) The Town shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the Town shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(j) Elections. The Town hereby directs and authorizes the Mayor, Mayor Pro Tem, Town Manager, Deputy Town Manager, Chief Financial Officer, or Town Secretary, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

ARTICLE VIII

LIABILITY OF TOWN

The Town shall not incur any responsibility in respect of the Bonds or this Indenture other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The Town shall not be liable in connection with the performance of its duties hereunder, except for its own willful default or act of bad faith. The Town shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Trustee herein or of any of the documents executed by the Trustee in connection with the Bonds, or as to the existence of a default or Event of Default thereunder.

In the absence of bad faith, the Town may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Town and conforming to the requirements of this Indenture. The Town shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Indenture, the Bonds, the Assessment Ordinance, or any agreement, document, instrument, or certificate executed, delivered or approved in connection with the issuance, sale, delivery, or administration of the Bonds (the "Bond Documents"), shall require the Town to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Pledged Revenues and the Administrative Expenses) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if in the judgment of the Town there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it.

Neither the Owners nor any other Person shall have any claim against the Town or any of its officers, officials, agents, employees, or any person designated by the Town Council to act on behalf of the Town, for damages suffered as a result of the Town's failure to perform, in any respect, any covenant, undertaking, or obligation under any Bond Documents or as a result of the incorrectness of any representation in, or omission from, any of the Bond Documents, except to the extent that any such claim relates to an obligation, undertaking, representation, or covenant of the Town, in accordance with the Bond Documents and the PID Act. Any such claim shall be payable only from the Pledged Revenues, the funds available for such payment in any of the Pledged Funds, if any, or the amounts collected to pay Administrative Expenses on deposit in the Administrative Fund. Nothing contained in any of the Bond Documents shall be construed to preclude any action or proceeding in any court or before any governmental body, agency, or instrumentality against the Town or any of its officers, officials, agents, employees, or any person designated by the Town Council to act on behalf of the Town to enforce the provisions of any of the Bond Documents or to enforce all rights of the Owners of the Bonds by mandamus or other proceeding at law or in equity.

The Town may rely on and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Town may consult with counsel with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture, the Town shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Town, be deemed to be conclusively proved and established by a certificate of the Trustee, an Independent Financial Consultant, an independent inspector, or Town Manager or other independent third party designated by the Town Council to so act on behalf of the Town, and such certificate shall be full warrant to the Town for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Town may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

In order to perform its duties and obligations hereunder, the Town may employ such persons or entities as it deems necessary or advisable. The Town shall not be liable for any of

the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations, and directions of such persons or entities.

ARTICLE IX

THE TRUSTEE

Section 9.1. Trustee as Paying Agent/Registrar.

The Trustee is hereby designated and agrees to act as Paying Agent/Registrar for and in respect to the Bonds.

Section 9.2. Trustee Entitled to Indemnity.

The Trustee shall be under no obligation to spend its own funds, to institute any suit, or to undertake any proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified, to the extent permitted by law and the provisions of this Indenture, to its satisfaction against any and all costs and expenses, outlays, and counsel fees and other reasonable disbursements, and against all liability except as a consequence of its own negligence or willful misconduct; provided, however, that in no event shall the Trustee request or require indemnification as a condition to making any deposits, payments, or transfers (provided such payment or transfer is prior to an Event of Default) when required hereunder, or to delivering any notice when required hereunder. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Trustee may, to the extent permitted pursuant to the provisions of this Indenture, make transfers from the District Administration Account of the Administrative Fund, and to the extent moneys in the District Administration Account of the Administrative Fund are insufficient, from the Pledged Revenue Fund, to pay all costs and expenses, outlays, and counsel fees and other reasonable disbursements properly incurred in connection therewith and shall, to the extent permitted by law, be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 9.3. Responsibilities of the Trustee.

The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(a) Prior to the occurrence of an Event of Default of which the Trustee has been notified, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Indenture, and no duties or obligations shall be implied to the Trustee, these duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants shall be read into this Indenture against the Trustee; and

(ii) the Trustee may request and rely conclusively, as to the due execution, the truth of the statements, and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance therewith; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified in writing, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this subparagraph shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(1) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(2) of this Section;

(2) the Trustee shall not be liable for any actions taken, or error of judgment, made in good faith by any one of its officers, employees or agents unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the controlling Owners 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; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(d) The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the Town and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the offering documents, this Indenture, or the Bonds or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; (iii) the application of any moneys paid to the Town or others in accordance with this Indenture, except as to the application of any moneys paid to it in its capacity as Trustee; or (iv) any calculation of arbitrage or rebate under

the Code. The Trustee has the right to act through agents and attorneys and shall have no liability for the acts or omissions of any of the agents and attorneys appointed by it with due care.

(e) The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture.

(f) The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture, except for such losses, damages, or expenses which have been fully adjudicated by a court of competent jurisdiction to have directly resulted from the Trustee's own negligence or willful misconduct. In no event shall the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damage whatsoever (including, but not limited to, loss of profit) in connection with or arising from this Indenture, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. The Trustee will not be liable with respect to any action taken or omitted to be taken in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of the Bonds then Outstanding 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.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care.

(h) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

(1) the validity, priority, recording, re-recording, filing or re-filing of this Indenture or any Supplemental Indenture,

(2) any instrument or document of further assurance or collateral assignment,

(3) the filing, execution, delivery, recording, or authorization of any financing statements, amendments thereto or continuation statements,

(4) insurance of the Authorized Improvements or collection of insurance money,

(5) the validity of the execution by the Town of this Indenture, any Supplemental Indenture or instruments or documents of further assurance, or

(6) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(i) The Trustee shall not be accountable for the application by any Person of the proceeds of any Bonds authenticated or delivered hereunder; provided the Trustee follows the instructions provided by the Town with respect to the use of the proceeds of the Bonds.

(j) The Trustee may request, conclusively rely on and shall be protected in acting upon any resolution, statement, instrument, opinion, report, notice, request, direction, consent,

certificate, order, judgment, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons, not only as to due execution, validity, and effectiveness, but also as to the truth and accuracy of any information contained therein. Any action taken by the Trustee pursuant to this Indenture upon the direction, request, authority or consent of any Person who is the Owner of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(k) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any events or information, default or Event of Default, except Events of Default described in Section 11.1(a)(1), unless the Trustee has actual knowledge thereof or shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the Town or by the Owners of more than 66-2/3% of the aggregate outstanding principal amount of Bonds. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no Event of Default, except as noted above.

(l) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(m) Any resolution by the Town, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions or inactions taken hereunder.

(n) The Trustee shall be entitled to file proofs of claim in bankruptcy at the direction of no less than 66-2/3% of the Owners. Ordinary trustee and paying agent/registrar fees and expenses and extraordinary fees and expenses of the Trustee and the Paying Agent/Registrar incurred hereunder are intended to constitute administrative expenses in bankruptcy.

(o) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's right to compensation for trustee and paying agent/registrar services, subject to the limitations set forth herein, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(p) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(q) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and, with respect to such permissive rights, the Trustee shall not be answerable for other than its negligence or willful misconduct.

(s) The Trustee shall not be responsible or liable for the environmental condition or any contamination of the Authorized Improvements or any real property or improvements related thereto or for any diminution in value of the same as a result of any contamination by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee shall not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of the Authorized Improvements or any real property or improvements related thereto or with respect to compliance thereof under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(t) Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the Town, or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all Persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other Person.

(u) In the event that any assets held hereunder shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting such assets, the Trustee is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Trustee obeys or complies with any such writ, order or decree it shall not be liable to any of the Parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

(v) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

Section 9.4. Property Held in Trust.

All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

Section 9.5. Trustee Protected in Relying on Certain Documents.

The Trustee may request and conclusively rely and shall be protected in acting upon any resolution, instrument, opinion, report, order, notice, judgment, request, consent, waiver, certificate, statement, affidavit, requisition, bond, or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or Person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or for any action take or omitted to be taken upon the written opinion or advice of any counsel, architect, engineer, insurance consultant, management consultant, accountant, or other professional retained or consulted by the Trustee reasonably believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. Subject to Section 9.1 and 9.3 hereof, the Trustee may consult with counsel, selected by the Trustee with due care, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of, and the Trustee shall not be liable for, any action taken, suffered, or omitted to be taken by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a Town Certificate, unless other evidence in respect thereof be hereby specifically prescribed. Such Town Certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its sole discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision hereof by the Town to the Trustee shall be sufficiently executed if executed in the name of the Town by the Town Representative.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture, or otherwise to the giving to any Person of notice of the provisions hereof except as expressly required in Section 9.13 herein.

Section 9.6. Compensation.

The Town hereby agrees to compensate the Trustee, from the amount collected each year for Administrative Expenses and in the manner set forth in this section, for the Trustee's services as Trustee and as Paying Agent/Registrar; provided, however, notwithstanding anything herein to the contrary, the aggregate value of this Indenture shall not exceed the dollar limitation set forth in Section 2274.002(a)(2) of the Texas Government Code, as amended. The Trustee hereby agrees that the fees it is to be paid for the current fiscal year will not cause the aggregate compensation received by the Trustee pursuant to the terms of this Indenture to exceed the limitation set forth in Section 2274.002(a)(2).

Unless otherwise provided by contract with the Trustee and subject to the limitations set forth above, the Trustee shall transfer from the District Administration Account of the Administrative Fund, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Paying Agent/Registrar, together with all its reasonable expenses, charges, and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, subject to any limit on the

amount of such compensation or recovery of expenses or other charges as shall be prescribed by specific agreement, and the Trustee shall have a lien therefor on any and all funds at any time held by it in the Administrative Fund. None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if in the judgment of the Trustee there are reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it. If the Town shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession in the Administrative Fund, subject to the limitations set forth herein.

In the event that the Trustee renders any service not contemplated in this Indenture, or if any material controversy arises hereunder, or the Trustee is made a party to any litigation pertaining to this Indenture or the subject matter hereof, then the Trustee shall, subject to the limitations set forth herein, be compensated from any and all funds at any time held by it for such extraordinary services and any services or work performed by Trustee in connection with any delay, controversy, litigation or event, and reimbursed for all costs and expenses, including reasonable attorneys' fees and expenses, occasioned by any such delay, controversy, litigation or event.

Section 9.7. Permitted Acts.

The Trustee and its directors, officers, employees, or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Bonds and may join in any action that any Owner of Bonds may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Town or any committee formed to protect the rights of Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not such committee shall represent the Owners of a majority in aggregate outstanding principal amount of the Bonds.

Section 9.8. Resignation of Trustee.

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the Town and each Owner of any Outstanding Bond. Such resignation shall take effect upon the appointment of a successor as provided in Section 9.10 and the acceptance of such appointment by such successor.

Section 9.9. Removal of Trustee.

The Trustee may be removed at any time on 30 days' advance written notice to the Trustee by (i) the Owners of at least a majority of the aggregate Outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact, duly authorized and delivered to the Town, or (ii) the Town, so long as the Town is not in default under this Indenture. Copies of each such instrument shall be delivered by the Town to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Town or the Owners of not less than 10% of the aggregate Outstanding principal of the Bonds.

Section 9.10. Successor Trustee.

(a) If the Trustee shall resign, be removed, be dissolved, or become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

(b) If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Owners of at least 25% of the aggregate outstanding principal of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Owners or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Town.

(c) Until such successor Trustee shall have been appointed by the Owners of the Bonds, the Town shall forthwith (and in no event in excess of 30 days after such vacancy occurs) appoint a Trustee to act hereunder. Copies of any instrument of the Town providing for any such appointment shall be delivered by the Town to the Trustee so appointed. The Town shall mail notice of any such appointment to each Owner of any Outstanding Bonds within 30 days after such appointment. Any appointment of a successor Trustee made by the Town immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Owners of Bonds.

(d) If in a proper case no appointment of a successor Trustee shall be made within 45 days after the giving by any Trustee of any notice of resignation in accordance with Section 9.8 herein or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Owner of Bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor and the Town shall be responsible for the costs of such appointment process.

(e) Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus and undivided profits aggregating at least \$50,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture and Applicable Laws.

(f) Each successor Trustee shall mail, in accordance with the provisions of the Bonds, notice of its appointment to the Trustee, any rating agency which, at the time of such appointment, is providing a rating on the Bonds and each of the Owners of the Bonds.

(g) Trustee shall not be responsible for or liable for the acts or omissions of any successor trustee, nor shall it be responsible or liable for any costs of appointment or transition of such successor trustee.

Section 9.11. Transfer of Rights and Property to Successor Trustee.

Any successor Trustee appointed under the provisions of Section 9.10 shall execute, acknowledge, and deliver to its predecessor and the Town an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations, and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the Town or of such successor, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers, and trusts of such Trustee and all the right, title, and interest of such Trustee in and to the Trust Estate, and shall pay over, assign, and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance, or instrument in writing, including any supplement or amendment to this Indenture, from the Town be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties, or obligations, any and all such deeds, conveyances, and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged, and delivered by the Town.

Section 9.12. Merger, Conversion or Consolidation of Trustee.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated or any corporation or association resulting from any merger, conversion or consolidation to which it shall be a party or any corporation or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder and will have and succeed to the rights, powers, duties, immunities and privileges as predecessor, without any further act, deed or conveyance, provided that such corporation or association shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 9.10, or a trust company that is a wholly-owned subsidiary of any of the foregoing.

Section 9.13. Trustee to File Continuation Statements.

If necessary, the Trustee may file or cause to be filed, such continuation statements as are delivered to the Trustee by the Town, or on behalf of the Town, and which may be required by the Texas Uniform Commercial Code, as from time to time in effect (the "UCC"), in order to continue perfection of the security interest of the Trustee in such items of tangible or intangible personal property and any fixtures as may have been granted to the Trustee pursuant to this Indenture in the time, place and manner required by the UCC.

Section 9.14. Construction of Indenture.

The Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the Owners of the Bonds. Permissive rights of the Trustee are not to be construed as duties.

ARTICLE X

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 10.1. Amendments Permitted.

This Indenture and the rights and obligations of the Town and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, except as provided below, pursuant to the affirmative vote at a meeting of Owners of the Bonds, or with the written consent without a meeting, of the Owners of at least fifty-one percent (51%) of the aggregate principal amount of the Bonds then Outstanding. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Town to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the Town of any pledge or lien upon any portion of the Trust Estate superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by both Applicable Laws and this Indenture), or reduce the percentage of Owner of Bonds required for the amendment of this Indenture, as provided herein. Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

This Indenture and the rights and obligations of the Town and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Town in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the Town;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to questions arising under this Indenture, as the Town and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and that shall not adversely affect the rights of the Owners of the Bonds;

(iv) to provide for the issuance of Refunding Bonds as set forth in Section 13.2 herein;

(v) to appoint or accept a successor trustee in accordance with the provisions of Section 9.10 hereof; provided, however, in no event shall this provision limit the Owners ability to appoint a successor trustee pursuant to Section 9.10(b) hereof; and

(vi) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

Any modification or amendment made pursuant to this paragraph shall not be subject to the notice procedures specified in Section 10.3 below.

Notwithstanding the above, no Supplemental Indenture under this Section shall be effective unless the Town first delivers to the Trustee an opinion of Bond Counsel to the effect that such amendment or supplement (i) is permitted under Applicable Laws and the provisions of this Indenture in effect after taking into account the proposed amendment or supplement; (ii) will not adversely affect the interests of the Owners in any material respect; provided however, that an appointment of a successor trustee in accordance with the provisions hereof is deemed to not be a material adverse effect for purposes of such opinion; and (iii) will not adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation.

Section 10.2. Owners' Meetings.

The Town may at any time call a meeting of the Owners of the Bonds. In such event the Town is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt reasonable rules and regulations for the conduct of said meeting.

Section 10.3. Procedure for Amendment with Written Consent of Owners.

The Town and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of this Indenture, to the extent that such amendment is permitted by Section 10.1 herein, to take effect when and as provided in this Section. A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, shall be mailed by first-class mail, by the Trustee to each Owner of Bonds from whom consent is required under this Indenture, but failure to mail copies of such Supplemental Indenture and request shall not affect the validity of the Supplemental Indenture when assented to as in this Section provided.

Such Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners as required by this Indenture, and a notice shall have been mailed as hereinafter in this Section provided and the Town or Bond Counsel, acting on the Town's behalf, has delivered to the Trustee an opinion of Bond Counsel to the effect that such amendment is permitted and will not adversely affect the exclusion of interest on any Bond from gross income for purposes of federal income taxation. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.6 herein. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Town shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record, consisting of the papers required by this Section 10.3 to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the Town and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent

in a legal action or equitable proceeding for such purpose commenced within such forty-five day period; provided, however, that the Trustee during such forty-five day period and any such further period during which any such action or proceeding may be pending shall be entitled in its sole discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture, as it may deem expedient; provided, further, that the Trustee shall have no obligation to take or refrain from taking any such action and the Trustee shall have no liability with respect to any action taken or any instance of inaction.

Section 10.4. Effect of Supplemental Indenture.

From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under this Indenture of the Town, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.5. Endorsement or Replacement of Bonds Issued After Amendments.

The Town may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Town, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the designated office of the Trustee or at such other office as the Town may select and designate for that purpose, a suitable notation shall be made on such Bond. The Town may determine that new Bonds, so modified as in the opinion of the Town is necessary to conform to such Owners' action, shall be prepared, executed, and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the designated office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 10.6. Amendatory Endorsement of Bonds.

The provisions of this Article X shall not prevent any Owner from accepting any amendment as to the particular Bonds held by such Owner, provided that due notation thereof is made on such Bonds.

Section 10.7. Waiver of Default

Subject to the second and third sentences of Section 10.1 hereof, with the written consent of at least fifty-one (51%) of the Owners in aggregate principal amount of the Bonds then Outstanding, the Owners may waive non-compliance by the Town and certain past defaults under the Indenture and their consequences. Any such consent shall be conclusive and binding upon the Owners and upon all future Owners. For the avoidance of doubt, any waiver given pursuant to this Section shall be subject to Section 11.5 hereof.

Section 10.8. Execution of Supplemental Indenture.

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an opinion of counsel addressed

and delivered to the Trustee and the Town stating that the execution of such Supplemental Indenture is permitted by and in compliance with this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture which affects the Trustee's own rights, duties and immunities under this Indenture or otherwise.

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.1. Events of Default.

(a) Each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

(i) The failure of the Town to deposit the Pledged Revenues to the Bond Pledged Revenue Account of the Pledged Revenue Fund;

(ii) The failure of the Town to enforce the collection of the Assessments, including the prosecution of foreclosure proceedings;

(iii) The failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable and such failure is not remedied within 30 days; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the Town to make the payments; and

(iv) Default in the performance or observance of any covenant, agreement or obligation of the Town under this Indenture and the continuation thereof for a period of 90 days after written notice to the Town by the Trustee, or by the Owners of at least 25% of the aggregate Outstanding principal of the Bonds with a copy to the Trustee, specifying such default and requesting that the failure be remedied.

(b) Nothing in Section 11.1(a) will be an Event of Default if action necessary to prevent the same would be a violation of any applicable state law or court order.

Section 11.2. Immediate Remedies for Default.

(a) Subject to Article VIII, upon the happening and continuance of any of the Events of Default described in Section 11.1, the Trustee may, and at the written direction of the Owners of at least 25% of the aggregate outstanding principal of the Bonds then Outstanding and its receipt of indemnity satisfactory to it, shall proceed against the Town for the purpose of protecting and enforcing the rights of the Owners under this Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by this Indenture or by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that no action for money damages against the Town may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

(b) THE PRINCIPAL OF THE BONDS SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

(c) If the assets of the Trust Estate are sufficient to pay all amounts due with respect to all Outstanding Bonds, in the selection of Trust Estate assets to be used in the payment of Bonds due under this Article, the Town shall determine, in its absolute discretion, and shall instruct the Trustee by Town Certificate, which Trust Estate assets shall be applied to such payment and shall not be liable to any Owner or other Person by reason of such selection and application. In the event that the Town shall fail to deliver to the Trustee such Town Certificate, the Trustee shall select and liquidate or sell Trust Estate assets as provided in the following paragraph, and shall not be liable to any Owner, or other Person, or the Town by reason of such selection, liquidation or sale.

(d) Whenever moneys are to be applied pursuant to this Article XI, irrespective of and whether other remedies authorized under this Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of this Section. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the Town, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the Town shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the reasonable judgment of the Trustee, proper for the purpose which may be designated in such request.

Section 11.3. Restriction on Owner's Action.

(a) No Owner shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Owners of not less than 25% of the aggregate principal amount of the Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (iii) the Owners have furnished to the Trustee indemnity as provided in Section 9.2 herein, (iv) the Trustee has for 90 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name, (v) no written direction inconsistent with such written request has been given to the Trustee during such 90-day period by the Owners of at least 51% of the aggregate principal amount of the Bonds then Outstanding, and (vi) notice of such action, suit, or proceeding is given to the Trustee; however, no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Bonds then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, as advised by counsel, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Subject to Article VIII, nothing in this Indenture shall affect or impair the right of any Owner to enforce, by action at law, payment of any Bond at and after the maturity thereof, or on the date fixed for redemption or the obligation of the Town to pay each Bond issued hereunder to the respective Owners thereof at the time and place, from the source and in the manner expressed herein and in the Bonds.

(c) In case the Trustee or any Owners shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners, then and in every such case the Town, the Trustee and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 11.4. Application of Revenues and Other Moneys After Default.

(a) All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including its counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, during the continuance of an Event of Default, notwithstanding Section 11.2 hereof, shall be applied by the Trustee, on behalf of the Town, to the payment of interest and principal or Redemption Price then due on Bonds, as follows:

FIRST: To the payment to the Owners entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Owners entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the Owners entitled thereto of the unpaid principal of Outstanding Bonds, or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners entitled thereto, without any discrimination or preference.

Within 10 days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners pursuant to this Section 11.4.

(b) In the event funds are not adequate to cure any of the Events of Default described in Section 11.1, the available funds shall be allocated to the Bonds that are Outstanding in proportion to the quantity of Bonds that are currently due and in default under the terms of this Indenture.

(c) The restoration of the Town to its prior position after any and all defaults have been cured, as provided in Section 11.3, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 11.5. Effect of Waiver.

No delay or omission of the Trustee, or any Owner, 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 an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 11.6. Evidence of Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any Person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(i) The fact and date of the execution of such instruments by any Owner of Bonds or the duly appointed attorney authorized to act on behalf of such Owner may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the Person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate, or affidavit shall also constitute sufficient proof of his authority.

(ii) The ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the Register.

(b) Except as otherwise provided in this Indenture with respect to revocation of a consent, any request or consent by an Owner of Bonds shall bind all future Owners of the same Bonds in respect of anything done or suffered to be done by the Town or the Trustee in accordance therewith.

Section 11.7. No Acceleration.

In the event of the occurrence of an Event of Default under Section 11.1 hereof, the right of acceleration of any Stated Maturity is not granted as a remedy hereunder and the right of acceleration under this Indenture is expressly denied.

Section 11.8. Mailing of Notice.

Any provision in this Article for the mailing of a notice or other document to Owners shall be fully complied with if it is mailed, first-class postage prepaid, only to each Owner at the address appearing upon the Register.

Section 11.9. Exclusion of Bonds.

Bonds owned or held by or for the account of the Town will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the Town shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Indenture.

Section 11.10. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity, by statute or by contract.

Section 11.11. Direction by Owners.

Anything herein to the contrary notwithstanding, the Owners of at least 25% of the aggregate outstanding principal of the Bonds shall have the right by an instrument in writing executed and delivered to the Trustee, to direct the choice of remedies and the time, method, and place of conducting a proceeding for any remedy available to the Trustee hereunder, under each Supplemental Indenture, or otherwise, or exercising any trust or power conferred upon the Trustee, including the power to direct or withhold directions with respect to any remedy available to the Trustee or the Owners, provided, (i) such direction shall not be otherwise than in accordance with Applicable Laws and the provisions hereof, (ii) that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iii) that the Trustee shall have the right to decline to follow any such direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction.

ARTICLE XII

GENERAL COVENANTS AND REPRESENTATIONS

Section 12.1. Representations as to Trust Estate.

(a) The Town represents and warrants that it is authorized by Applicable Laws to authorize and issue the Bonds, to execute and deliver this Indenture and to pledge the Trust Estate in the manner and to the extent provided in this Indenture, and that the Pledged Revenues and the Trust Estate are and will be and remain free and clear of any pledge, lien, charge, or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein.

(b) The Town shall at all times, to the extent permitted by Applicable Laws, defend, preserve and protect the pledge of the Trust Estate and all the rights of the Owners and the Trustee, under this Indenture against all claims and demands of all Persons whomsoever.

(c) The Town will take all steps reasonably necessary and appropriate, and will direct the Trustee to take all steps reasonably necessary and appropriate, to collect all delinquencies in the collection of the Assessments and any other amounts pledged to the payment of the Bonds to the fullest extent permitted by the PID Act and other Applicable Laws.

(d) To the extent permitted by law, notice of the Annual Installments shall be sent by, or on behalf of the Town, to the affected property owners on the same statement or such other

mechanism that is used by the Town, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the Town.

Section 12.2. Accounts, Periodic Reports and Certificates.

The Trustee shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Funds and Accounts established by this Indenture and which shall at all times be subject to inspection by the Town and the Owner or Owners of not less than 10% in principal amount of any Bonds then Outstanding or their representatives duly authorized in writing.

Section 12.3. General.

The Town shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Town under the provisions of this Indenture.

ARTICLE XIII

SPECIAL COVENANTS

Section 13.1. Further Assurances; Due Performance.

(a) At any and all times the Town will duly execute, acknowledge and deliver, or will cause to be done, executed and delivered, all and every such further acts, conveyances, transfers, and assurances in a manner as the Trustee shall reasonably require for better conveying, transferring, pledging, and confirming unto the Trustee, all and singular, the revenues, Funds, Accounts and properties constituting the Pledged Revenues, and the Trust Estate hereby transferred and pledged, or intended so to be transferred and pledged.

(b) The Town will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in this Indenture.

Section 13.2. Additional Obligations and Other Liens.

(a) The Town reserves the right, subject to the provisions contained in this Section 13.2, to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations that do not constitute or create a lien on any portion of the Trust Estate and are not payable from the Pledged Revenues.

(b) Other than Refunding Bonds issued to refund all or a portion of the Bonds, the Town will not create or voluntarily permit to be created any debt, lien or charge on the Trust Estate, and will not do or omit to do or suffer to be or omit to be done any matter or things whatsoever whereby the lien of this Indenture or the priority hereof might or could be lost or impaired.

(c) Additionally, the Town has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of the Pledged Revenues securing payment of the Bonds.

(d) Notwithstanding anything to the contrary herein, no Refunding Bonds, Additional Obligations, or subordinate obligations described by Section 13.2(c) may be issued by the Town unless: (1) the principal (including sinking fund installments) of such Refunding Bonds, Additional Obligations or subordinate obligations are scheduled to mature on September 1 of the years in which principal is scheduled to mature, and (2) the interest on such Refunding Bonds, Additional Obligations, or subordinate obligations must be scheduled to be paid on March 1 and/or September 1 of the years in which interest is scheduled to be paid.

Section 13.3. Books of Record.

(a) The Town shall cause to be kept full and proper books of record and accounts, in which full, true and proper entries will be made of all dealing, business and affairs of the Town, which relate to the Pledged Revenues, the Pledged Funds, the Trust Estate and the Bonds.

(b) The Trustee shall have no responsibility with respect to the financial and other information received by it pursuant to this Section 13.3 except to receive and retain the same, subject to the Trustee's document retention policies, and to distribute the same in accordance with the provisions of this Indenture. Specifically, but without limitation, the Trustee shall have no duty to review such information, is not considered to have notice of the contents of such information or a default based on such contents, and has no duty to verify the accuracy of such information.

ARTICLE XIV

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE
INDENTURE

Section 14.1. Trust Irrevocable.

The trust created by the terms and provisions of this Indenture is irrevocable until the Bonds secured hereby are fully paid or provision is made for their payment as provided in this Article.

Section 14.2. Satisfaction of Indenture.

If the Town shall pay or cause to be paid, or there shall otherwise be paid to the Owners, principal of and interest on all of the Bonds, at the times and in the manner stipulated in this Indenture, and all amounts due and owing with respect to the Bonds have been paid or provided for, then the pledge of the Trust Estate and all covenants, agreements, and other obligations of the Town to the Owners of such Bonds, shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Town copies of all such documents as it may have evidencing that principal of and interest on all of the Bonds has been paid so that the Town may determine if the Indenture is satisfied; if so, the Trustee shall pay over or deliver all moneys held by it in the in Funds and Accounts held hereunder to the Person entitled to receive such amounts, or, if no Person is entitled to receive such amounts, then to the Town.

Section 14.3. Bonds Deemed Paid.

All Outstanding Bonds shall, prior to the Stated Maturity or redemption date thereof be deemed to have been paid and to no longer be deemed Outstanding if (i) in case any such Bonds are to be redeemed on any date prior to their Stated Maturity, the Trustee shall have given notice

of redemption on said date as provided herein, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with any moneys deposited with the Trustee for such purpose, shall be sufficient to pay when due the principal of and interest to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) the Trustee shall have received a report by an independent certified public accountant selected by the Town verifying the sufficiency of the moneys and/or Defeasance Securities deposited with the Trustee to pay when due the principal of and interest to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iv) if the Bonds are then rated, the Trustee shall have received written confirmation from each rating agency then publishing a rating on the Bonds that such deposit will not result in the reduction or withdrawal of the rating on the Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed in writing by the Town maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

ARTICLE XV

MISCELLANEOUS

Section 15.1. Benefits of Indenture Limited to Parties.

Nothing in this Indenture, expressed or implied, is intended to give to any Person other than the Town, the Trustee and the Owners, any right, remedy, or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture by and on behalf of the Town shall be for the sole and exclusive benefit of the Owners and the Trustee. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written.

Section 15.2. Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Supplemental Indenture either the Town or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Town or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 15.3. Execution of Documents and Proof of Ownership by Owners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys duly appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the Person signing such request, declaration, or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number, and date of holding the same shall be proved by the Register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Town or the Trustee in good faith and in accordance therewith.

Section 15.4. Waiver of Personal Liability.

No member, officer, agent, employee of the Town, nor any person designated by the Town Council to act on behalf of the Town shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

Section 15.5. Notices to and Demands on Town and Trustee.

(a) Except as otherwise expressly provided in this Indenture, all notices or other instruments required or permitted under this Indenture, including any Town Certificate, shall be in writing and shall be telexed, cabled, delivered by hand, mailed by first-class mail, postage prepaid, or transmitted by facsimile or e-mail and addressed as follows:

If to the Town:	Town of Little Elm, Texas 100 West Eldorado Parkway Little Elm, Texas 75068 Attention: Chief Financial Officer
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If to the Trustee or the Paying Agent/Registrar:	Wilmington Trust, National Association Attention: Dayna Smith 15950 N. Dallas Parkway, Suite 550 Dallas, Texas 75248
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Any such notice, demand, or request may also be transmitted to the appropriate party by telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change given to the other party by the party effecting the change. Notices and consents given by mail in accordance with this Section shall be deemed to have been given five Business Days after the date of dispatch; notices and consents given by any other means shall be deemed to have been given when received.

(b) The Trustee shall mail to each Owner of a Bond notice of (i) any substitution of the Trustee; or (ii) the redemption or defeasance of all Bonds Outstanding.

(c) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Town shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Town whenever a person is to be added or deleted from the listing. If the Town elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Town understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Town shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and the Town and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Town. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Town agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Town; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 15.6. Partial Invalidity.

If any Section, paragraph, sentence, clause, or phrase of this Indenture shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Town hereby declares that it would have adopted this Indenture and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid, or unenforceable.

Section 15.7. Applicable Laws.

This Indenture shall be governed by and enforced in accordance with the laws of the State of Texas applicable to contracts made and performed in the State of Texas. With respect to this Indenture and any conflicts arising therefrom, the parties hereby (i) irrevocably submit to the

exclusive jurisdiction of any federal district or state district court with jurisdiction in Denton County, Texas, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party. Each of the parties hereto hereby waives the right to trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Indenture.

Section 15.8. Payment on Business Day.

In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Indenture is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day that is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 15.9. Counterparts.

This Indenture may be executed in counterparts, each of which shall be deemed an original. The City and the Trustee agree that electronic signatures to this Indenture may be regarded as original signatures.

Section 15.10. No Boycott of Israel.

The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Indenture is a contract for goods or services, will not boycott Israel during the term of this Indenture. The foregoing verification is made solely to enable the Town to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, 'boycott Israel' means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. As used in this Section, the Trustee understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 15.11. Iran, Sudan, and Foreign Terrorist Organizations.

The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the Town to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. As used in this Section, the Trustee understands 'affiliate' to mean an entity

that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

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IN WITNESS WHEREOF, the Town and the Trustee have caused this Indenture of Trust to be executed all as of the date hereof.

TOWN OF LITTLE ELM, TEXAS

By: _____
Mayor

Attest:

Town Secretary

[TOWN SEAL]

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A

(a) Form of Bond.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE TOWN, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION OR AGENCY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND.

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

TOWN OF LITTLE ELM, TEXAS
SPECIAL ASSESSMENT REVENUE BOND, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>	<u>CUSIP NUMBER</u>
_____%	September 1, 20____	_____	_____

The Town of Little Elm, Texas (the "Town"), for value received, hereby promises to pay, solely from the Trust Estate, to

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof from the later of the Date of Delivery, as specified above, or the most recent Interest Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on September 1 and March 1 of each year, commencing, March 1, 2023, until maturity or prior redemption.

Capitalized terms appearing herein that are defined terms in the Indenture defined below, have the meanings assigned to them in the Indenture. Reference is made to the Indenture for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Wilmington, Delaware (the "Designated Payment/Transfer Office"), of Wilmington Trust, National Association, as trustee and paying agent/registrar (the "Trustee", which term includes any successor trustee under the Indenture), or, with respect to a successor

trustee and paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the Interest Payment Date, mailed by the Trustee to the registered owner at the address shown on the registration books kept by the Trustee or by such other customary banking arrangements acceptable to the Trustee, requested by, and at the risk and expense of, the Person to whom interest is to be paid. For the purpose of the payment of interest on this Bond, the registered owner shall be the Person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth calendar day of the month next preceding such Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first-class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Trustee at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a duly authorized issue of assessment revenue bonds of the Town having the designation specified in its title (herein referred to as the "Bonds"), dated November 1, 2022 and issued in the aggregate principal amount of \$_____ and issued, with the limitations described herein, pursuant to an Indenture of Trust, dated as of November 1, 2022 (the "Indenture"), by and between the Town and the Trustee, to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder to the Owners of the Bonds, the Trustee, and the Town, and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Owner of this Bond hereby consents. All Bonds issued under the Indenture are equally and ratably secured by the amounts thereby pledged and assigned. The Bonds are being issued for the purpose of (i) paying a portion of the Actual Costs of the Authorized Improvements, (ii) paying a portion of the interest on the Bonds during and after the period of acquisition and construction of the Authorized Improvements, (iii) funding a reserve fund for payment of principal and interest on the Bonds, (iv) paying a portion of the costs incidental to the organization and administration of the District, and (v) paying costs of issuance of the Bonds.

The Bonds are limited obligations of the Town payable solely from the Trust Estate as defined in the Indenture. Reference is hereby made to the Indenture, copies of which are on file with and available upon request from the Trustee, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the Town, the Trustee and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Indenture.

Notwithstanding any provision hereof, the Indenture may be released and the obligation of the Town to make money available to pay this Bond may be defeased by the deposit of money and/or certain direct or indirect Defeasance Securities sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in Authorized Denominations, subject to the provisions of the Indenture authorizing redemption in denominations of \$100,000 and any multiple of \$1,000 in excess thereof.

The Bonds are subject to sinking fund redemption prior to their respective maturities and will be redeemed by the Town in part at a price equal to the principal amount thereof plus accrued and unpaid interest thereon to the date set for redemption from moneys available for such purpose in the Redemption Fund pursuant to Article VI of the Indenture, on the dates and in the Sinking Fund Installment amounts as set forth in the following schedule:

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__ *	

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__ *	

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__ *	

* maturity

Term Bonds Maturing September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment (\$)</u>
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	
September 1, 20__	

September 1, 20__ *

* maturity

At least 45 days prior to each mandatory sinking fund redemption date, and subject to any prior reduction authorized by the Indenture, the Trustee shall select for redemption, pursuant to the provisions of the Indenture, a principal amount of Bonds of such maturity equal to the Sinking Fund Installments of such Bonds to be redeemed, shall call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the Town, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the mandatory sinking fund redemption date shall have been acquired by the Town at a price not exceeding the principal amount of such Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Bonds which, at least 45 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

The Town reserves the right and option to redeem Bonds maturing on or after September 1, 20__, before their respective scheduled maturity date, in whole or in part, on any date on or after September 1, 20__, at the Redemption Price.

Bonds are subject to extraordinary optional redemption prior to maturity in whole or in part, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption, pursuant to the provisions of the Indenture, from amounts on deposit in the Redemption Fund as a result of Prepayments, other transfers to the Redemption Fund pursuant to the Indenture, or as a result of unexpended amounts transferred from the Project Fund as provided in the Indenture.

The Trustee shall give notice of any redemption of Bonds by sending notice by United States mail, first-class, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the Register. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the redemption price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the Town may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the Town shall not redeem the Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Town and the rights of the Owners of the Bonds under the Indenture at any time Outstanding affected by such modification. The Indenture also contains provisions permitting the Owners of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Owners of all the Bonds, to waive compliance by the Town with certain past defaults under the Bond Ordinance or the Indenture and their consequences. Any such consent or waiver by the Owner of this Bond or any predecessor Bond evidencing the same debt shall be conclusive and binding upon such Owner and upon all future Owners thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Trustee, and upon delivery to the Trustee of such certifications and/or opinion of counsel as may be required under the Indenture for the transfer of this Bond. Upon satisfaction of such requirements, one or more new fully registered Bonds of the same Stated Maturity, of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the Town nor the Trustee shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond redeemed in part.

The Town, the Trustee, and any other Person may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the Person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the Town nor the Trustee shall be affected by notice to the contrary.

The Town has reserved the right to issue Additional Obligations on the terms and conditions specified in the Indenture.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF LITTLE ELM, TEXAS, THE STATE OF TEXAS, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law; and that the total indebtedness of the Town, including the Bonds, does not exceed any Constitutional or statutory limitation.

IN WITNESS WHEREOF, the Town Council of the Town has caused this Bond to be executed under the official seal of the Town.

Mayor, Town of Little Elm, Texas

Town Secretary, Town of Little Elm, Texas

[Town Seal]

(b) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
	§	
THE STATE OF TEXAS	§	

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(c) Form of Certificate of Trustee.

CERTIFICATE OF TRUSTEE

It is hereby certified that this is one of the Bonds of the series of Bonds referred to in the within mentioned Indenture.

WILMINGTON TRUST,
NATIONAL ASSOCIATION,
Dallas, Texas, as Trustee

DATED: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto
(print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number: _____) the within Bond and
all rights hereunder and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Bond on the books kept for
registration hereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed By:

NOTICE: The signature on this Assignment
must correspond with the name of the
registered owner as it appears on the face of
the within Bond in every particular and must
be guaranteed in a manner acceptable to the
Trustee.

Authorized Signatory

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this
Exhibit A, except for the following alterations:

(i) immediately under the name of the Bond the heading "INTEREST RATE"
and "MATURITY DATE" shall both be completed with the expression "As Shown Below,"
and the reference to the "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified
above, the sum of _____ DOLLARS" shall be deleted and the following
will be inserted: "on September 1 in each of the years, in the principal installments and
bearing interest at the per annum rates set forth in the following schedule:

<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>
-------------	----------------------------------	------------------------------

(Information to be inserted from Section 3.2(c) hereof); and

(iii) the Initial Bond shall be numbered T-1.

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APPENDIX C

FORM OF SERVICE AND ASSESSMENT PLAN

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VALENCIA PUBLIC IMPROVEMENT DISTRICT No. 2

TOWN OF LITTLE ELM, TEXAS

SERVICE AND ASSESSMENT PLAN

October 18, 2022

PREPARED BY:

MUNICAP, INC.
— PUBLIC FINANCE —

VALENCIA

PUBLIC IMPROVEMENT DISTRICT No. 2

SERVICE AND ASSESSMENT PLAN

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**APPENDIX F – ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX
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APPENDIX G – ASSESSMENT ROLL

I. PLAN DESCRIPTION AND DEFINED TERMS

A. INTRODUCTION

On August 16, 2022 (the “Creation Date”) the Town Council (the “Town Council”) of the Town of Little Elm, Texas (the “Town”) passed and approved Resolution No. 0816202201 approving and authorizing the creation of the Valencia Public Improvement District No. 2 (the “PID”) to finance the costs of certain public improvements for the benefit of property in such public improvement district (the “Authorized Improvements”), all of which is located within the Town.

The property in the PID is proposed to be developed as one phase, and the PID will finance public improvements as the property is developed. Assessments will be imposed on the property that receives a special benefit from the Authorized Improvements to be constructed.

Chapter 372 of the Texas Local Government Code, the “Public Improvement District Assessment Act” (as amended, the “PID Act”), governs the creation and operation of public improvement districts within the State of Texas. The Valencia Public Improvement District No. 2 Service and Assessment Plan (the “Service and Assessment Plan”) has been prepared in accordance with the PID Act and specifically Sections 372.013, 372.014, 372.015 and 372.016, which address the requirements of a service and assessment plan and the assessment roll. According to Section 372.013 of the PID Act, a service plan “must (i) cover a period of at least five years; (ii) define the annual indebtedness and the projected costs for improvements; and (iii) include a copy of the notice form required by Section 5.014, Property Code.” The service plan is described in Section IV of this Service and Assessment Plan. The copy of the notice form required by Section 5.014 of the Texas Property Code, as amended, is attached hereto as Appendix E.

Section 372.014 of the PID Act requires that “an assessment plan must be included in the annual service plan.” The assessment plan is described in Section V of this Service and Assessment Plan.

Section 372.015 of the PID Act requires that “the governing body of the municipality or county shall apportion the cost of an improvement to be assessed against property in an improvement district.” The method of assessing the Authorized Improvement Costs and apportionment of such costs to the property in the PID is included in Section V of this Service and Assessment Plan.

Section 372.016 of the PID Act requires that “after the total cost of an improvement is determined, the governing body of the municipality or county shall prepare a proposed assessment roll. The roll must state the assessment against each parcel of land in the district, as determined by the method of assessment chosen by the municipality or county under this subchapter.” The Assessment Roll for the PID is included in this Service and Assessment Plan. The Assessments as shown on the Assessment Roll are based on the method of assessment and apportionment of costs described in Section V of this Service and Assessment Plan.

B. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to them as follows:

“Actual Cost(s)” means, with respect to an Authorized Improvement, the demonstrated, reasonable, allocable, and allowable costs of constructing such Authorized Improvement, as specified in a payment request in a form that has been reviewed and approved by the Town. Actual Cost may include (a) the costs for the design, planning, financing, administration, management, acquisition, installation, construction and/or implementation of such Authorized Improvement, including general contractor construction management fees, if any, (b) the costs of preparing the construction plans for such Authorized Improvement, (c) the fees paid for obtaining permits, licenses or other governmental approvals for such Authorized Improvement, (d) the costs for external professional costs associated with such Authorized Improvement, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, and taxes, (e) the costs of all labor, bonds and materials, including equipment and fixtures, incurred by contractors, builders and material men in connection with the acquisition, construction or implementation of the Authorized Improvements, (f) all related permitting, zoning and public approval expenses, architectural, engineering, legal, and consulting fees, financing charges, taxes, governmental fees and charges (including inspection fees, Town permit fees, development fees), insurance premiums, and miscellaneous expenses.

Actual Costs include general contractor’s fees in an amount up to a percentage equal to the percentage of work completed and accepted by the Town or construction management fees in an amount up to five percent of the eligible Actual Costs described in a payment request in a form that has been reviewed and approved by the Town. The amounts expended on legal costs, taxes, governmental fees, insurance premiums, permits, financing costs, and appraisals shall be excluded from the base upon which the general contractor and construction management fees are calculated.

“Additional Interest” means the 0.50% additional interest rate charged on Assessments (if applicable) pursuant to Section 372.018 of the PID Act.

“Additional Interest Component” means the amount collected by application of the Additional Interest.

“Additional Interest Reserve” has the meaning set forth in Section V.F of this Service and Assessment Plan.

“Administrative Expenses” mean the administrative, organization, maintenance and operation costs associated with, or incident to, the administration, organization, maintenance and operation of the PID, including, but not limited to, the costs of: (i) creating and organizing the PID, including conducting hearings, preparing notices and petitions, and all costs incident thereto, including engineering fees, legal fees and consultant fees, (ii) the annual administrative, organization, maintenance, and operation costs and expenses associated with, or incident and allocable to, the administration, organization, and operation of the PID, (iii) computing, levying, billing and collecting Assessments or the Annual Installments thereof, (iv) maintaining the record of

installments of the Assessments and the system of registration and transfer of the Bonds, (v) issuing, paying and redeeming the Bonds, (vi) investing or depositing of monies, (vii) complying with the PID Act and other laws applicable to the Bonds, (viii) the Trustee fees and expenses relating to the Bonds, including reasonable fees, (ix) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, and (x) administering the construction of the Authorized Improvements. Administrative Expenses do not include payment of the actual principal of, redemption premium, if any, and interest on the Bonds or any other cost of issuance associated with the bonds. Administrative Expenses collected and not expended for actual Administrative Expenses shall be carried forward and applied to reduce Administrative Expenses in subsequent years to avoid the over-collection of amounts to pay Administrative Expenses.

“Administrator” means the employee or designee of the Town, identified in any indenture of trust relating to a series of Bonds or identified in any other agreement approved by the Town Council, who shall have the responsibilities provided for herein.

“Annual Installment” means, with respect to each Parcel, each annual payment of: (i) the Assessments including any applicable interest, as shown on the Assessment Roll attached hereto as Appendix G, as applicable, or in an Annual Service Plan Update, and calculated as provided in Section VI of this Service and Assessment Plan, (ii) the Administrative Expenses, and (iii) the Additional Interest described in Section V.F. of this Service and Assessment Plan.

“Annual Service Plan Update” has the meaning set forth in the second paragraph of Section IV of this Service and Assessment Plan.

“Assessed Property” means any property that benefits from the Authorized Improvements within the PID on which Assessments have been imposed as shown in the Assessment Roll, as the Assessment Roll is updated each year by the Annual Service Plan Update. Assessed Property includes all Parcels within the PID other than Non-Benefited Property.

“Assessment” means an assessment levied against a Parcel imposed pursuant to an Assessment Ordinance and the provisions herein, as shown on any Assessment Roll, subject to reallocation upon the subdivision of such Parcel or reduction according to the provisions herein and the PID Act.

“Assessment Ordinance” means an Assessment Ordinance adopted by the Town Council approving the Service and Assessment Plan (including amendments or supplements to the Service and Assessment Plan) and levying the Assessments.

“Assessment Revenues” mean the revenues received by or on behalf of the Town from the collection of Assessments or Annual Installment payment thereof.

“Assessment Roll” or **“Assessment Rolls”** means collectively or separately, as applicable, the Assessment Roll included in this Service and Assessment Plan as Appendix G or any other Assessment Roll in an amendment or supplement to this Service and Assessment Plan or in an

Annual Service Plan Update, as each may be updated, modified, or amended from time to time in accordance with the procedures set forth in this Service and Assessment Plan and in the PID Act.

“Authorized Improvements” mean those public improvements described in Appendix B of this Service and Assessment Plan and Section 372.003 of the PID Act, acquired, constructed and installed in accordance with this Service and Assessment Plan, and any future updates and/or amendments.

“Authorized Improvement Costs” mean the Actual Costs or the Budgeted Costs, as applicable, of all or any portion of the Authorized Improvements, as shown in Appendix B.

“Bonds” mean any bonds, including the Series 2022 PID Bonds, issued in one or more series for financing the Authorized Improvements and secured in whole or in part by the Assessment Revenues.

“Budgeted Cost(s)” means the amounts budgeted to construct the Authorized Improvements as used in the preparation of this Service and Assessment Plan.

“Certification for Payment” means the certificate to be provided by the Developer, or his designee, to substantiate the Actual Cost of one or more Authorized Improvements, which may be in segments or sections.

“County” means Denton County, Texas.

“Delinquent Collection Costs” mean interest, penalties and expenses incurred or imposed with respect to any delinquent installment of an Assessment in accordance with the PID Act and the costs related to pursuing collection of a delinquent Assessment and foreclosing the lien against the Assessed Property, including attorney’s fees.

“Developer” means Valencia on the Lake 2B2 & 4, LLC, a Texas limited liability company and its successors and assigns.

“Equivalent Units” mean, as to any Parcel the number of dwelling units by lot type expected to be built on the Parcel multiplied by the factors calculated and shown in Appendix F attached hereto.

“Homeowner Association” means a homeowners’ association or property owners’ association established for the benefit of property owners within the PID.

“Homeowner Association Property” means property within the PID owned by or irrevocably offered for dedication to, whether in fee simple or through an easement, a Homeowners’ Association established for the benefit of a group of homeowners or property owners within the PID.

“Lot” means a tract of land described as a “lot” in a subdivision plat recorded in the official public records of the County.

“Lot Type” means a classification of final building lots with similar characteristics (e.g. commercial, light industrial, multifamily residential, single family residential, etc.), as determined by the Administrator and confirmed by the Town Council. In the case of single family residential lots, the Lot Type shall be further defined by classifying the residential lots by the estimated final average home value for each lot as of the date of the recorded subdivision plat, considering factors such as density, lot size, proximity to amenities, view premiums, location, and any other factors that may impact the average home value on the lot, as determined by the Administrator and confirmed by the Town Council.

“Maximum Assessment Per Unit” means an Assessment per unit for each applicable Lot Type as follows:

Lot Type 1 (60 Ft Lot) - \$34,389.64

Lot Type 2 (50 Ft Lot) - \$28,199.50

“Non-Benefited Property” means Parcels that accrue no special benefit from the Authorized Improvements, including Homeowner Association Property, Public Property and easements that create an exclusive use for a public utility provider. Property identified as Non-Benefited Property at the time the Assessments (i) are imposed or (ii) are reallocated pursuant to a subdivision of a Parcel, is not assessed. Assessed Property converted to Non-Benefited Property, if the Assessments may not be reallocated pursuant to the provisions herein, remains subject to the Assessments and requires the Assessments to be prepaid as provided for in Section VI.E.

“Parcel” or **“Parcels”** means a parcel or parcels within the PID identified by either a tax map identification number assigned by the Denton Central Appraisal District for real property tax purposes or by lot and block number in a final subdivision plat recorded in the official public records for real property in Denton County.

“PID” has the meaning set forth in Section I.A. of this Service and Assessment Plan.

“PID Act” means Texas Local Government Code Chapter 372, Public Improvement District Assessment Act, Subchapter A, Public Improvement Districts, as amended.

“Prepayment Costs” mean interest and expenses to the date of prepayment, plus any additional expenses related to the prepayment allowed by applicable law, reasonably expected to be incurred by or imposed upon the Town as a result of any prepayment of an Assessment.

“Public Property” means property, right of way and easements within the boundaries of the PID that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, Denton County, the Town, a school district or any other public agency or political subdivision, whether in fee simple or through an exclusive use easement.

“Series 2022 PID Bonds” mean those certain Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project) that are secured primarily by the Assessment Revenues.

“Service and Assessment Plan” means this Service and Assessment Plan prepared for the PID pursuant to the PID Act, as the same may be amended from time to time.

“Town” means the Town of Little Elm, Texas.

“Town Council” means the duly elected governing body of the Town.

“Trust Indenture” means an indenture of trust, ordinance or similar document setting forth the terms and other provisions relating to the Bonds, as modified, amended, and/or supplemented from time to time.

“Trustee” means the fiscal agent or trustee as specified in a Trust Indenture, including a substitute fiscal agent or trustee.

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II. PROPERTY INCLUDED IN THE PID

A. PROPERTY INCLUDED IN THE PID

The PID is presently located within the Town and contains approximately 189.257 acres of land. A map of the property within the PID is shown in Appendix A and a legal description of the property within the PID is shown in Appendix C to this Service and Assessment Plan.

At completion, the PID is expected to consist of approximately 535 single family residential units, landscaping, and infrastructure necessary to provide roadways, drainage, and utilities to the PID. The estimated number of lots and the classification of each lot are based upon the proposed development plan.

The property within the PID is proposed to be developed as follows:

Table II-A
Proposed Development within the PID

Proposed Development	Quantity	Measurement
Single-Family - 60 Ft	196	Units
Single-Family - 50 Ft	339	Units
Total	535	Units

The estimated number of units at the build-out of the PID is based on the land use approvals for the property, the anticipated subdivision of property in the PID, and the Developer's estimate of the highest and best use of the property within the PID.

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III. DESCRIPTION OF THE AUTHORIZED IMPROVEMENTS

A. AUTHORIZED IMPROVEMENT OVERVIEW

372.003. Authorized Improvements

(a) If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. A project may be undertaken in the municipality or county or the municipality's extraterritorial jurisdiction.

(b) A public improvement may include:

- (i) landscaping;
- (ii) erection of fountains, distinctive lighting, and signs;
- (iii) acquiring, constructing, improving, widening, narrowing, closing, or rerouting of sidewalks or of streets, any other roadways, or their rights-of way;
- (iv) construction or improvement of pedestrian malls;
- (v) acquisition and installation of pieces of art;
- (vi) acquisition, construction, or improvement of libraries;
- (vii) acquisition, construction, or improvement of off-street parking facilities;
- (viii) acquisition, construction, improvement, or rerouting of mass transportation facilities;
- (ix) acquisition, construction, or improvement of water, wastewater, or drainage facilities or improvements;
- (x) the establishment or improvement of parks;
- (xi) projects similar to those listed in Subdivisions (i)-(x);
- (xii) acquisition, by purchase or otherwise, of real property in connection with an authorized improvement;
- (xiii) special supplemental services for improvement and promotion of the district, including services relating to advertising, promotion, health and sanitation, water and wastewater, public safety, security, business recruitment, development, recreation, and cultural enhancement;
- (xiv) payment of expenses incurred in the establishment, administration and operation of the district; and
- (xv) the development, rehabilitation, or expansion of affordable housing

After analyzing the public improvement projects authorized by the PID Act, the Town has determined at this time to undertake only Authorized Improvements listed in Section III.B. on the following page and shown in the opinion of probable costs included as Appendix B and on the

diagrams included as Appendix D for the benefit of the Assessed Property. Any change to the list of Authorized Improvements will require the approval of the Town and an update to this Service and Assessment Plan.

B. DESCRIPTIONS OF THE AUTHORIZED IMPROVEMENTS

The descriptions of the Authorized Improvements are presented below. The Budgeted Costs are shown in Table III-A and may be revised in an Annual Service Plan Update as needed.

A description of the Authorized Improvements are as follows:

Roadway Improvements

The roadway improvements within the PID consist of the construction of roadway improvements, including related paving, excavation, drainage, curbs, gutters, sidewalks, retaining walls, signage, traffic control devices, and right-of-way which benefit the Assessed Property. All roadway projects will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Water Improvements

The water improvements within the PID consist of construction and installation of a looped water main network, which includes waterlines, valves, fire hydrants, and appurtenances, necessary for the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Sanitary Sewer Improvements

Onsite:

The onsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Assessed Property. The onsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Offsite:

The offsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, appurtenances, and a lift station necessary to provide sanitary sewer service to Assessed Property. The offsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Storm Drainage Improvements

The storm drainage improvements within the PID consist of reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances which benefit the Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and maintained by the Town.

Soft and Miscellaneous Costs

The soft and miscellaneous costs within the PID consist of engineering and surveying, project management fees, contingency, district formation, and other soft and miscellaneous costs.

The Budgeted Costs of the Authorized Improvements shown in Table III-A may be revised in Annual Service Plan Updates. Savings from one line item may be applied to a cost increase in another line item. These savings may be applied only to increases in costs of the Authorized Improvements (i.e., the improvements for the benefit of property within the PID). Additional details of the Authorized Improvements are shown in Appendix B attached to this Service and Assessment Plan. The method of cost allocation is explained in Section V.C.

Table III-A
Budgeted Authorized Improvement Costs

Description	Total
Roadway improvements (including right-of-way)	\$6,692,479
Water improvements	\$1,673,302
Sanitary sewer improvements:	
Onsite sanitary sewer improvements	\$1,367,548
Offsite sanitary sewer improvements	\$891,510
Storm drainage improvements	\$1,420,022
Other soft and miscellaneous costs	\$2,286,596
Total Authorized Improvements	\$14,331,457

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IV. SERVICE PLAN

A. PROJECTED SOURCES AND USES OF FUNDS

The PID Act requires the service plan to cover a period of at least five years. The service plan is required to define the annual projected costs and indebtedness for the Authorized Improvements undertaken within the PID during the five year period. It is anticipated the Authorized Improvements will be completed and dedicated to the Town in the 4th quarter of 2022.

The Budgeted Costs for the Authorized Improvements plus costs related to the issuance of the Series 2022 PID Bonds and payment of expenses incurred in the establishment, administration and operation of the PID are \$17,844,887 as shown in Table IV-A. The service plan shall be reviewed and updated at least annually for the purpose of determining the annual budget for Administrative Expenses, updating the Actual Costs of the Authorized Improvements, and updating the Assessment Roll. Any update to this Service and Assessment Plan is herein referred to as an “Annual Service Plan Update.”

Table IV-A shows the projected sources and uses of funds for the Authorized Improvements.

The Series 2022 PID Bonds described in Table IV-A are being issued in 2022 and will be used to finance the Authorized Improvement Costs.

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Table IV-A
Projected Sources and Uses

Sources of Funds	Total
Par amount	\$16,300,000
Other funding sources ⁽¹⁾	\$1,544,887
Total Sources	\$17,844,887
Uses of Funds	
<i>Authorized Improvements⁽²⁾:</i>	
Roadway improvements (including right-of-way)	\$6,692,479
Water improvements	\$1,673,302
Sanitary sewer improvements:	
Onsite sanitary sewer improvements	\$1,367,548
Offsite sanitary sewer improvements	\$891,510
Storm drainage improvements	\$1,420,022
Other soft and miscellaneous costs	\$2,286,596
<i>Subtotal</i>	<i>\$14,331,457</i>
<i>Estimated Bond Issuance Costs:</i>	
Cost of issuance	\$978,000
Capitalized interest	\$791,456
Reserve fund	\$1,194,975
Administrative expense	\$60,000
Underwriter's discount	\$489,000
<i>Subtotal</i>	<i>\$3,513,431</i>
Total Uses	\$17,844,887

¹Other funding sources, if any, consist of funds contributed by the Developer to complete the Authorized Improvements that are not funded by the Series 2022 PID Bonds, which will not be reimbursed to the Developer.

²See Table III-A for details.

B. PROJECTED FIVE -YEAR SERVICE PLAN

The annual projected costs and annual projected indebtedness are shown in Table IV-B. The annual projected costs and indebtedness are subject to revision, and each shall be updated in the Annual Service Plan Update to reflect any changes in the costs or indebtedness expected for each year.

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Table IV-B
Annual Projected Costs and Annual Projected Indebtedness

Year	Annual Projected Cost	Annual Projected Indebtedness	Other Funding Sources⁽²⁾	Projected Annual Installments
2022	\$17,844,887	\$16,300,000	\$1,544,887	\$0
2023 ⁽¹⁾	\$0	\$0	\$0	\$0
2024	\$0	\$0	\$0	\$1,305,950
2025	\$0	\$0	\$0	\$1,306,049
2026	\$0	\$0	\$0	\$1,306,360
2027	\$0	\$0	\$0	\$1,305,821
2028	\$0	\$0	\$0	\$1,306,432
Total	\$17,844,887	\$16,300,000	\$1,544,887	\$6,530,612

¹ Assumes interest in 2023 is funded with capitalized interest and Administrative Expenses in 2023 are funded with bond proceeds.

² Other funding sources, if any, consist of funds contributed by the Developer to complete the Authorized Improvements that are not funded by the Series 2022 PID Bonds, which will not be reimbursed to the Developer.

The annual projected costs shown in Table IV-B are the annual expenditures relating to the Authorized Improvements shown in Table III-A, the costs associated with creating the PID and costs of issuing the Series 2022 PID Bonds, including reserves shown in Table IV-A. The difference between the annual projected cost and the annual projected indebtedness, if any, represents an amount funded by the Developer.

C. PID DISCLOSURE

The PID Act requires that this Service and Assessment Plan, and each Annual Service Plan Update, include a copy of the notice form (required by Section 5.014 of the Texas Property Code), (the “PID Disclosure”). The PID Disclosure is attached hereto as Appendix E and may be updated from time to time or in Annual Service Plan Updates.

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V. ASSESSMENT PLAN

A. INTRODUCTION

The PID Act requires the Town Council to apportion the costs of the Authorized Improvements on the basis of special benefits conferred upon the property because of the Authorized Improvements. The PID Act provides that the costs of the Authorized Improvements may be assessed: (i) equally per front foot or square foot; (ii) according to the value of the property as determined by the governing body, with or without regard to improvements on the property; or (iii) in any other manner that results in imposing equal shares of the cost on property similarly benefited. The PID Act further provides that the governing body may establish by ordinance or order reasonable classifications and formulas for the apportionment of the cost between the municipality and the area to be assessed and the methods of assessing the special benefits for various classes of improvements.

For purposes of this Service and Assessment Plan, the Town Council has determined that the Budgeted Costs of the Authorized Improvements shall be allocated as described below:

1. The Authorized Improvement Costs shall be allocated on the basis of Equivalent Units once such property is developed, and that such method of allocation will result in the imposition of equal shares of the costs of the Authorized Improvements to Parcels similarly benefited.
2. The Town Council has concluded that larger more expensive homes are likely to be built on the larger lots, and that larger more expensive homes are likely to make greater use of and receive greater benefit from the Authorized Improvements. In determining the relative values of Parcels, the Town Council has taken into consideration (i) the type of development (i.e., residential, commercial, etc.), (ii) single-family lot sizes and the size of homes likely to be built on lots of different sizes, (iii) current and projected home prices provided by the Developer, (iv) the Authorized Improvements to be provided and the estimated costs, and (v) the ability of different property types to utilize and benefit from the Authorized Improvements.
3. The Assessed Property is classified into different Lot Types as described in Appendix F based on the type and size of proposed development on each Parcel.
4. Equivalent Units are calculated for each Lot Type based on the relative value of each Lot Type.

This section of this Service and Assessment Plan (i) describes the special benefit received by each Parcel within the Assessed Property as a result of the Authorized Improvements, (ii) provides the basis and justification for the determination that this special benefit equals or exceeds the amount of the Assessments levied or to be levied on the Assessed Property, and (iii) establishes the methodologies by which the Town Council allocates and reallocates the special benefit of the Authorized Improvements to the Assessed Property in a manner that results in equal shares of the

Actual Costs of such improvements being apportioned to the Assessed Property similarly benefited. The determination by the Town Council of the assessment methodologies set forth below is the result of the discretionary exercise by the Town Council of its legislative authority and governmental powers and is conclusive and binding on the Developer and all future owners and developers of the Assessed Property.

B. SPECIAL BENEFIT

Assessed Property must receive a direct and special benefit from the Authorized Improvements, and this benefit must be equal to or greater than the amount of the Assessments. The Authorized Improvements are provided specifically for the benefit of the Assessed Property. The Authorized Improvements (more particularly described in line-item format in Appendix B to this Service and Assessment Plan) and the costs of issuance and payment of costs incurred in the establishment and administration of the PID shown in Table IV-A are authorized by the PID Act. These Authorized Improvements are provided specifically for the benefit of the Assessed Property.

Each owner of the Assessed Property has acknowledged that the Authorized Improvements confer a special benefit on the Assessed Property and has consented to the imposition of the Assessments to pay for the Actual Costs associated therewith. Each of the owners is acting in its interest in consenting to this apportionment and levying of the Assessments because the special benefit conferred upon the Assessed Property by the Authorized Improvements exceeds the amount of the Assessments.

The Authorized Improvements provide a special benefit to the Assessed Property as a result of the close proximity of these improvements to the Assessed Property and the specific purpose of these improvements of providing infrastructure for the Assessed Property. In other words, the Assessed Property could not be used in the manner proposed without the construction of the Authorized Improvements. The Authorized Improvements are being provided specifically to meet the needs of the Assessed Property as required for the proposed use of the property.

The Assessments are being levied to provide the Authorized Improvements that are required for the highest and best use of the Assessed Property (i.e., the use of the property that is most valuable, including any costs associated with that use). Highest and best use can be defined as “the reasonably probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.” (*Dictionary of Real Estate Appraisal, Third Edition.*) The Authorized Improvements are expected to be required for the proposed use of the Assessed Property to be physically possible, appropriately supported, financially feasible, and maximally productive.

The Developer has evaluated the potential use of the Assessed Property and has determined that the highest and best use of the Assessed Property is the use intended and the legal use for the property as described in Section II of this Service and Assessment Plan. The use of the Assessed Property as described herein will require the construction of the Authorized Improvements.

The special assessments will repay financing that is on advantageous terms, as the Bonds issued to finance the Authorized Improvements will pay interest that is exempt from federal income tax.

As a result, all other terms being equal (e.g., maturity, fixed vs. variable rate, credit quality), the tax-exempt bonds will have a lower interest rate than debt that is not tax-exempt. The Bonds also have a longer term than other available financings and may either be repaid or assumed by a buyer at the buyer's option. As a result of these advantageous terms, the financing provided by the PID is the most beneficial means of financing the Authorized Improvements.

Each owner of the Assessed Property will ratify, confirm, accept, agree to and approve: (i) the determinations and finding by the Town Council as to the special benefits described in this Service and Assessment Plan and the Assessment Ordinance; (ii) the Service and Assessment Plan and the Assessment Ordinance, and (iii) the levying of Assessments on the Assessed Property. Use of the Assessed Property as described in this Service and Assessment Plan and as authorized by the PID Act requires that Authorized Improvements be acquired, constructed, installed, and/or improved. Funding the Actual Costs of the Authorized Improvements through the PID has been determined by the Town Council to be the most beneficial means of doing so. As a result, the Authorized Improvements result in a special benefit to the Assessed Property, and this special benefit exceeds the amount of the Assessment. This conclusion is based on and supported by the evidence, information, and testimony provided to the Town Council.

In summary, the Authorized Improvements result in a special benefit to the Assessed Property for the following reasons:

1. The Authorized Improvements are being provided specifically for the use of the Assessed Property, are necessary for the proposed best use of the property and provide a special benefit to the Assessed Property as a result;
2. The Developer has consented to the imposition of the Assessments for the purpose of providing the Authorized Improvements and the Developer is acting in its interest by consenting to this imposition;
3. The highest and best use of the Assessed Property is the use of the Assessed Property that is most valuable (including any costs associated with the use of the Assessed Property);
4. Financing of the costs of the Authorized Improvements through the PID is determined to be the most beneficial means of providing for the Authorized Improvements; and,
5. As a result, the special benefit to the Assessed Property from the Authorized Improvements will be equal to or greater than the Assessments.

C. ASSESSMENT METHODOLOGY

The costs of the Authorized Improvements may be assessed by the Town Council against the Assessed Property so long as the special benefit conferred upon the Assessed Property by the Authorized Improvements equals or exceeds the Assessments. The costs of the Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of the Actual Costs on Assessed Property similarly benefited.

I. Assessment Methodology for the Authorized Improvements

For purpose of this Service and Assessment Plan, the Town Council has determined that the Budgeted Costs of the Authorized Improvements to be financed with the Bonds shall be allocated to the Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units anticipated to be developed on each Parcel within the PID.

Based on the Budgeted Costs of the Authorized Improvements, as set forth in Table III-A, the Town Council has determined that the benefit to the Assessed Property of the Authorized Improvements is at least equal to the Assessments levied on the Assessed Property.

Upon subsequent divisions of any Parcel, the Assessment applicable to it will then be apportioned pro rata based on the estimated Equivalent Units of each newly created Parcel. For residential Lots, when final residential building sites are platted, Assessments will be apportioned proportionately among each Parcel based on the ratio of the estimated Equivalent Units at the time residential Lots are platted to the total estimated Equivalent Units of all Lots in the platted Parcel, as calculated and shown in Appendix F using the types, number and average home value of Lots anticipated to be developed on each Parcel.

The Assessment and Annual Installments for each Parcel or Lot located within the PID is shown on the Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan or the PID Act.

D. ASSESSMENTS

The Assessments are being levied on each Parcel according to the Assessment Roll, attached hereto as Appendix G. The Annual Installments of the Assessments will be collected at the time and in the amounts shown on the Assessment Roll, subject to any revisions made during an Annual Service Plan Update.

See Appendix F for Assessment per unit, leverage, and estimated tax rate equivalent calculation details.

E. ADMINISTRATIVE EXPENSES

The cost of administering the PID and collecting the Annual Installments shall be paid for on a pro rata basis by each Parcel based on the amount of Assessment levied against the Parcel. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts shown on the Assessment Roll, which may be revised based on actual costs incurred in Annual Service Plan Updates. The first year's Administrative Expenses are expected to be paid from the proceeds of the Series 2022 PID Bonds, as shown in Table IV-A.

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F. ADDITIONAL INTEREST RESERVE

Pursuant to the PID Act, the interest rate for Assessments may exceed the actual interest rate per annum paid on the related Bonds by no more than one half of one percent (0.50%), the Additional Interest. The interest rate used to determine the Assessments is one half of one percent (0.50%) per annum higher than the actual rate paid on the Bonds, with the Additional Interest Component of the Annual Installments allocated to fund a reserve to be used for paying interest associated with a prepayment and to offset any possible delinquency related costs and/or as described in the Trust Indenture, the Additional Interest Reserve. The Additional Interest Reserve shall be funded until it reaches 5.50% of the outstanding Bonds unless otherwise stipulated in the Bond documents. Once the Additional Interest Reserve is funded in full, the Town may allocate the Additional Interest Component of the Annual Installments as provided in the applicable Trust Indenture.

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VI. TERMS OF THE ASSESSMENTS

A. AMOUNT OF ASSESSMENTS AND ANNUAL INSTALLMENTS FOR PARCELS LOCATED WITHIN THE PID

The Assessment and Annual Installments for each Assessed Property located within the PID is shown on the Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

The Annual Installments shall be collected from the Assessed Property in an amount sufficient to pay (i) principal and interest on the Series 2022 PID Bonds, (ii) to fund the Additional Interest Reserve described in Section V, and (iii) to pay Administrative Expenses related to the PID. The Annual Installment for each Parcel in the PID shall be calculated by taking into consideration any available capitalized interest applicable to the Parcel.

B. REALLOCATION OF ASSESSMENTS

1. Subdivision

Upon the subdivision of any Parcel, the Assessment for the Parcel prior to the subdivision shall be reallocated among the new subdivided Parcels according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meanings:

- A = the Assessment for each new subdivided Parcel
- B = the Assessment for the Parcel prior to subdivision
- C = the estimated total Equivalent Units to be built on each new subdivided Parcel
- D = the sum of the estimated total Equivalent units to be built on all of the new subdivided Parcels

The calculation of the estimated Equivalent Units to be built on a Parcel shall be performed by the Administrator and confirmed by the Town Council based on the information available regarding the use of the Parcel. The estimate as confirmed shall be conclusive. The number of Equivalent Units to be built on a Parcel may be estimated by net land area and reasonable density ratios.

The sum of the Assessments for all newly subdivided Parcels shall equal the Assessment for the Parcel prior to subdivision. The calculation shall be made separately for each newly subdivided Parcel. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the subdivision of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the Town Council.

2. Consolidation

Upon the consolidation of two or more Parcels, the Assessment for the consolidated Parcel shall be the sum of the Assessments for the Parcels prior to consolidation. The reallocation of an Assessment for a Parcel that is a homestead under Texas law may not exceed the Assessment prior to the reallocation and to the extent the reallocation would exceed such amount, it shall be prepaid by such amount by the party requesting the consolidation of the Parcels. Any reallocation pursuant to this section shall be reflected in an Annual Service Plan Update approved by the Town Council.

C. MANDATORY PREPAYMENT OF ASSESSMENTS

1. If a Parcel subject to Assessments is transferred to a party that is exempt from the payment of the Assessment under applicable law, or if an owner causes a Parcel subject to Assessments to become Non-Benefited Property, the owner of such Parcel shall pay to the Town the full amount of the principal portion of the Assessment on such Parcel, plus all Prepayment Costs, prior to any such transfer or act.
2. If at any time the Assessment per unit on a Parcel exceeds the applicable Maximum Assessment Per Unit shown in this Service and Assessment Plan as a result of any changes in land use, subdivision, consolidation or reallocation of the Assessment authorized by this Service and Assessment Plan and initiated by the owner of the Parcel, then such owner shall pay to the Town prior to the recordation of the document subdividing the Parcel the amount calculated by the Administrator by which the Assessment per unit for the Parcel exceeds the applicable Maximum Assessment per Unit calculated in this Service and Assessment Plan.
3. The payments required above shall be treated the same as any Assessment that is due and owing under the PID Act, the Assessment Ordinance, and this Service and Assessment Plan, including the same lien priority, penalties, procedures, and foreclosure specified by the PID Act.

D. REDUCTION OF ASSESSMENTS

1. If after all Authorized Improvements to be funded with a series of Bonds have been completed and Actual Costs for such Authorized Improvements are less than the Actual Costs of the Authorized Improvements used to calculate the Assessments securing such series of Bonds, resulting in excess Bond proceeds being available to redeem Bonds of such series, then the Assessment securing such series of Bonds for each Parcel of Assessed Property shall be reduced by the Town Council pro rata such that the sum of the resulting reduced Assessments for all Assessed Properties equals the actual reduced Actual Costs. The Assessments shall not be reduced to an amount less than the related outstanding series of Bonds. If all of the Authorized Improvements are not completed, the Town may reduce the Assessments in another method if it determines such method would better reflect the benefit received by the Parcels from the Authorized Improvements completed.

2. If all the Authorized Improvements are not undertaken, resulting in excess Bond proceeds being available to redeem Bonds, and such excess Bond proceeds shall be applied to redeem Bonds as provided in the Indenture, then the Assessments and Annual Installments for each Parcel shall be appropriately reduced by the Town Council to reflect only the amounts required to repay the Bonds, including interest on the Bonds and Administrative Expenses. The Town Council may reduce the Assessments and the Annual Installments for each Parcel (i) in an amount that represents the Authorized Improvements provided for each Parcel or (ii) by an equal percentage calculated based on number of units, if determined by the Town Council to be the most fair and practical means of reducing the Assessments for each Parcel, and in accordance with the Trust Indenture, such that the sum of the resulting reduced Assessments equals the amount required to repay the Bonds, including interest on the Bonds and Administrative Expenses. The principal portion of the Assessment for each Parcel shall be reduced pro rata to the reduction in the Assessments for each Parcel such that the sum of the resulting reduced principal portion of the Bonds is equal to the outstanding principal amount of the Bonds.

E. PAYMENT OF ASSESSMENTS

1. Payment in Full

- (a) The Assessment for any Parcel may be paid in full at any time. Such payment shall include all Prepayment Costs. If prepayment in full will result in redemption of Bonds, the payment amount shall be reduced by the amount, if any, of interest through the date of redemption of Bonds and reserve funds applied to the redemption under the Trust Indenture, net of any other costs applicable to the redemption of Bonds.
- (b) If an Annual Installment has been billed prior to payment in full of an Assessment, the Annual Installment shall be due and payable and shall be credited against the payment-in-full amount.
- (c) Upon payment in full of the Assessment and all Prepayment Costs, the Town shall deposit the payment in accordance with the Trust Indenture; whereupon, the Assessment shall be reduced to zero, and the owner's obligation to pay the Assessment and Annual Installments thereof shall automatically terminate.
- (d) At the option of the owner, the Assessment on any Parcel plus Prepayment Costs may be paid in part. Upon the payment of such amounts for a Parcel, the Assessment for the Parcel shall be reduced, the Assessment Roll shall be updated to reflect such partial payment, and the obligation to pay the Annual Installment for such Parcel shall be reduced to the extent the partial payment is made.

2. Payment in Annual Installments

The PID Act provides that an Assessment for a Parcel may be paid in full at any time. If not paid in full, the PID Act authorizes the Assessment to be paid in installments and additionally allows the Town to collect interest, Administrative Expenses and other authorized charges in installments. An Assessment for a Parcel that is not paid in full will be collected in Annual

Installments each year in the amounts shown on the Assessment Roll, as updated as provided for herein, which include interest, Administrative Expenses, and payments required for the Additional Interest Reserve. Payment of the Annual Installments shall commence with tax bills mailed after the issuance of the Bonds.

Each Assessment levied against the Assessed Property shall be paid with interest of no more than the actual interest rate paid on the Series 2022 PID Bonds and Additional Interest; the Assessment Roll sets forth for each year the Annual Installment for each parcel based on an estimated interest rate of 5.75% on the Series 2022 PID Bonds and Additional Interest at the rate of 0.5% for the Additional Interest Reserve. Furthermore, the Annual Installments may not exceed the amounts shown on the Assessment Roll, as shown in Appendix G.

The Annual Installments shall be reduced to equal the Actual Costs of repaying the Series 2022 PID Bonds and actual Administrative Expenses (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

The Town reserves and shall have the right and option to refund the Bonds in accordance with Section 372.027 of the PID Act. In the event of such refunding, the Administrator shall recalculate the Annual Installments, and if necessary, may adjust, or decrease, the amount of the Annual Installments so that total Annual Installments of Assessments will be produced in annual amounts that are required to pay the refunding bonds when due and payable as required by and established in the ordinance and/or the indenture authorizing and securing the refunding bonds, and such refunding bonds shall constitute Bonds for purposes of this Service and Assessment Plan.

F. COLLECTION OF ANNUAL INSTALLMENTS

No less frequently than annually, the Administrator shall prepare, and the Town Council shall consider, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Assessment Roll and a calculation of the Annual Installment for each Parcel. Administrative Expenses shall be allocated among Parcels in proportion to the amount of the Annual Installments for the Parcels. Each Annual Installment shall be reduced by any credits applied under the applicable Trust Indenture, including capitalized interest, interest earnings on any account balances, and any other funds available to the Trustee for such purpose, and including any existing deposits to a prepayment reserve. Annual Installments shall be collected by the Town in the same manner and at the same time as ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the Town. The Town Council may provide for other means of collecting the Annual Installments to the extent permitted under the PID Act. The Assessments shall have lien priority as specified in the Act.

Any sale of Assessed Property for nonpayment of the Annual Installments shall be subject to the lien established for the remaining unpaid Annual Installments against such Assessed Property and such Assessed Property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent Annual Installments against such Assessed Property as they become due and payable.

Each Annual Installment, including the interest on the unpaid amount of an Assessment, shall be updated annually. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year. Collection of the initial Annual Installments relating to the Authorized Improvements that benefit the Assessed Property will be due when billed and will be delinquent if not paid prior to February 1, 2024.

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VII. THE ASSESSMENT ROLL

A. ASSESSMENT ROLL

The Town Council has evaluated each Parcel in the PID based on numerous factors such as the applicable zoning for developable area, the use of proposed Homeowner Association Property, the Public Property, the types of Authorized Improvements, and other development factors deemed relevant by the Town Council to determine the amount of Assessed Property within the PID.

The Assessed Property has been assessed for the special benefits conferred upon the property resulting from the Authorized Improvements. Table VII-A summarizes the \$17,844,887 in special benefit received by the Assessed Property from the Authorized Improvements, including costs of PID formation and administration and the Series 2022 PID Bonds issuance costs. The par amount of the Series 2022 PID Bonds is \$16,300,000 which is less than the benefit received by the Assessed Property. Accordingly, the total Assessment to be applied to all the Assessed Property is \$16,300,000, which will be collected in addition to interest thereon plus the Additional Interest and annual Administrative Expenses. The Assessment for each Assessed Property is calculated based on the allocation methodologies described in Section V.C. The Assessment Roll is attached hereto as Appendix G.

Table VII-A
Special Benefit Summary

Special Benefit	Total Cost
Total Authorized Improvements ⁽¹⁾	\$14,331,457
<i>Estimated Bond Issuance Costs:</i>	
Cost of issuance	\$978,000
Capitalized interest	\$791,456
Reserve fund	\$1,194,975
Administrative expense	\$60,000
Underwriter's discount	\$489,000
<i>Subtotal Bond Issuance Costs</i>	<i>\$3,513,431</i>
Total Special Benefit	\$17,844,887
<u>Special Benefit:</u>	
Total Special Benefit	\$17,844,887
Projected Assessment	\$16,300,000
Excess Benefit	\$1,544,887

¹See Table III-A for details.

B. ANNUAL ASSESSMENT ROLL UPDATES

The Administrator shall prepare, and shall submit to the Town Council for approval, annual updates to the Assessment Roll in conjunction with the Annual Service Plan Update to reflect the following matters, together with any other changes helpful to the Administrator or the Town and permitted by the PID Act: (i) the identification of each Parcel (ii) the Assessment for each Parcel of Assessed Property, including any adjustments authorized by this Service and Assessment Plan and in the PID Act; (iii) the Annual Installment for the Assessed Property for the year (if the Assessment is payable in installments); and (iv) payments of the Assessment, if any, as provided by Section VI.E. of this Service and Assessment Plan.

Once Bonds are issued, the Assessment Roll shall be updated, which update may be done in the next Annual Service Plan Update, to reflect any changes resulting from the issuance of the Bonds. This update shall reflect the actual interest on the Bonds on which the Annual Installments shall be paid, any reduction in the Assessments, and any revisions in the Actual Costs to be funded by the Bonds and Developer funds.

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VIII. MISCELLANEOUS PROVISIONS

A. ADMINISTRATIVE REVIEW

The Town may elect to designate a third party to serve as Administrator. The Town shall notify Developer in writing at least thirty (30) days in advance before appointing a third party Administrator.

To the extent consistent with the PID Act, an owner of an Assessed Parcel claiming that a calculation error has been made in the Assessment Roll(s), including the calculation of the Annual Installment, shall send a written notice describing the error to the Town not later than thirty (30) days after the date any amount which is alleged to be incorrect is due prior to seeking any other remedy. The Administrator shall promptly review the notice, and if necessary, meet with the Assessed Parcel owner, consider written and oral evidence regarding the alleged error and decide whether, in fact, such a calculation error occurred.

If the Administrator determines that a calculation error has been made and the Assessment Roll should be modified or changed in favor of the Assessed Parcel owner, such change or modification shall be presented to the Town Council for approval to the extent permitted by the PID Act. A cash refund may not be made for any amount previously paid by the Assessed Parcel owner (except for the final year during which the Annual Installment shall be collected or if it is determined there are sufficient funds to meet the expenses of the PID for the current year), but an adjustment may be made in the amount of the Annual Installment to be paid in the following year. The decision of the Administrator regarding a calculation error relating to the Assessment Roll may be appealed to the Town Council. Any amendments made to the Assessment Roll(s) pursuant to calculation errors shall be made pursuant to the PID Act.

The decision of the Administrator, or if such decision is appealed to the Town Council, the decision of the Town Council shall be conclusive as long as there is a reasonable basis for such determination. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any other appeal or legal action by such owner.

B. TERMINATION OF ASSESSMENTS

Each Assessment shall be extinguished on the date the Assessment is paid in full, including unpaid Annual Installments and Delinquent Collection Costs, if any. After the extinguishment of an Assessment and the collection of any delinquent Annual Installments and Delinquent Collection Costs, the Town shall provide the owner of the affected Parcel a recordable “Notice of the PID Assessment Termination”.

C. AMENDMENTS

Amendments to the Service and Assessment Plan can be made as permitted or required by the PID Act and under Texas law.

The Town Council reserves the right to the extent permitted by the PID Act to amend this Service and Assessment Plan without notice under the PID Act and without notice to property owners of Parcels:

(i) to correct mistakes and clerical errors; (ii) to clarify ambiguities; (iii) to provide procedures for the collection and enforcement of Assessments, Prepayment Costs, Collection Costs, and other charges imposed by the Service and Assessment Plan, and (iv) as may be required by the Attorney General of Texas in connection with the issuance of any series of Bonds.

D. ADMINISTRATION AND INTERPRETATION OF PROVISIONS

The Town Council shall administer the PID, this Service and Assessment Plan, and all Annual Service Plan Updates consistent with the PID Act and shall make all interpretations and determinations related to the application of this Service and Assessment Plan unless stated otherwise herein or in the Trust Indenture, such determination shall be conclusive.

E. SEVERABILITY

If any provision, section, subsection, sentence, clause or phrase of this Service and Assessment Plan or the application of same to an Assessed Parcel or any person or set of circumstances is for any reason held to be unconstitutional, void or invalid, the validity of the remaining portions of this Service and Assessment Plan or the application to other persons or sets of circumstances shall not be affected thereby, it being the intent of the Town Council in adopting this Service and Assessment Plan that no part hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness or invalidity of any other part hereof, and all provisions of this Service and Assessment Plan are declared to be severable for that purpose.

If any provision of this Service and Assessment Plan is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Service and Assessment Plan and the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the Town.

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APPENDIX A
PID MAP

B:\30119\2018004-00_Valencia\CAD\04-EXHIBIT B\2018004-00_Valencia\04-11.dwg, Jan. 13, 2021, 4:19 pm, chharosk

Existing Phases

DATA TABLE

Residential Type:	Lots	Acres
Phase 1		62.4
60'x 120' Lot	169	
80'x 135' Lot	41	
Total Lots	210	
Phase 2A		51.5
60'x 120' Lot	154	
Total Lots	154	
Phase 3		80.7
3A 40'x 100' Lot	126	24.2
3A 50'x 115' Lot	14	
3B 40'x 100' Lot	118	28.5
3B 50'x 115' Lot	21	
3C 40'x 100' Lot	142	28.0
3C 50'x 115' Lot	8	
Total Lots	429	

Phase 2B - Amendment No. 4

Approved Phases

DATA TABLE

Residential Type:	Lots	Acres
Phase 2B		57.7
2B 60'x 120' Lot	175	
Total Lots	175	

Proposed Phase 2B - Amendment No. 6

Approved Phases

DATA TABLE

Residential Type:	Lots	Acres
Phase 2B		57.7
2B-1 60'x 120' Lot	89	28.8
2B-2 60'x 120' Lot	90	28.9
Total Lots	179	

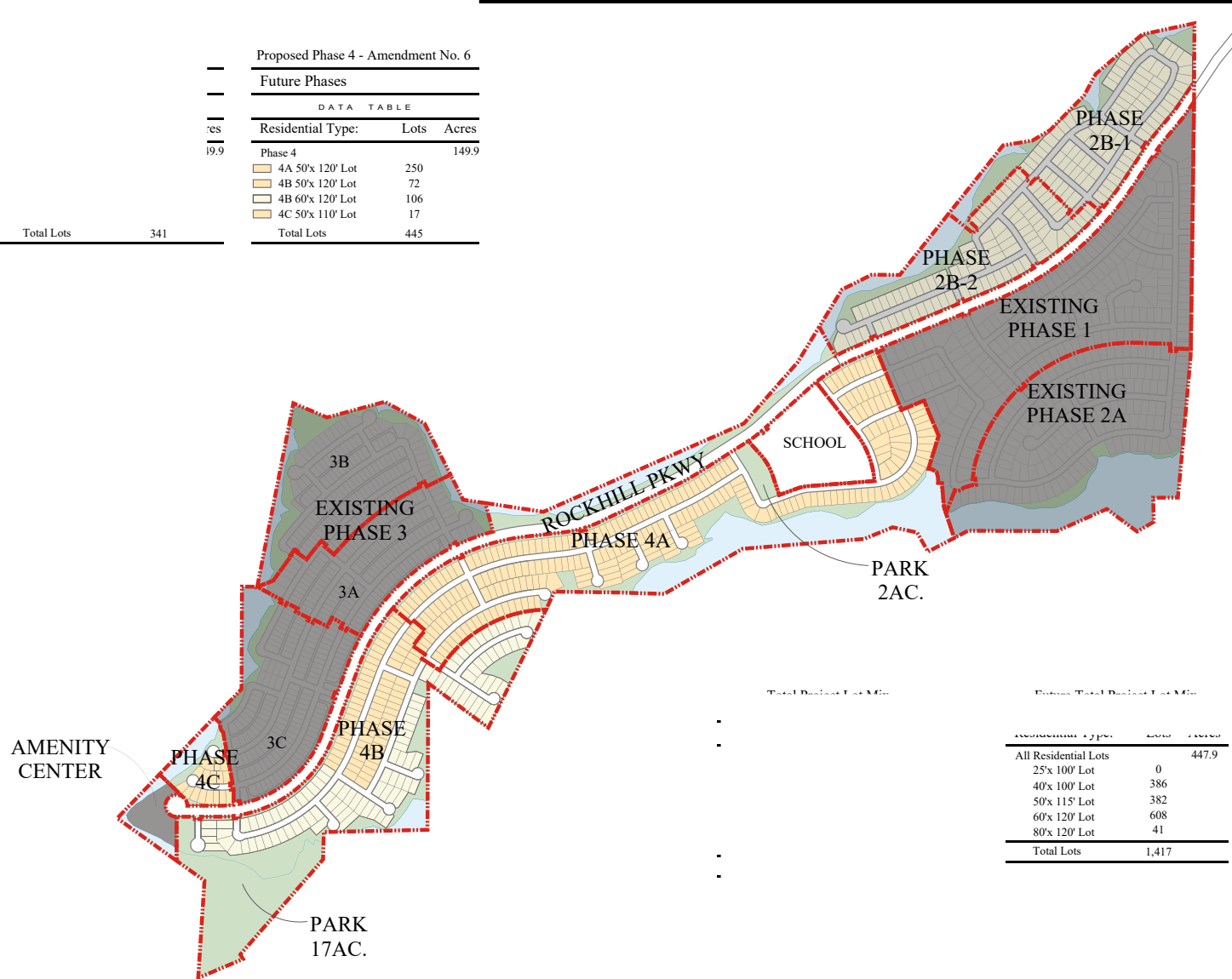
Proposed Phase 4 - Amendment No. 6

Future Phases

DATA TABLE

Residential Type:	Lots	Acres
Phase 4		149.9
4A 50'x 120' Lot	250	
4B 50'x 120' Lot	72	
4B 60'x 120' Lot	106	
4C 50'x 110' Lot	17	
Total Lots	445	

Total Lots 341



Total Resident Lot Mins

Future Total Resident Lot Mins

Residential Type:	Lots	Acres
All Residential Lots		447.9
25'x 100' Lot	0	
40'x 100' Lot	386	
50'x 115' Lot	382	
60'x 120' Lot	608	
80'x 120' Lot	41	
Total Lots	1,417	

LEGEND

ROW	RIGHT-OF-WAY
VOL., PG.	VOLUME, PAGE
INST. NO.	INSTRUMENT NUMBER
RPRDCT	REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS
PRDCT	PLAT RECORDS, DENTON COUNTY, TEXAS

PAGE INDEX

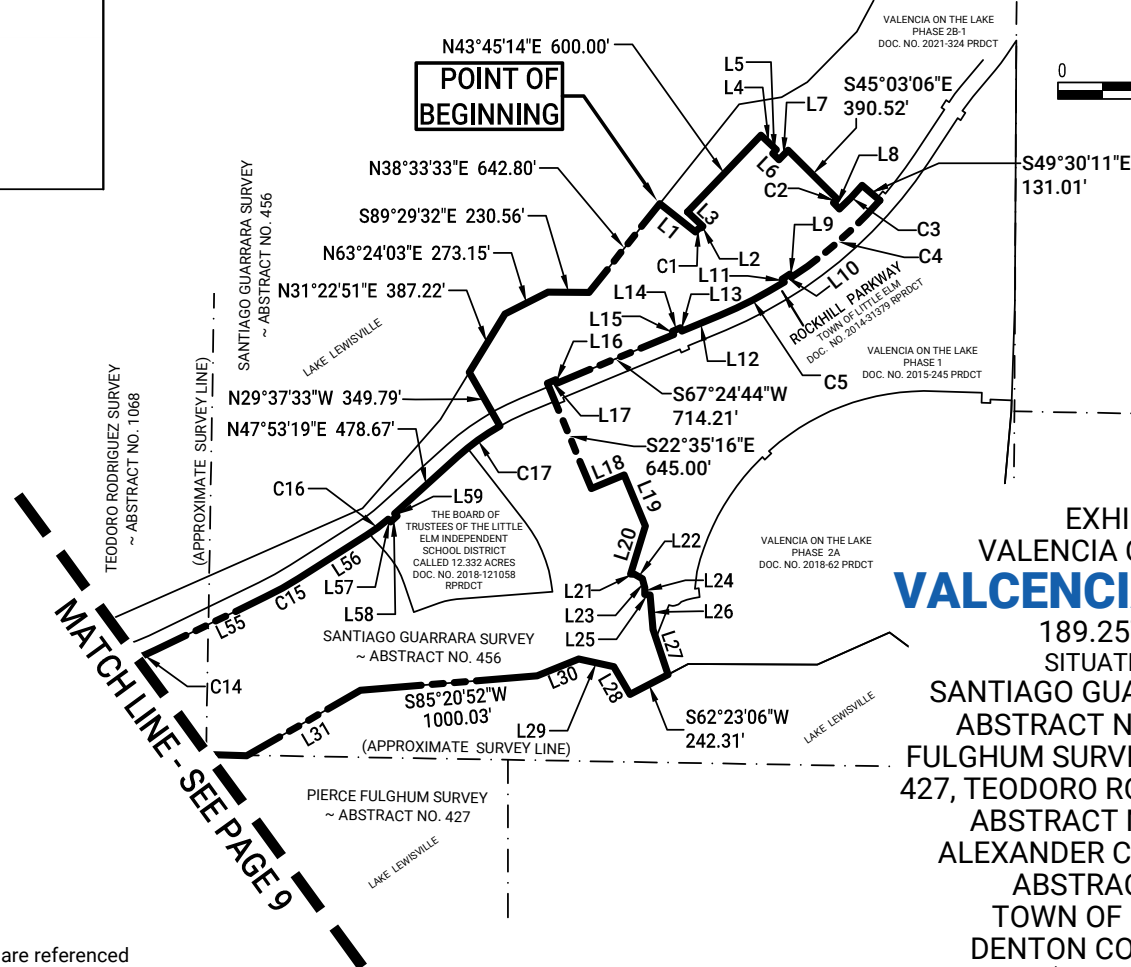
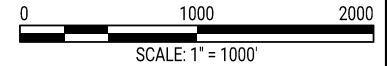
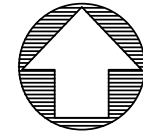
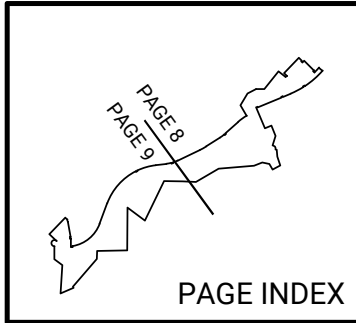


EXHIBIT "A" VALENCINA ON THE LAKE VALCENCIA PID NO. 2

189.257 ACRES
SITUATED IN THE
SANTIAGO GUARRARA SURVEY,
ABSTRACT NO. 456, PIERCE
FULGHUM SURVEY, ABSTRACT NO.
427, TEODORO RODRIGUEZ SURVEY,
ABSTRACT NO. 1068 AND
ALEXANDER COOPER SURVEY,
ABSTRACT NO. 250
TOWN OF LITTLE ELM,
DENTON COUNTY, TEXAS

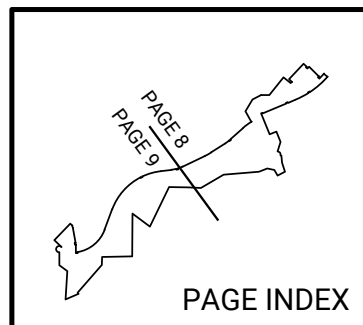


TBPLS FIRM REG. NO. 10194538
TBPE FIRM REG. NO. 20683
801 East Campbell Road, Ste. 650
Richardson, Texas 75081
TELEPHONE - (214)-484-7055
PROJECT NO. 2019-004
DATE June 2022

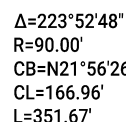
NOTES:

1. The bearings shown and recited hereon are referenced to the Texas Coordinate System of 1983 ~ North Central Zone No. 4202 - NAD 83. (All distances are surface distances with a surface to grid scale factor of 0.999849392677).
2. There are no improvements, easements or floodplain lines shown or referenced on this exhibit.
3. A description of even date attached hereto.
4. Corner Monuments referenced in the attached description are not shown plotted hereon.

"This document was prepared under 22 Texas Administrative Code §138.95, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared."



LEGEND	
ROW	RIGHT-OF-WAY
VOL., PG.	VOLUME, PAGE
INST. NO.	INSTRUMENT NUMBER
RPRDCT	REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS
PRDCT	PLAT RECORDS, DENTON COUNTY, TEXAS



N00°00'03"E 361.61'—
N54°23'26"W 281.39'

N03°41'18"E 799.8

L3

S47°00'

L37

LAKE LEWIS

SVILLE

ALEXANDER A. ALEXANDER

(APPF)

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NOTES:

1. The bearings shown and recited hereon are referenced to the Texas Coordinate System of 1983 ~ North Central Zone No. 4202 - NAD 83. (All distances are surface distances with a surface to grid scale factor of 0.999849392677).
2. There are no improvements, easements or floodplain lines shown or referenced on this exhibit.
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4. Corner Monuments referenced in the attached description are not shown plotted hereon.

"This document was prepared under 22 Texas Administrative Code §138.95, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared."

EXHIBIT "A"
VALENCIA ON THE LAKE
VALENCIA PID NO. 2

189.257 ACRES
SITUATED IN THE
SANTIAGO GUARRARA SURVEY,
ABSTRACT NO. 456, PIERCE
FULGHUM SURVEY, ABSTRACT NO.
427, TEODORO RODRIGUEZ SURVEY,
ABSTRACT NO. 1068 AND
ALEXANDER COOPER SURVEY,
ABSTRACT NO. 250
TOWN OF LITTLE ELM,
DENTON COUNTY, TEXAS



TBPLS FIRM REG. NO. 10194538
 TBPE FIRM REG. NO. 20683
 801 East Campbell Road, Ste. 650
 Richardson, Texas 75081
 TELEPHONE - (214)-484-7055
 PROJECT NO. 2019-004
 DATE June 2022

APPENDIX B
BUDGETED COSTS OF AUTHORIZED IMPROVEMENTS



COMMUNITY NAME: Valencia on the Lake
 PHASE: 2B2 & 4
 CITY OR TOWN: Town of Little Elm, Denton County, Texas

ACREAGE: 174.774
 TOTAL LOTS: 535
 CREATED: 07/26/22

COST SUMMARY - FUTURE PHASE 2B2 AND PHASE 4 BONDS

DIRECT COSTS	PER LOT COST	ITEM COST
GRADING - RIGHT OF WAY	\$739	\$395,401.86
WATER IMPROVEMENTS	\$3,128	\$1,673,301.50
SANITARY SEWER IMPROVEMENTS	\$2,556	\$1,367,548.30
STORM DRAINAGE IMPROVEMENTS	\$2,654	\$1,420,022.20
PAVING IMPROVEMENTS	\$11,770	\$6,297,077.00
OFFSITE UTILITY IMPROVEMENTS	\$1,666	\$891,510.00
SOFT COST IMPROVEMENTS	\$2,956	\$1,581,595.83
DISTRICT FORMATION	\$1,318	\$705,000.00
TOTAL DIRECT COST	\$26,788	\$14,331,456.69

APPENDIX C
LEGAL DESCRIPTION

VALENCIA ON THE LAKE
VALENCIA PID NO. 2
189.257 ACRES

BEING that certain tract of land situated in the Santiago Guarrara Survey, Abstract No. 456, the Alexander Cooper Survey, Abstract No. 250, the Pierce Fulghum Survey, Abstract No. 427, and the Teodoro Rodriguez Survey, Abstract No. 1068, in the Town of Little Elm, Denton County, Texas, and being all of that certain called 13.874 acre tract of land described as Tract I (Part of Phase 2B2), all of that certain called 139.705 acre tract of land described as Tract II (Phases 4A and 4B), and all of that certain called 6.097 acre tract of land described as Tract III (Phase 4C) in Deed to Valencia on the Lake 2B2 and 4, LLC recorded in Document Number 2021-157901, of the Real Property Records of Denton County, Texas (RPRDCT), all of that certain called 15.145 acre tract of land described in Deed to Valencia on the Lake 2B2 and 4, LLC recorded in Document Number 2021-157902, RPRDCT, all of that certain called 12.332 acre tract of land described in Deed to The Board of Trustees of the Little Elm Independent School District recorded in Document No. 2018-121058, RPRDCT, and part of that certain tract of land described in deed to the Town of Little Elm (Rockhill Parkway - called 90 foot right-of-way) recorded in Document No. 2014-31379, RPRDCT, and including an 0.026 acre portion of the called 50-foot right-of-way of Barx Drive, dedicated according to Valencia on the Lake Phase 3C, an addition to The Town of Little Elm according to Final Plat recorded in Document Number 2017-419 RPRDCT, and being more particularly described as follows:

BEGINNING at a 5/8-inch iron rod with cap stamped "BCG 10194538" found at the most westerly corner of Valencia on the Lake Phase 2B-1, an Addition to the Town of Little Elm Texas according to Final Plat recorded in Document No. 2021-324, of the Plat Records of Denton County, Texas (PRDCT), said iron rod also being located on the southerly line of the "Take Line" of Lake Lewisville;

THENCE leaving said "Take Line", and with the southwesterly line of said Valencia on the Lake Phase 2B-1, the following courses to 5/8-inch iron rods with cap stamped "BCG 10194538" found for corner:

South 51°26'27" East, a distance of 257.14 feet to the beginning of a non-tangent curve to the right;

Northeasterly, with said curve which has a central angle of 43°47'33", a radius of 60.00 feet, a chord which bears North 55°24'53" East, a chord distance of 44.75 feet, and an arc distance of 45.86 feet to the end of said curve;

North 43°45'14" East, a distance of 7.48 feet;

North 46°14'46" West, a distance of 120.00 feet;

North 43°45'14" East, a distance of 600.00 feet;

South 46°14'46" East, a distance of 120.00 feet;

South 43°45'14" West, a distance of 30.00 feet;

South 46°14'46" East, a distance of 50.00 feet;

North 43°45'14" East, a distance of 74.94 feet;

South 45°03'06" East, a distance of 390.52 feet to the beginning of a non-tangent curve to the right;

Southwesterly, with said curve which has a central angle of 00°45'33", a radius of 2264.00 feet, a chord which bears South 45°19'41" West, a chord distance of 30.00 feet, and an arc distance of 30.00 feet to the end of said curve;

South 44°17'32" East, a distance of 50.00 feet to being the beginning of a non-tangent curve to the left;

And northeasterly, with said curve which has a central angle of $04^{\circ}35'30''$, a radius of 2314.00 feet, a chord which bears North $43^{\circ}24'43''$ East, a chord distance of 185.39 feet, and an arc distance of 185.44 feet to the end of said curve;

THENCE South $49^{\circ}30'11''$ East, passing at a distance of 111.01 feet a 5/8-inch iron rod with cap stamped "BCG 10194538" found at a southwest corner of said Valencia on the Lake Phase 2B-1, and continuing with a southwest line of said Rockhill Parkway, in all, a total distance of 131.01 feet to a point for corner located at the beginning of a non-tangent curve to the right;

THENCE with the northerly right-of-way line of said Rockhill Parkway, the following courses to 5/8-inch iron rods with cap stamped "BCG 10194538" found for corner:

Southwesterly, with said curve which has a central angle of $15^{\circ}31'47''$, a radius of 2445.00 feet, a chord which bears South $48^{\circ}50'51''$ West, a chord distance of 660.67 feet, and an arc distance of 662.70 feet to the end of said curve;

North $33^{\circ}30'17''$ West, a distance of 20.00 feet;

South $57^{\circ}12'14''$ West, a distance of 50.00 feet;

South $33^{\circ}30'17''$ East, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the right;

Southwesterly, with said curve which has a central angle of $09^{\circ}37'40''$, a radius of 2445.00 feet, a chord which bears South $62^{\circ}35'53''$ West, a chord distance of 410.37 feet, and an arc distance of 410.85 feet to the end of said curve;

South $67^{\circ}24'44''$ West, a distance of 231.77 feet;

North $22^{\circ}35'16''$ West, a distance of 20.00 feet;

South $67^{\circ}24'44''$ West, a distance of 50.00 feet;

South $22^{\circ}35'16''$ East, a distance of 20.00 feet;

South $67^{\circ}24'44''$ West, a distance of 714.21 feet;

North $22^{\circ}35'16''$ West, a distance of 20.00 feet;

And South $67^{\circ}24'44''$ West, a distance of 50.00 feet;

THENCE South $22^{\circ}35'16''$ East, passing at a distance of 20.00 feet a 5/8-inch iron rod with cap stamped "BCG 10194538" found on said northerly right-of-way line of Rockhill Parkway, continuing over and across said Rockhill Parkway, passing at a distance of 110.00 feet an "X" cut in concrete found at the northeast corner of said called 139.705 acre tract of land described as Tract II (Phases 4A and 4B), passing at a distance of 140.00 feet a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found at the most westerly northwest corner of Valencia on the Lake Phase 1, an Addition to the Town of Little Elm Texas according to Final Plat recorded in Document No. 2015-245, PRDCT, continuing with the southwesterly line of said Valencia on the Lake Phase 1, in all, a total distance of 645.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE with said southwesterly line of Valencia on the Lake Phase 1, the following courses to 5/8-inch iron rods with cap stamped "PETITT-RPLS 4087" found for corner:

North $67^{\circ}24'44''$ East, a distance of 200.32 feet;

South $22^{\circ}35'16''$ East, a distance of 312.29 feet;

South 17°05'19" West, a distance of 283.91 feet;

South 85°49'57" East, a distance of 23.24 feet;

South 60°11'21" East, a distance of 50.30 feet;

South 14°40'15" East, a distance of 50.96 feet;

South 00°02'26" West, a distance of 39.41 feet;

South 83°27'48" East, a distance of 31.28 feet;

South 04°48'46" East, a distance of 195.51 feet;

THENCE South 18°25'34" East, passing at a distance of 51.10 feet the southwest corner of said Valencia on the Lake Phase 1, and continuing with the westerly line of Valencia on the Lake Phase 2A, an Addition to the Town of Little Elm, Texas according to Final Plat recorded in Document Number 2018-62, PRDCT, in all, a total distance of 267.83 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the southwest corner of said Valencia on the Lake Phase 2A, and being located on the northerly "Take Line" of said Lake Lewisville;

THENCE with said northerly "Take Line" of Lake Lewisville, the following courses:

South 62°23'06" West, a distance of 242.31 feet to a U.S.A.C.O.E. Fence Post Marked JP-5E found for corner;

North 30°02'10" West, a distance of 182.02 feet to a U.S.A.C.O.E. Fence Post Marked JP-5F found for corner;

North 77°58'31" West, a distance of 203.63 feet to a U.S.A.C.O.E. Fence Post Marked JP-5G found for corner;

South 67°53'16" West, a distance of 253.98 feet to a U.S.A.C.O.E. Monument Marked J-809-2-3 found for corner;

South 85°20'52" West, a distance of 1000.03 feet to a U.S.A.C.O.E. Monument Marked J-809-2-2 found for corner;

South 60°04'23" West, a distance of 742.15 feet to a U.S.A.C.O.E. Monument Marked J-809-2-1 found for corner;

And North 88°13'22" West, a distance of 373.76 feet to a U.S.A.C.O.E. Monument (disturbed) found for the northeast corner of that certain tract of land described in deed to Clifford E. Burgent and Norma J. Burgent recorded in Volume 603, Page 591, RPRDCT;

THENCE North 89°11'54" West, with a northerly line of said Burgent tract, a distance of 526.42 feet to a 1/2-inch iron rod found for corner;

THENCE South 25°56'18" West, with a westerly line of said Burgent tract, a distance of 1242.12 feet to a 1-inch iron rod found at an "ell" corner of said Burgent tract;

THENCE North 53°26'05" West, with a northerly line of said Burgent tract, a distance of 613.52 feet to a 1-inch iron rod found at the most northerly corner of said Burgent tract;

THENCE South 00°18'45" West, with the west line of said Burgent tract, a distance of 1203.50 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found on said northerly "Take Line" of Lake Lewisville;

THENCE with the northerly "Take Line" of Lake Lewisville, the following courses:

South 88°44'53" West, a distance of 850.88 feet to a U.S.A.C.O.E. Monument Marked H-723-A found for corner;

South 01°32'31" West, a distance of 224.05 feet to a 1/2-inch iron rod found for corner;

South 41°00'56" West, a distance of 1035.32 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

South 31°43'14" East, a distance of 42.77 feet to a U.S.A.C.O.E. Monument Marked H-725-6 found for corner;

South 67°02'07" West, a distance of 399.58 feet to a U.S.A.C.O.E. Monument Marked H-725-5 found for corner;

North 03°41'18" East, a distance of 799.83 feet to a U.S.A.C.O.E. Monument Marked H-725-4 found for corner;

And North 54°23'26" West, a distance of 281.39 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner at the south corner of Valencia on the lake Amenity Center, an addition to the Town of Little Elm according to Final Plat recorded in Document No. 2022-110, PRDCT;

THENCE North 00°00'03" East, leaving said "Take Line" of Lake Lewisville, and with the east line of said Valencia on the lake Amenity Center, a distance of 361.61 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner on the southerly right-of-way line of said Rockhill Parkway;

THENCE North 89°59'57" West, with said southerly right-of-way line of Rockhill Parkway, a distance of 1.93 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

THENCE northeasterly, with the westerly right-of-way line of Rockhill Parkway, and with said curve which has a central angle of 223°52'46", a radius of 90.00 feet, a chord which bears North 21°56'26" East, a chord distance of 166.96 feet, and an arc distance of 351.67 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the most easterly corner of said Valencia on the Lake Amenity Center;

THENCE North 46°07'09" West, with the northeast line of said Valencia on the Lake Amenity Center, a distance of 278.39 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner on the southeasterly line of said "Take Line" of Lake Lewisville;

THENCE North 43°52'51" East, with said southeasterly "Take Line" of Lake Lewisville, a distance of 647.02 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the most westerly corner of Valencia on the Lake Phase 3C, an Addition to The Town of Little Elm according to Final Plat recorded in Document Number 2017-419 RPRDCT;

THENCE with the southwesterly line of said Valencia on the Lake Phase 3C, the following courses:

South 46°07'09" East, a distance of 74.59 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a non-tangent curve to the left;

And southeasterly, with said curve which has a central angle of 68°20'56", a radius of 65.00 feet, a chord which bears South 15°58'22" East, a distance of 73.02 feet, and an arc distance of 77.54 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE South 10°25'55" East, continuing with the southwesterly line of said Valencia on the Lake Phase 3C, and over and across said right-of-way of Barx Drive, dedicated according to Valencia on the Lake Phase 3C, a distance of 423.55 feet to an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the right;

THENCE with said southwesterly line of Valencia on the Lake Phase 3C, the following courses:

Southwesterly, with said curve which has a central angle of $01^{\circ}35'54''$, a radius of 717.00 feet, a chord which bears South $82^{\circ}21'55''$ West, a distance of 20.00 feet, and an arc distance of 20.00 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

South $06^{\circ}50'08''$ East, a distance of 50.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of $01^{\circ}39'45''$, a radius of 767.00 feet, a chord which bears North $82^{\circ}19'59''$ East, a distance of 22.26 feet, and an arc distance of 22.26 feet to the end of said curve, an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the right;

And southeasterly, with said curve which has a central angle of $05^{\circ}21'24''$, a radius of 225.00 feet, a chord which bears South $02^{\circ}40'39''$ East, a distance of 21.03 feet, and an arc distance of 21.04 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE South $00^{\circ}00'03''$ West, passing at a distance of 108.08 feet a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found at the southeast corner of said Tract III (Phase 4C), located on the northerly right-of-way line of Rockhill Parkway, continuing over and across said Rockhill Parkway, in all, a total distance of 219.51 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner on said southerly right-of-way line of Rockhill Parkway;

THENCE with said southerly right-of-way line of Rockhill Parkway, the following courses:

South $89^{\circ}59'57''$ East, a distance of 50.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

North $00^{\circ}00'03''$ East, a distance of 27.91 feet to an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of $60^{\circ}07'30''$, a radius of 985.00 feet, a chord which bears North $50^{\circ}20'02''$ East, a distance of 986.86 feet, and an arc distance of 1033.64 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

North $20^{\circ}16'17''$ East, a distance of 616.39 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

Northeasterly, with said curve which has a central angle of $42^{\circ}44'37''$, a radius of 1665.00 feet, a chord which bears North $41^{\circ}38'36''$ East, a chord distance of 1213.51 feet, and an arc distance of 1242.12 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner;

South $26^{\circ}05'42''$ East, a distance of 20.00 feet;

North $63^{\circ}52'30''$ East, a distance of 50.00 feet;

North $26^{\circ}05'42''$ West, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the right;

Northeasterly, with said curve which has a central angle of $18^{\circ}47'50''$, a radius of 1665.00 feet, a chord which bears North $74^{\circ}08'04''$ East, a distance of 543.80 feet, and an arc distance of 546.25 feet to the end of said curve;

North $83^{\circ}31'59''$ East, a distance of 302.69 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of $08^{\circ}12'08''$, a radius of 995.00 feet, a chord which bears North $79^{\circ}25'55''$ East, a distance of 142.32 feet, and an arc distance of 142.44 feet to the end of said curve;

South 16°06'32" East, a distance of 20.00 feet;

North 73°53'28" East, a distance of 50.00 feet;

North 16°06'32" West, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of 08°16'25", a radius of 995.00 feet, a chord which bears North 68°18'52" East, a distance of 143.55 feet, and an arc distance of 143.68 feet to the end of said curve;

North 64°10'40" East, a distance of 689.07 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of 06°36'01", a radius of 1845.00 feet, a chord which bears North 60°52'40" East, a distance of 212.42 feet, and an arc distance of 212.54 feet to the end of said curve;

North 57°34'39" East, a distance of 457.24 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of 08°14'55", a radius of 1045.00 feet, a chord which bears North 53°27'12" East, a chord distance of 150.32 feet, and an arc distance of 150.44 feet to the end of said curve,

South 42°02'31" East, a distance of 20.00 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner;

North 48°16'01" East, a distance of 50.00 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner;

North 42°02'31" West, a distance of 20.00 feet to an "X" cut in concrete found for corner;

North 47°53'19" East, a distance of 478.67 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

And northeasterly, with said curve which has a central angle of 12°29'10", a radius of 1355.00 feet, a chord which bears North 54°07'54" East, a chord distance of 294.70 feet, and an arc distance of 295.29 feet to the end of said curve;

THENCE North 29°37'33" West, over and across said right-of-way of Rockhill Parkway, passing at a distance of 90.00 feet the southwest corner of said called 13.874 acre tract of land described as Tract I (Part of Phase 2B2), continuing with the southwest line of said Tract I, in all, a total distance of 349.79 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner on said southerly "Take Line" of Lake Lewisville, from which a U.S.A.C.O.E. monument marked J-809-1/3 found bears South 31°22'51" West, a distance of 313.07 feet;

THENCE with said southerly "Take Line", the following courses:

North 31°22'51" East, a distance of 387.22 feet to a U.S.A.C.O.E. monument marked J-809-2 found for corner;

North 63°24'03" East, a distance of 273.15 feet to a U.S.A.C.O.E. monument marked J-840-1 found for corner;

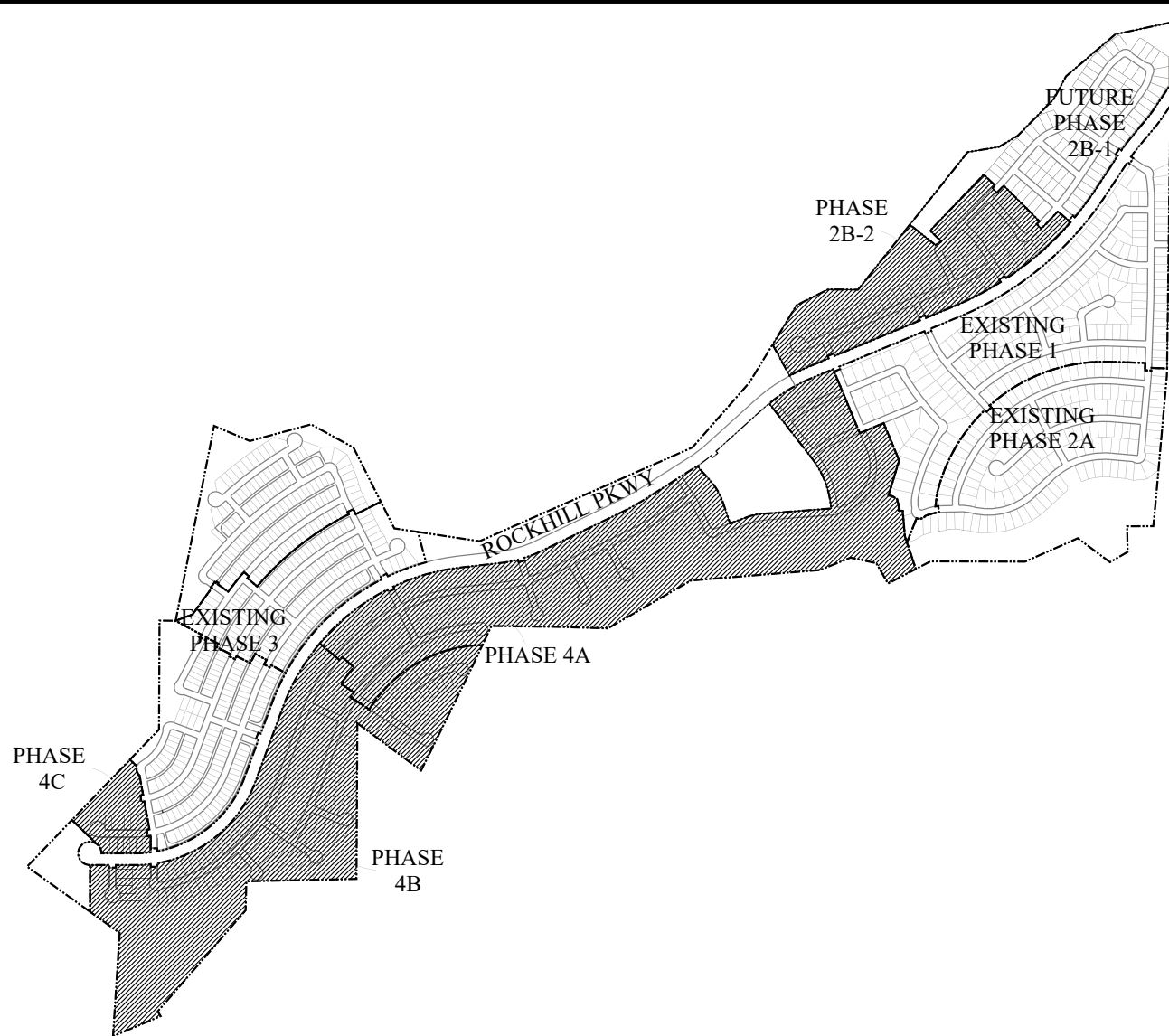
South 89°29'32" East, a distance of 230.56 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner;

And North 38°33'33" East, a distance of 642.80 feet to the POINT OF BEGINNING and containing an area of 189.257 acres of land.

"This document was prepared under 22 Texas Administrative Code §138.95, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared."

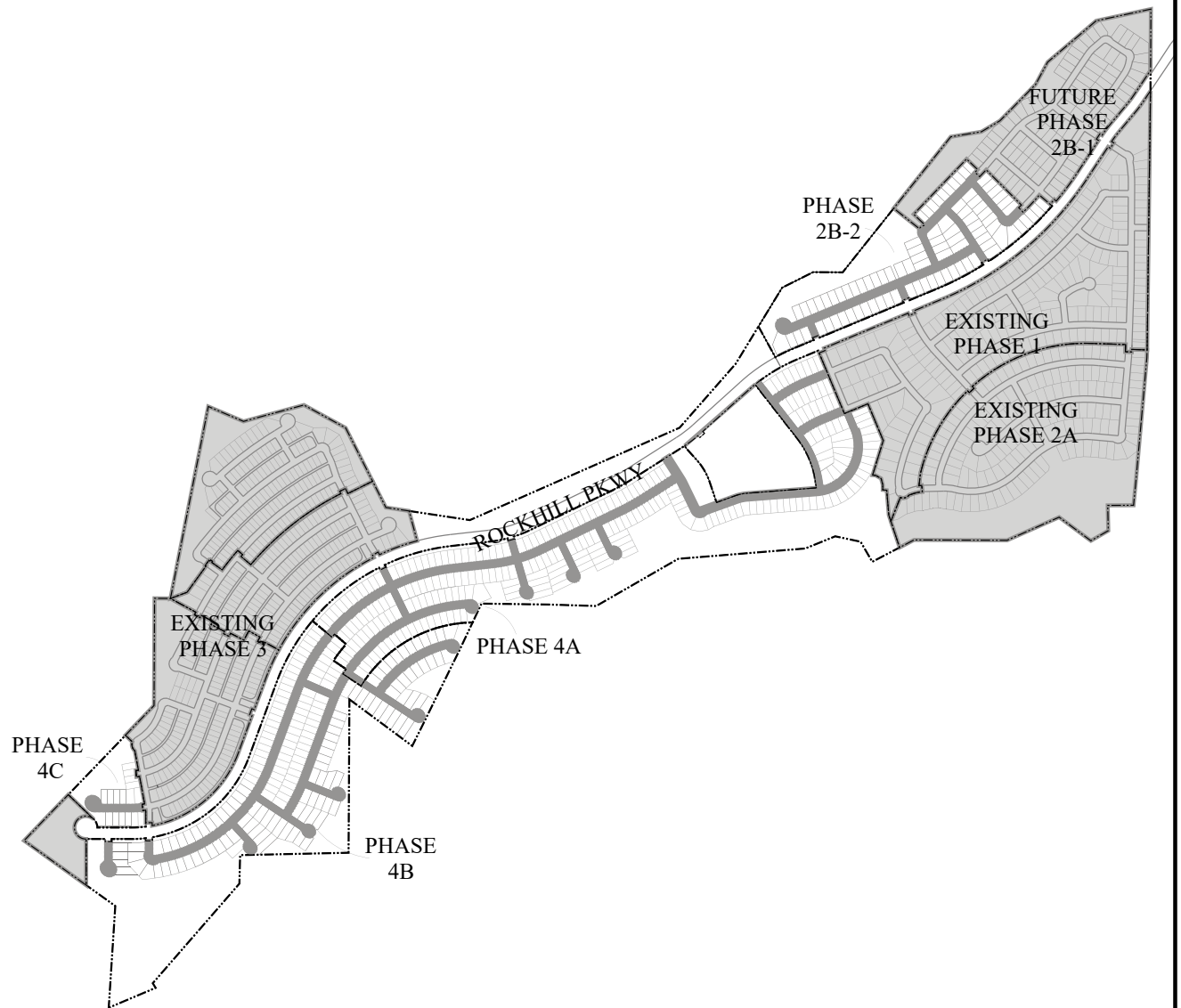
APPENDIX D
DIAGRAMS OF THE AUTHORIZED IMPROVEMENTS

B:\2018\20180504_00_Valencia\CAD\04-EXHIBITS\20180504-00-P1 Valencia P10 Improvements 2B2, 4A, 4B, & 4C.dwg Jul 27, 2022 - 2:19 pm - dhaupok



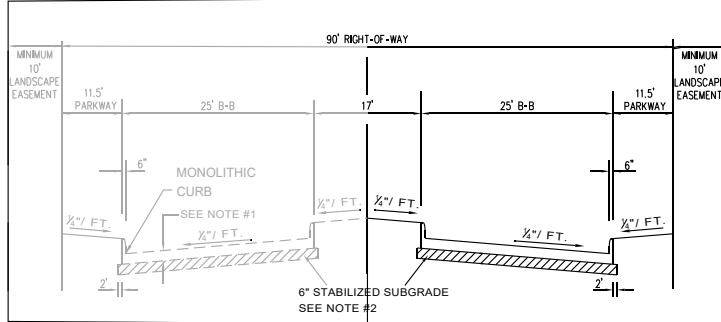
VALENCIA ON THE LAKES
IMPROVEMENT AREAS PHASE 2B2, 4A, 4B, & 4C
TOWN OF LITTLE ELM, DENTON COUNTY, TEXAS

Right-of-Way Totals	
Phase:	Total
	SQ FT
Phase 2B-2	122,752
Phase 4A	529,646
Phase 4B	367,385
Phase 4C	28,401
Total	1,048,184



VALENCIA ON THE LAKES
RIGHT-OF-WAY TOTALS PHASE 2B-2, 4A, 4B, & 4C
TOWN OF LITTLE ELM, DENTON COUNTY, TEXAS

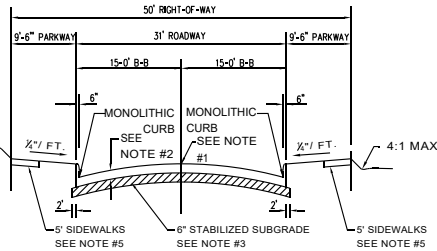
EXISTING



NOTES:

1. 8" REINF. CONC. PVM. THICKNESS (4,000 PSI) #4 BARS @ 18" OCEW
2. RATE OF LIME/CEMENT APPLICATION TO BE DETERMINED BY LIME SERIES TEST (37 LBS/SQ YD PER GEOTECHNICAL CONSULTANT)
3. 4" REINF. CONC. SIDEWALK (3,500 PSI) WITH #3 BARS @ 18" OCEW 1 1/2" SAND (MIN.) UNDER THE SIDEWALK. SUBGRADE (INCLUDING SAND) SHALL BE COMPACTED TO 95% DENSITY

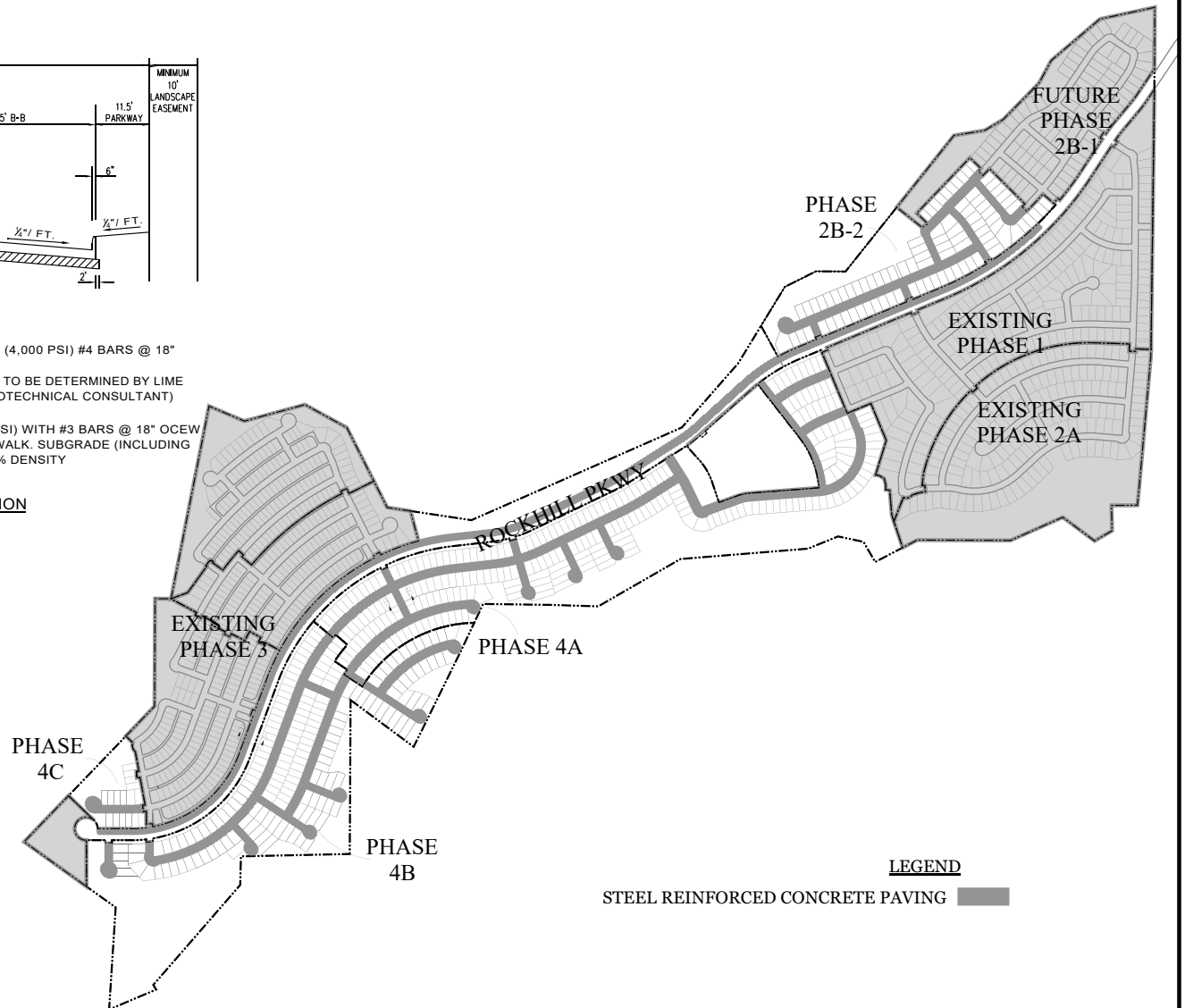
SECTION A-A
TYPICAL ROCKHILL PARKWAY SECTION
SCALE: NTS



NOTES:

1. 6" CROWN FOR 31' B-B STREET, SAWED LONGITUDINAL DUMMY JOINT
2. 6" REINF. CONC. PVM. THICKNESS (4,000 PSI PER NCTCG ITEM 303.3.4.2-CLASS P1) #4 BARS @ 18" OCEW
3. RATE OF LIME/CEMENT APPLICATION TO BE DETERMINED BY LIME SERIES TEST (37 LBS/SQ YD PER GEOTECHNICAL CONSULTANT)
4. CONTRACTOR TO CUT STREET TO 5 FEET BEHIND BACK OF CURB @ SUBGRADE DEPTH.
5. 4" REINF. CONC. SIDEWALK (3,500 PSI) WITH #3 BARS @ 18" OCEW 1 1/2" SAND (MIN.) UNDER THE SIDEWALK. SUBGRADE (INCLUDING SAND) SHALL BE COMPACTED TO 95% DENSITY

SECTION B-B
TYPICAL RESIDENTIAL PAVING SECTION
SCALE: NTS



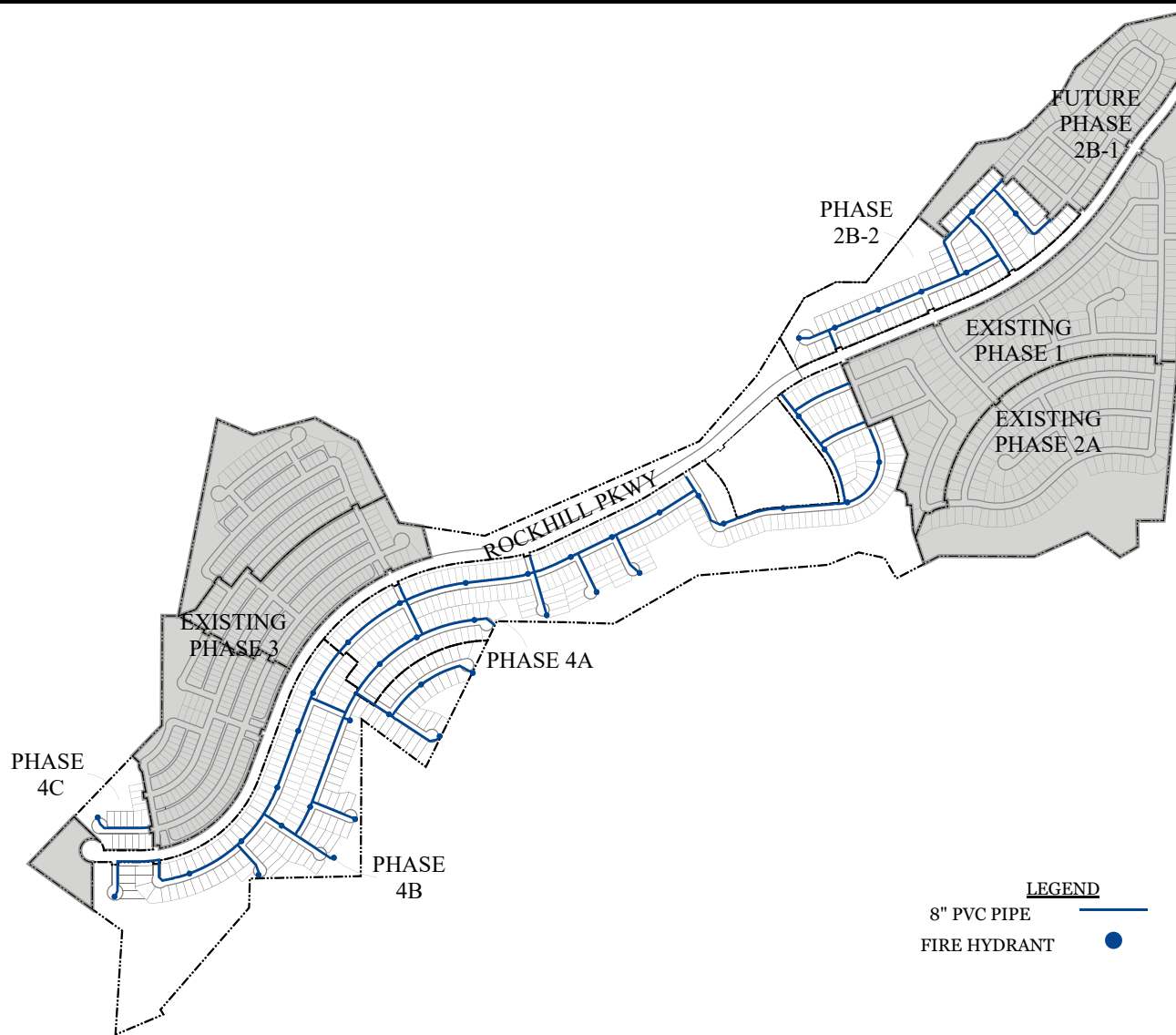
LEGEND

STEEL REINFORCED CONCRETE PAVING

VALENCIA ON THE LAKES
PAVING IMPROVEMENTS

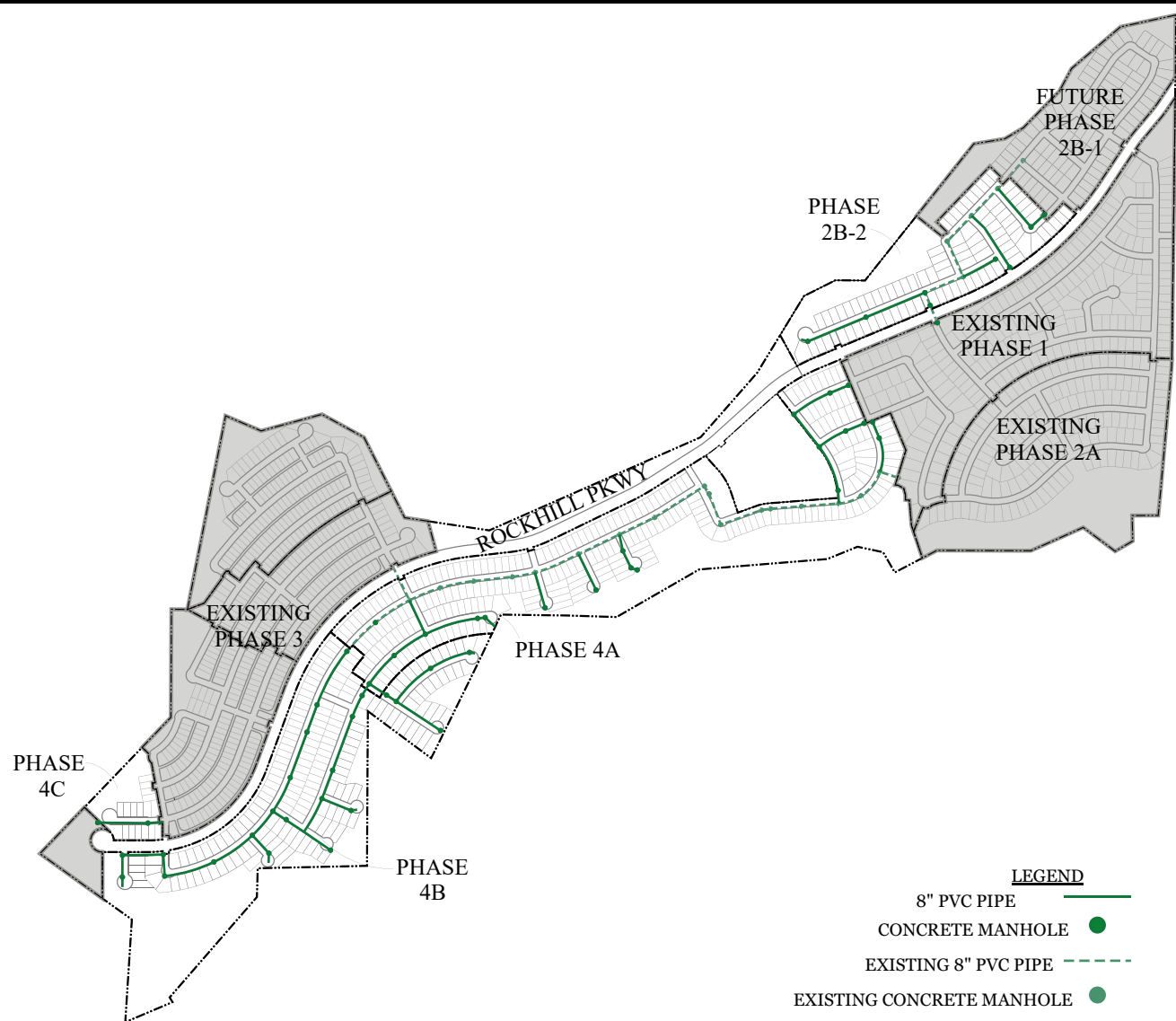
TOWN OF LITTLE ELM, DENTON COUNTY, TEXAS

B:\2019\20190504_00_Valencia\CAO\04-EXHIBITS\20190504-00-P1 Valencia PID Improvements 202 4A, 4B, 4C.dwg Jul 27, 2022 - 2:35 pm - dhaugok



LEGEND
8" PVC PIPE
FIRE HYDRANT

B:\2019\20190504-00_Valencia\CAD\04-EXIST\HUTS\20190504-00_P1_Valencia PID Improvements 202_4A_4B_4C.dwg Jul 27, 2022 - 2:37 pm - chausok



- LEGEND**
- 8" PVC PIPE
 - CONCRETE MANHOLE
 - EXISTING 8" PVC PIPE
 - EXISTING CONCRETE MANHOLE

VALENCIA ON THE LAKES
WASTEWATER IMPROVEMENTS
TOWN OF LITTLE ELM, DENTON COUNTY, TEXAS

APPENDIX E
PID DISCLOSURE

AFTER RECORDING RETURN TO:

_____]¹

NOTICE OF OBLIGATION TO PAY IMPROVEMENT DISTRICT ASSESSMENT TO
TOWN OF LITTLE ELM, TEXAS
CONCERNING THE FOLLOWING PROPERTY

STREET ADDRESS

LOT TYPE _____ PRINCIPAL ASSESSMENT: \$ _____

As the purchaser of the real property described above, you are obligated to pay assessments to the Town of Little Elm, Texas (the "Town"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within ***Valencia Public Improvement District No. 2*** (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the Town. The exact amount of each annual installment will be approved each year by the Town Council in the annual service plan update for the district. More information about the assessments, including the amounts and due dates, may be obtained from the Town.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

¹ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF
PURCHASER

SIGNATURE OF
PURCHASER

The undersigned seller acknowledges providing this notice to the potential purchaser before the effective date of a binding contract for the purchase of the real property at the address described above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER]²

² To be included in copy of the notice required by Section 5.014, Tex. Prop. Code, to be executed by seller in accordance with Section 5.014(a-1), Tex. Prop. Code.

[The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above. The undersigned purchaser acknowledged the receipt of this notice including the current information required by Section 5.0143, Texas Property Code, as amended.

DATE:

DATE:

SIGNATURE OF
PURCHASER

SIGNATURE OF
PURCHASER

STATE OF TEXAS §
 §
COUNTY OF DENTON §

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]³

³ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

The undersigned seller acknowledges providing a separate copy of the notice required by Section 5.014 of the Texas Property Code including the current information required by Section 5.0143, Texas Property Code, as amended, at the closing of the purchase of the real property at the address above.

DATE:

DATE:

SIGNATURE OF SELLER

SIGNATURE OF SELLER

STATE OF TEXAS

§

§

COUNTY OF DENTON

§

The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument and acknowledged to me that he or she executed the same for the purposes therein expressed.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas]⁴

⁴ To be included in separate copy of the notice required by Section 5.0143, Tex. Prop. Code, to be executed at the closing of the purchase and sale and to be recorded in the deed records of Denton County.

APPENDIX F
ASSESSMENT PER UNIT, PROJECTED LEVERAGE AND PROJECTED TAX RATE
EQUIVALENTS

Appendix F

For purposes of calculating and allocating the Assessments, the Assessed Property has been classified in one of two Lot Types.

“**Lot Type 1**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 60 feet.

“**Lot Type 2**” means lots identified as such on the Assessment Roll, being lots typically with a Lot width of approximately 50 feet.

A) Proposed Development

Table F-1 shows the proposed residential units to be developed within the PID.

Table F-1
Proposed Development within the PID

Description	Proposed Development	
Lot Type 1 (60 Ft)	196	Units
Lot Type 2 (50 Ft)	339	Units
Total	535	Units

B) Calculation of Equivalent Units

As explained under Section IV, for purpose of this Service and Assessment Plan, the Town Council has determined that the Budgeted Costs of the Authorized Improvements to be financed with the Bonds shall be allocated to the Assessed Property by spreading the entire Assessment across the Parcels based on the estimated Equivalent Units.

For purposes of this Plan, the Town Council has determined that the Assessments shall be allocated to the Assessed Property on the basis of the average home value of each Lot Type, and that such method of allocation will result in the imposition of equal shares of the Assessments on Parcels similarly benefited. In determining the average home value of each Lot Type, the Town Council has taken into consideration (i) the type of lots (i.e., 60 Ft lots, 50 Ft lots, etc.); (ii) current and projected home prices; (iii) the costs of the Authorized Improvements, and (iv) the ability of different property types to utilize and benefit from the Authorized Improvements.

Having taken into consideration the matters described above, the Town Council has determined that allocating the Assessments among Parcels based on average home value is best accomplished by creating classifications of benefited Parcels based on the “Lot Types” defined above. These classifications (from Lot Type 1 (60 Ft Lots) representing the highest value to Lot Type 2 (50 Ft Lot) representing the lowest value for residential lots are set forth in Table F-2. Assessments are allocated to each Lot Type on the basis of the average home value for each class of lots. This is accomplished by giving each Lot Type an Equivalent Unit factor. Equivalent Units are the ratio

of the average value of lots within each assessment class, setting the Equivalent Unit factor for Lot Type 1 (60 Ft Lots) to 1.0.

Table F-2
Equivalent Unit Factors

Lot Type	Estimated Average Value	Equivalent Unit Factor	
Lot Type 1 (60 Ft)	\$500,000	1.00	per dwelling unit
Lot Type 2 (50 Ft)	\$410,000	0.82	per dwelling unit

The total Equivalent Units for the PID are shown in Table F-3 as calculated based on the Equivalent Unit factors shown in Table F-2, estimated Lot Types and number of units estimated to be built within the PID.

Table F-3
Equivalent Units- PID

Description	Planned No. of Units	Equivalent Unit Factor	Total Equivalent Units
Lot Type 1 (60 Ft)	196	1.00	196.00
Lot Type 2 (50 Ft)	339	0.82	277.98
Total	535		473.98

C) Allocation of Assessments to Lots within the PID

The total amount of the Series 2022 PID Bonds, which represents the total Assessment to be allocated on all Parcels within the PID, is \$16,300,000. As shown in Table F-3, there are a total of 473.98 Equivalent Units resulting in an Assessment per Unit of \$34,389.64 (i.e., \$16,300,000 ÷ 473.98 = \$34,389.64).

Table F-4 sets forth the Assessment per dwelling unit within the PID.

Table F-4
Assessment Per Unit – PID

Description	Planned No. of Units	Assessment per Equivalent Unit	Equivalent Unit Factor	Assessment per Unit	Total Assessments
Lot Type 1 (60 Ft)	196	\$34,389.64	1.00	\$34,389.64 per dwelling unit	\$6,740,369
Lot Type 2 (50 Ft)	339	\$34,389.64	0.82	\$28,199.50 per dwelling unit	\$9,559,631
Total	535				\$16,300,000

The projected leverage calculated based on the estimated land values, finished lot values and home values for each unit is shown in Table F-5.

Table F-5
Projected Leverage – PID

Description	Planned No. of Units/1,000 GSF	Estimated Finished Lot Value per unit	Projected Home Value per unit	Assessment per Unit	Leverage (Lot Value)	Leverage (Home Value)
Lot Type 1 (60 Ft)	196	\$84,000	\$500,000	\$34,389.64	2.44	14.54
Lot Type 2 (50 Ft)	339	\$70,000	\$410,000	\$28,199.50	2.48	14.54

The projected tax rate equivalent per unit calculated based on the estimated finished lot values and home values for each unit is shown in Table F-6.

Table F-6
Estimated Tax Rate Equivalent per unit – PID

Description	Planned No. of Units	Estimated Finished Lot Value per unit	Projected Home Value per unit	Projected Average Annual Installment per unit	Tax Rate Equivalent (per \$100 Lot Value)	Tax Rate Equivalent (per \$100 Home Value)
Lot Type 1 (60 Ft)	196	\$84,000	\$500,000	\$2,756	\$3.28	\$0.5513
Lot Type 2 (50 Ft)	339	\$70,000	\$410,000	\$2,260	\$3.23	\$0.5513

The Assessment and Annual Installments for each Parcel or Lot located within the PID is shown on the Assessment Roll, attached as Appendix G, and no Assessment shall be changed except as authorized by this Service and Assessment Plan and the PID Act.

APPENDIX G
ASSESSMENT ROLL

Appendix G-1
Assessment Roll

**Parcel
Equivalent Units
Assessment**

**All Parcels⁽⁵⁾
473.98
\$16,300,000**

Year⁽¹⁾	Principal⁽²⁾	Interest⁽²⁾	Administrative Expenses⁽³⁾	Additional Interest Reserve	Capitalized Interest	Total Annual Installment
9/1/2023	\$0	\$791,456	\$0	\$0	(\$791,456)	\$0
9/1/2024	\$226,000	\$937,250	\$61,200	\$81,500	\$0	\$1,305,950
9/1/2025	\$239,000	\$924,255	\$62,424	\$80,370	\$0	\$1,306,049
9/1/2026	\$253,000	\$910,513	\$63,672	\$79,175	\$0	\$1,306,360
9/1/2027	\$267,000	\$895,965	\$64,946	\$77,910	\$0	\$1,305,821
9/1/2028	\$283,000	\$880,613	\$66,245	\$76,575	\$0	\$1,306,432
9/1/2029	\$299,000	\$864,340	\$67,570	\$75,160	\$0	\$1,306,070
9/1/2030	\$317,000	\$847,148	\$68,921	\$73,665	\$0	\$1,306,734
9/1/2031	\$335,000	\$828,920	\$70,300	\$72,080	\$0	\$1,306,300
9/1/2032	\$355,000	\$809,658	\$71,706	\$70,405	\$0	\$1,306,768
9/1/2033	\$375,000	\$789,245	\$73,140	\$68,630	\$0	\$1,306,015
9/1/2034	\$397,000	\$767,683	\$74,602	\$66,755	\$0	\$1,306,040
9/1/2035	\$421,000	\$744,855	\$76,095	\$64,770	\$0	\$1,306,720
9/1/2036	\$446,000	\$720,648	\$77,616	\$62,665	\$0	\$1,306,929
9/1/2037	\$472,000	\$695,003	\$79,169	\$60,435	\$0	\$1,306,606
9/1/2038	\$500,000	\$667,863	\$80,752	\$58,075	\$0	\$1,306,690
9/1/2039	\$529,000	\$639,113	\$82,367	\$55,575	\$0	\$1,306,055
9/1/2040	\$561,000	\$608,695	\$84,014	\$52,930	\$0	\$1,306,639
9/1/2041	\$594,000	\$576,438	\$85,695	\$50,125	\$0	\$1,306,257
9/1/2042	\$630,000	\$542,283	\$87,409	\$47,155	\$0	\$1,306,846
9/1/2043	\$667,000	\$506,058	\$89,157	\$44,005	\$0	\$1,306,219
9/1/2044	\$707,000	\$467,705	\$90,940	\$40,670	\$0	\$1,306,315
9/1/2045	\$750,000	\$427,053	\$92,759	\$37,135	\$0	\$1,306,946
9/1/2046	\$795,000	\$383,928	\$94,614	\$33,385	\$0	\$1,306,926
9/1/2047	\$843,000	\$338,215	\$96,506	\$29,410	\$0	\$1,307,131
9/1/2048	\$893,000	\$289,743	\$98,436	\$25,195	\$0	\$1,306,374
9/1/2049	\$947,000	\$238,395	\$100,405	\$20,730	\$0	\$1,306,530
9/1/2050	\$1,004,000	\$183,943	\$102,413	\$15,995	\$0	\$1,306,351
9/1/2051	\$1,065,000	\$126,213	\$104,461	\$10,975	\$0	\$1,306,649
9/1/2052	\$1,130,000	\$64,975	\$106,551	\$5,650	\$0	\$1,307,176
Total⁽⁴⁾	\$16,300,000	\$18,468,163	\$2,374,085	\$1,537,105	(\$791,456)	\$37,887,897

¹The 9/30/20XX dates represent the fiscal year end for the Series 2022 PID Bonds.

²Annual Installments are calculated using an estimated interest rate of 5.75% and will be updated with the actual interest rate on the Series 2022 PID Bonds at final pricing. Each value is rounded to the nearest whole number.

³Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year. Assumes Administrative Expenses in 2023 are funded with bond proceeds.

⁴ Rounded.

⁵The parcels within the PID, as identified on Denton CAD, include 38646, 986670, 958385, 986672, 683675, 986673, 96674, 584981, and 986675.

Appendix G-2
Assessment Roll by Lot Type

**Parcel
Equivalent Units
Assessment**

**Lot Type 1 (60 Ft)⁽⁵⁾
\$34,389.64
1.00**

Year⁽¹⁾	Principal⁽²⁾	Interest⁽²⁾	Administrative Expenses⁽³⁾	Additional Interest Reserve	Capitalized Interest	Total Annual Installment
9/1/2023	\$0	\$1,670	\$0	\$0	(\$1,670)	\$0
9/1/2024	\$477	\$1,977	\$129	\$172	\$0	\$2,755
9/1/2025	\$504	\$1,950	\$132	\$170	\$0	\$2,755
9/1/2026	\$534	\$1,921	\$134	\$167	\$0	\$2,756
9/1/2027	\$563	\$1,890	\$137	\$164	\$0	\$2,755
9/1/2028	\$597	\$1,858	\$140	\$162	\$0	\$2,756
9/1/2029	\$631	\$1,824	\$143	\$159	\$0	\$2,756
9/1/2030	\$669	\$1,787	\$145	\$155	\$0	\$2,757
9/1/2031	\$707	\$1,749	\$148	\$152	\$0	\$2,756
9/1/2032	\$749	\$1,708	\$151	\$149	\$0	\$2,757
9/1/2033	\$791	\$1,665	\$154	\$145	\$0	\$2,755
9/1/2034	\$838	\$1,620	\$157	\$141	\$0	\$2,755
9/1/2035	\$888	\$1,571	\$161	\$137	\$0	\$2,757
9/1/2036	\$941	\$1,520	\$164	\$132	\$0	\$2,757
9/1/2037	\$996	\$1,466	\$167	\$128	\$0	\$2,757
9/1/2038	\$1,055	\$1,409	\$170	\$123	\$0	\$2,757
9/1/2039	\$1,116	\$1,348	\$174	\$117	\$0	\$2,756
9/1/2040	\$1,184	\$1,284	\$177	\$112	\$0	\$2,757
9/1/2041	\$1,253	\$1,216	\$181	\$106	\$0	\$2,756
9/1/2042	\$1,329	\$1,144	\$184	\$99	\$0	\$2,757
9/1/2043	\$1,407	\$1,068	\$188	\$93	\$0	\$2,756
9/1/2044	\$1,492	\$987	\$192	\$86	\$0	\$2,756
9/1/2045	\$1,582	\$901	\$196	\$78	\$0	\$2,757
9/1/2046	\$1,677	\$810	\$200	\$70	\$0	\$2,757
9/1/2047	\$1,779	\$714	\$204	\$62	\$0	\$2,758
9/1/2048	\$1,884	\$611	\$208	\$53	\$0	\$2,756
9/1/2049	\$1,998	\$503	\$212	\$44	\$0	\$2,757
9/1/2050	\$2,118	\$388	\$216	\$34	\$0	\$2,756
9/1/2051	\$2,247	\$266	\$220	\$23	\$0	\$2,757
9/1/2052	\$2,384	\$137	\$225	\$12	\$0	\$2,758
Total⁽⁴⁾	\$34,390	\$38,964	\$5,009	\$3,243	(\$1,670)	\$79,936

¹The 9/30/20XX dates represent the fiscal year end for the Series 2022 PID Bonds.

²Annual Installments are calculated using an estimated interest rate of 5.75% and will be updated with the actual interest rate on the Series 2022 PID Bonds at final pricing. Each value is rounded to the nearest whole number.

³Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year. Assumes Administrative Expenses in 2023 are funded with bond proceeds.

⁴ Rounded.

⁵The parcels within the PID, as identified on Denton CAD, include 38646, 986670, 958385, 986672, 683675, 986673, 96674, 584981, and 986675.

Appendix G-3
Assessment Roll by Lot Type

**Parcel
Equivalent Units
Assessment**

**Lot Type 2 (50 Ft)⁽⁵⁾
\$28,199.50
0.82**

Year⁽¹⁾	Principal⁽²⁾	Interest⁽²⁾	Administrative Expenses⁽³⁾	Additional Interest Reserve	Capitalized Interest	Total Annual Installment
9/1/2023	\$0	\$1,369	\$0	\$0	(\$1,369)	\$0
9/1/2024	\$391	\$1,621	\$106	\$141	\$0	\$2,259
9/1/2025	\$413	\$1,599	\$108	\$139	\$0	\$2,260
9/1/2026	\$438	\$1,575	\$110	\$137	\$0	\$2,260
9/1/2027	\$462	\$1,550	\$112	\$135	\$0	\$2,259
9/1/2028	\$490	\$1,523	\$115	\$132	\$0	\$2,260
9/1/2029	\$517	\$1,495	\$117	\$130	\$0	\$2,260
9/1/2030	\$548	\$1,466	\$119	\$127	\$0	\$2,261
9/1/2031	\$580	\$1,434	\$122	\$125	\$0	\$2,260
9/1/2032	\$614	\$1,401	\$124	\$122	\$0	\$2,261
9/1/2033	\$649	\$1,365	\$127	\$119	\$0	\$2,259
9/1/2034	\$687	\$1,328	\$129	\$115	\$0	\$2,259
9/1/2035	\$728	\$1,289	\$132	\$112	\$0	\$2,261
9/1/2036	\$772	\$1,247	\$134	\$108	\$0	\$2,261
9/1/2037	\$817	\$1,202	\$137	\$105	\$0	\$2,260
9/1/2038	\$865	\$1,155	\$140	\$100	\$0	\$2,261
9/1/2039	\$915	\$1,106	\$142	\$96	\$0	\$2,260
9/1/2040	\$971	\$1,053	\$145	\$92	\$0	\$2,261
9/1/2041	\$1,028	\$997	\$148	\$87	\$0	\$2,260
9/1/2042	\$1,090	\$938	\$151	\$82	\$0	\$2,261
9/1/2043	\$1,154	\$875	\$154	\$76	\$0	\$2,260
9/1/2044	\$1,223	\$809	\$157	\$70	\$0	\$2,260
9/1/2045	\$1,298	\$739	\$160	\$64	\$0	\$2,261
9/1/2046	\$1,375	\$664	\$164	\$58	\$0	\$2,261
9/1/2047	\$1,458	\$585	\$167	\$51	\$0	\$2,261
9/1/2048	\$1,545	\$501	\$170	\$44	\$0	\$2,260
9/1/2049	\$1,638	\$412	\$174	\$36	\$0	\$2,260
9/1/2050	\$1,737	\$318	\$177	\$28	\$0	\$2,260
9/1/2051	\$1,842	\$218	\$181	\$19	\$0	\$2,261
9/1/2052	\$1,955	\$112	\$184	\$10	\$0	\$2,261
Total⁽⁴⁾	\$28,200	\$31,950	\$4,107	\$2,659	(\$1,369)	\$65,547

¹The 9/30/20XX dates represent the fiscal year end for the Series 2022 PID Bonds.

²Annual Installments are calculated using an estimated interest rate of 5.75% and will be updated with the actual interest rate on the Series 2022 PID Bonds at final pricing. Each value is rounded to the nearest whole number.

³Administrative Expenses are estimated and will be updated each year in the Annual Service Plan Updates. Assumes a 2% increase per year. Assumes Administrative Expenses in 2023 are funded with bond proceeds.

⁴ Rounded.

⁵The parcels within the PID, as identified on Denton CAD, include 38646, 986670, 958385, 986672, 683675, 986673, 96674, 584981, and 986675.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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[CLOSING DATE]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)” (the “Bonds”), dated November 1, 2022, in the principal amount of \$_____, we have examined the legality and validity of the issuance thereof by the Town of Little Elm, Texas (the “Town”) solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Town, or the history or prospects of the collection of the Pledged Revenues, the disclosure of any financial or statistical information or data pertaining to the Town and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds, and have not assumed any responsibility with respect thereto. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Indenture.

THE BONDS are issued in fully registered form only and mature, unless redeemed prior to maturity in accordance with the terms stated on the Bonds, on September 1 in each of the years specified in an Indenture of Trust (the “Indenture”), dated as of November 1, 2022, with Wilmington Trust, National Association, as trustee (the “Trustee”), approved by the Town Council of the Town pursuant to an ordinance (the “Ordinance”) adopted by the Town Council of the Town authorizing the issuance of the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Indenture.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings had in connection with the issuance of the Bonds, including the Indenture, the Ordinance and an examination of the initial Bond executed and delivered by the Town (which we found to be in due form and properly executed); (ii) certifications of officers of the Town relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Town and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable limited obligations of the Town in accordance with their terms payable solely from the Trust Estate, except to the extent the

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enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally.

2. Assuming continuing compliance after the date hereof by the Town with the provisions of the Indenture and in reliance upon representations and certifications of the Town made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to Section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX E-1

FORM OF ISSUER DISCLOSURE AGREEMENT

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**TOWN OF LITTLE ELM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of November 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and between the Town of Little Elm, Texas (the “Issuer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc. (the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)” (the “Bonds”). The Issuer, the Administrator, and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Agreement shall be filed with the MSRB through EMMA (defined below).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of November 1, 2022, between the Issuer and the Trustee relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean MuniCap, Inc., or an officer or employee of the Town, or third party designee of the Town who is not an officer or employee thereof, identified in any indenture of trust relating to the Bonds, the District’s Service and Assessment Plan, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District.

“Affiliate” shall have the meaning assigned to such term in Section 2 of the Disclosure Agreement of the Developer.

“Annual Financial Information” shall mean annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Annual Issuer Report” shall mean any Annual Issuer Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Assessments” shall mean the “Assessments” as defined in the Indenture.

“Business Day” shall mean any day other than a Saturday, Sunday, or legal holiday in the State of Texas observed as such by the Issuer or the Trustee.

“Developer” shall mean Valencia on the Lake 2B2 and 4, LLC, a Texas limited liability company, and its successors and assigns, including any Affiliate.

“Disclosure Agreement of the Developer” shall mean the Continuing Disclosure Agreement of the Developer, dated as of November 1, 2022 executed and delivered by the Developer, the Administrator, and the Dissemination Agent.

“Disclosure Representative” shall mean the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer may designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean MuniCap, Inc., or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Valencia Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System administered by the MSRB which, as of the date of this Disclosure Agreement, is available on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the calendar year from October 1 through September 30.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

“Outstanding” shall have the meaning given to it in the Indenture.

“Owner(s)” shall mean the registered owner(s) of any Bonds, as shown on the register maintained by the Trustee.

“Participating Underwriter” means FMSbonds, Inc. and its successors and assigns.

“Prepayment” shall mean the payment of all or a portion of an Assessment before the due date thereof. Amounts received at the time of a Prepayment which represent principal, interest or penalties on a delinquent installment of an Assessment are not to be considered a Prepayment, but rather are to be treated as the payment of the regularly scheduled Assessment.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Trust Estate” shall have the meaning assigned to such term in the Indenture.

“Trustee” shall mean Wilmington Trust, National Association, or any successor trustee pursuant to the Indenture.

Section 3. Provision of Annual Issuer Reports.

(a) The Issuer shall cause and hereby directs the Administrator to compile and prepare the Annual Issuer Report. The Administrator shall provide such Annual Issuer Report to the Issuer and the Dissemination Agent no later than 10 Business Days before the expiration of six months after the end of each Fiscal Year.

(b) The Issuer shall cause and hereby directs the Dissemination Agent to provide or cause to be provided to the MSRB, in the electronic or other format required by the MSRB, commencing with the Fiscal Year ended September 30, 2023, an Annual Issuer Report provided to the Dissemination Agent which is consistent with the requirements of and within the time periods specified in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer, if prepared and available, may be submitted separately from the Annual Financial Information, and later than the date required in this paragraph for the filing of the Annual Issuer Report if audited financial statements are not available by such date; provided further, however, that the Annual Issuer Report must be submitted not later than six months after the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ended September 30, 2023. The Issuer will provide the audited financial statements as provided herein; notwithstanding such requirements, the Bonds are special obligations of the Issuer payable solely from the Pledged Revenues and other funds comprising the Trust Estate, as and to the extent provided for and defined in the Indenture. The Bonds do not give rise to a charge against the general credit or taxing power of the Issuer and are payable solely from the sources identified in the Indenture.

The Annual Issuer Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Issuer shall or shall cause the Dissemination Agent pursuant to written direction to:

(1) determine the filing address or other filing location of the MSRB each year within ten (10) Business Days prior to filing the Annual Issuer Report on the date required in Section 4;

(2) file the Annual Issuer Report (excluding the audited financial statements of the Issuer, if any, which shall be filed by the Issuer or the Dissemination Agent upon receipt from the Issuer) containing or incorporating by reference the information set forth in Section 4 hereof;

(3) file audited financial statements of the Issuer pursuant to Section 4(b) herein; and

(4) if the Issuer has provided the Dissemination Agent with the completed Annual Issuer Report and the Dissemination Agent has filed such Annual Issuer Report with the MSRB, then the Dissemination Agent shall file a report with the Issuer certifying that the Annual Issuer Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and that it was filed with the MSRB.

Section 4. Content and Timing of Annual Issuer Reports. The Annual Issuer Report for the Bonds shall contain or incorporate by reference, and the Issuer agrees to provide or cause to be provided to the Dissemination Agent to file, the following:

- (a) Within six months after the end of each Fiscal Year the following Annual Financial Information (any or all of which may be unaudited):
 - (i) Tables setting forth the following information, as of the end of such Fiscal Year:
 - (A) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding;
 - (B) The amounts in the funds and accounts securing the Bonds.
 - (ii) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year.
 - (iii) Any changes to the land use designation for the property in the District from the purposes identified in the Service and Assessment Plan.
 - (iv) Updates to the information in the Service and Assessment Plan as most recently amended or supplemented (a “SAP Update”), including any changes to the methodology for levying the Assessments in the District.
 - (v) The aggregate taxable assessed valuation for parcels or lots within the District based on the most recent certified tax roll available to the Issuer.
 - (vi) With respect to single-family residential lots, until building permits have been issued for parcels or lots representing, in the aggregate, 95% of the total Assessments levied within the District, such SAP Update shall include the following:
 - (A) the number of new homes in the District for which a certificate of occupancy has been issued during such Fiscal Year; and
 - (B) the aggregate number of new homes within the District for which a certificate of occupancy has been issued since filing the initial Annual Issuer Report for Fiscal Year ended September 30, 2023.
 - (vii) Listing of any property or property owners in the District, respectively, representing more than twenty percent (20%) of the levy of the Assessments, the amount of the levy of the Assessments, against such landowners, and the percentage of such the Assessments, relative to the entire levy of the Assessments, all as of the October 1 billing date for the Fiscal Year.
 - (viii) Collection and delinquent history of the Assessments within the District for the past five Fiscal Years, in the format provided on Exhibit B.

- (ix) Total amount of Prepayments collected, as of the March 1 of the calendar year immediately succeeding such Fiscal Year, in each case with respect to the most recent billing period (generally, October 1 of the preceding calendar year through January 31 of the current calendar year).
- (x) The amount of delinquent Assessments, by Fiscal Year:
 - (A) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);
 - (B) which are currently subject to foreclosure proceedings which have not been concluded;
 - (C) which have been reduced to judgment but not collected;
 - (D) which have been reduced to judgment and collected; and
 - (E) the result of any foreclosure sales of assessed property within the District if the assessed property represents more than one percent (1%) of the total amount of the Assessments.
- (xi) A description of any amendment to this Disclosure Agreement and a copy of any restatements to the Issuer's audited financial statements during such Fiscal Year.
- (b) If not provided with the financial information provided under subsection 4(a) above, if prepared and when available, the audited financial statements of the Issuer for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If audited financial statements are not included with the financial information provided under subsection 4(a) above, unaudited financial statements shall be included with such financial information within twelve months of the end of the Issuer's fiscal year.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated MuniCap, Inc. as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information.

Any or all of the items listed above may be included by specific reference to other documents, including disclosure documents of debt issues of the Issuer, which have been submitted to and are publicly accessible from the MSRB. If the document included by reference is a final offering document, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, each of the following is a Listed Event with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of Owners, if material.
8. Bond calls, if material.
9. Defeasances.
10. Release, substitution, or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership, or similar event of the Issuer.
13. The consummation of a merger, consolidation, or acquisition of the Issuer, or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee under the Indenture or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the obligated person, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The Issuer does not intend for any sale by the Developer of real property within the District to be considered a significant event for the purposes of number (10) above.

For these purposes, “financial obligation” means (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking

Board consistent with the Rule. The Issuer intends the words used in numbers (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

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

Upon the occurrence of a Listed Event, the Issuer shall promptly notify the Dissemination Agent in writing and the Issuer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB; provided, however, the Issuer shall deliver such written notice to the Dissemination Agent within eight (8) business days of the occurrence of such Listed Event in order for the Dissemination Agent to timely file such notice in a timely manner with the MSRB through EMMA. The Dissemination Agent shall file such notice no later than the second Business Day immediately following the day on which it receives written notice of such occurrence from the Issuer. Any such notice is required to be filed within ten (10) Business Days of the occurrence of such Listed Event; provided that the Dissemination Agent shall not be liable for the filing of notice of any Listed Event more than ten (10) Business Days after the occurrence of such Listed Event if notice of such Listed Event is received from the Issuer more than ten (10) Business Days after the occurrence of such Listed Event; provided, however, the failure of the Issuer to provide timely written notice to the Dissemination Agent in accordance this paragraph shall not constitute a failure of the Dissemination Agent to comply with the MSRB’s ten (10) business day filing requirement.

Additionally, the Dissemination Agent shall notify the MSRB, in a timely manner, of any failure by the Issuer to provide annual audited financial statements or Annual Financial Information as required under this Disclosure Agreement. The form for submitting such notice is attached hereto as Exhibit A.

Any notice under the preceding paragraphs shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Dissemination Agent to disseminate such information as provided herein, and the date the Issuer desires for the Dissemination Agent to disseminate the information (which written direction from the Issuer to the Dissemination Agent shall be within eight (8) business days after the occurrence of the Listed Event or failure to file and date of such filing provided by the Issuer shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

In all cases, the Issuer shall have the sole responsibility for the content, design, and other elements comprising substantive contents of all disclosures. In addition, the Issuer shall have the sole responsibility to ensure that any notice required to be filed under this Section 5 is filed within ten (10) Business Days of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within two (2) Business Days of obtaining actual knowledge of the occurrence of any Listed Event with respect to the Bonds, notify the Disclosure Representative of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Disclosure Representative to do so. If the Dissemination Agent has been instructed in writing by the Disclosure Representative on behalf of the Issuer to report the occurrence of a Listed Event under this subsection (b), the Dissemination Agent shall file a notice of such occurrence with the MSRB no later than 2 Business Days following the day on which it receives such written instructions. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Issuer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Issuer as an accommodation to assist it in monitoring the occurrence of such event, but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Issuer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(c) If in response to a notice from the Dissemination Agent under subsection (b), the Issuer determines that the Listed Event under number 2, 7, 8, 10, 13, 14 or 15 of subsection (a) above is not material under applicable federal securities laws, the Issuer shall promptly, but in no case more than five (5) Business Days after the occurrence of the event, notify the Dissemination Agent and the Trustee (if the Dissemination Agent is not the Trustee) in writing and instruct the Dissemination Agent not to report the occurrence.

(d) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall immediately file a notice of such occurrence with the MSRB (which date shall not be more than ten (10) Business Days after the occurrence of the Listed Event or failure to file).

Section 6. Termination of Reporting Obligations. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. So long as any of the Bonds remain Outstanding, the Dissemination Agent may assume that the Issuer is an obligated person with respect to the Bonds until it receives written notice from the Disclosure Representative stating that the Issuer is no longer an obligated person with respect to the Bonds, and the Dissemination Agent may conclusively rely upon such written notice with no duty to make investigation or inquiry into any statements contained or matters referred to in such written notice. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event with respect to such series of Bonds under Section 5(a).

Section 7. Dissemination Agent. The Dissemination Agent agrees to perform the duties set forth in this Agreement. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge such Dissemination Agent with or without appointing a successor

Dissemination Agent. The Dissemination Agent may resign at any time with thirty (30) days' notice to the Issuer. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The initial Dissemination Agent appointed hereunder is set forth in Section 2.

Section 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next related Annual Issuer Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Issuer Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. No amendment which adversely affects the Dissemination Agent may be made without its prior written consent (which consent will not be unreasonably withheld or delayed).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Issuer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Issuer Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Issuer Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Dissemination Agent may and the Trustee may (and, at the request of any Participating Underwriter or the Owners of more than twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the Issuer, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for mandamus or specific performance. A default under this Disclosure Agreement by the Issuer shall not be deemed a default under the Disclosure Agreement of the Developer by the Developer, and a default under the Disclosure Agreement of the Developer by the Developer shall not be deemed a default under this Disclosure Agreement by the Issuer.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. To the extent permitted by law, the Issuer agrees to hold harmless the Dissemination Agent, its officers, directors, employees, and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in the District against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Dissemination Agent for losses, expenses, or liabilities arising from information provided to the Dissemination Agent by the Developer or the failure of the Developer to provide information to the Dissemination Agent as and when required under the Disclosure Agreement of the Developer. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The fact that the Dissemination Agent may have a banking or other business relationship with the Issuer or any person with whom the Issuer contracts in connection with the transaction described in the Indenture, apart from the relationship created by the Indenture or this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 5 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement.

The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

The Administrator shall not have any responsibility for the (1) accuracy of any information provided by third parties or the Issuer for the disclosures made pursuant to the terms hereof, or (2) the untimeliness of any information provided by third parties or the Issuer for the disclosures made pursuant

to the terms hereof, except where such untimeliness is attributable to the actions or inactions of the Administrator. The Administrator shall have only such duties as are specifically set forth in Sections 3 and 4 of this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Assessments collected from the property owners in the District against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability resulting from information provided to the Administrator by the Issuer, but excluding liabilities due to the Administrator's gross negligence or willful misconduct; provided, however, that nothing herein shall be construed to require the Issuer to indemnify the Administrator for losses, expenses or liabilities arising from information provided to the Administrator by third parties or the Developer, or the failure of any third party or the Developer to provide information to the Administrator as and when required under this Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an "obligated person" under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

The Administrator may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE ISSUER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, THE ADMINISTRATOR OR THE DISSEMINATION AGENT, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. NEITHER THE DISSEMINATION AGENT NOR THE ADMINISTRATOR ARE UNDER ANY OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments are set forth in Exhibit C which is solely intended to illustrate the general procedures expected to generally be followed in enforcing the payment of delinquent Assessments.

Section 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future council members,

officer, agent or employee of the Issuer, the Administrator or the Dissemination Agent in other than that person's official capacity.

Section 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 15. Sovereign Immunity. The Dissemination Agent agrees that nothing in this Disclosure Agreement shall constitute or be construed as a waiver of the Issuer's sovereign or governmental immunities regarding liability or suit.

Section 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Administrator, the Dissemination Agent and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent and the Administrator, but only with funds to be provided from Assessments collected from the property owners in the District, for its fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

Section 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 20. Disclosure Agreement of the Developer. Concurrently with the execution and delivery of this Disclosure Agreement, the Dissemination Agent and Administrator have entered into the Disclosure Agreement of the Developer. Except as provided in Section 6 of the Disclosure Agreement of the Developer, the parties agree that the Issuer has no obligation to assume any of the duties of the Developer under the terms of the Disclosure Agreement of the Developer.

Section 21. Anti-Boycott Verification. The Dissemination Agent and the Administrator hereby each respectively verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Disclosure Agreement is a contract for goods or services, will not boycott Israel during the term of this Disclosure Agreement. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Dissemination Agent and the Administrator understand “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17. C.F.R. § 230.405 and exists to make a profit.

Section 22. Iran, Sudan and Foreign Terrorist Organizations. Pursuant to Subchapter F, Chapter 2252, Texas Government Code, the Dissemination Agent and the Administrator, respectively represent that neither the Dissemination Agent, the Administrator, nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable state or federal law and excludes the Dissemination Agent and/or the Administrator and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent or the Administrator, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any state or federal sanctions regime relating to a foreign terrorist organization. The Dissemination Agent and the Administrator understand “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17. C.F.R. § 230.405 and exists to make a profit.

Section 23. Form 1295. Submitted by the Administrator herewith is a completed Form 1295 in connection with the execution of this Agreement generated by the Texas Ethics Commission’s (the “TEC”) electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the “Form 1295”). The Town hereby confirms receipt of the Form 1295 from the Administrator. The Administrator and the Town understand and agree that, with the exception of information identifying the Town and the contract identification number, neither the Town nor its consultant is responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Administrator; and, neither the Town nor its consultant has verified such information.

Section 24. Verification Regarding Energy Company Boycotts. To the extent this Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislative Session), Texas Government Code, as amended, the Dissemination Agent and the Administrator hereby verify that they and their

parent companies, wholly- or majority- owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies” shall have the meaning assigned to the term “boycott energy company” in Section 809.001, Texas Government Code. The Dissemination Agent and the Administrator understand “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17. C.F.R. § 230.405 and exists to make a profit.

Section 25. Verification Regarding Discrimination Against Firearm Entity or Trade Association. To the extent this Agreement constitutes a contract for goods or services for which a written verification statement is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislative Session, “SB 19”), Texas Government Code, as amended, the Dissemination Agent and the Administrator hereby verifies that they and their parent company, wholly- or majority- owned subsidiaries, and other affiliates, if any

- (1) do not have a practice, policy, guidance or directive that discriminates against a firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association; and
- (2) will not discriminate during the term of this Agreement against a firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association.

The foregoing verification is made solely to comply with Section 2274.002, Texas Government Code, as amended, to the extent Section 2274.002, Texas Government Code does not contravene applicable Texas or federal law. As used in the foregoing verification, discriminate against a firearm entity or firearm trade association” (A) means, with respect to the entity or association, to (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; and (B) does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company’s refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity’s or association’s status as a firearm entity or firearm trade association, “firearm entity” means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (i.e., weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (i.e., devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (i.e., a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (as defined by Section 250.001, Texas Local Government Code), and “firearm trade association” means a person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and

none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code. The Dissemination Agent and the Administrator understand “affiliate” to mean an entity that controls, is controlled by, or is under common control with the Dissemination Agent or the Administrator within the meaning of SEC Rule 405, 17. C.F.R. § 230.405 and exists to make a profit.

[Signature pages follow]

TOWN OF LITTLE ELM, TEXAS

By: _____
Mayor

DISSEMINATION AGENT:

MUNICAP, INC.

By: _____
Name: _____
Title: _____

ADMINISTRATOR:

MUNICAP, INC.

By: _____
Name: _____
Title: _____

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
ANNUAL ISSUER REPORT**

Name of Issuer: Town of Little Elm, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Valencia Public Improvement District No. 2 Project)
Date of Delivery: _____

NOTICE IS HEREBY GIVEN that the Town of Little Elm, Texas, has not provided [an Annual Issuer Report][annual audited financial statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated November 1, 2022, between the Issuer, MuniCap, Inc. as Administrator and MuniCap, Inc., as Dissemination Agent. The Issuer anticipates that [the Annual Issuer Report][annual audited financial statements] will be filed by _____.

Dated: _____

MUNICAP, INC., on behalf of the Town of
Little Elm, Texas
(as Dissemination Agent)

By: _____
Title: _____

cc: Town of Little Elm, Texas

EXHIBIT B

**TOWN OF LITTLE ELM, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)**

ANNUAL ISSUER REPORT*

Delivery Date: _____, 20__

CUSIP NOS: [insert CUSIP NOs.]

Section 4(a)(i)(A)

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

Section 4(a)(i)(B)

ASSETS AND LIABILITIES OF PLEDGED TRUST ESTATE

ASSETS

Bond Proceed Balance, if any _____
Funds and Accounts [list] _____
TOTAL ASSETS _____

LIABILITIES

Outstanding Bond Principal _____
Outstanding Expenses (if any) _____
TOTAL LIABILITIES _____

NET POSITION

Assets Less Liabilities _____

**OUTSTANDING
ASSESSMENTS**

Form of Accounting ☐ Cash ☐ Accrual ☐ Modified Accrual
 Audited ☐ Unaudited ☐

Section 4(a)(ii)

<u>Debt Service Requirements on the Bonds</u>			
<u>Year Ending (September 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>

ITEMS REQUIRED BY SECTIONS 4(a)(iii) – (iv)

[Insert a line item]

Section 4(a)(v)

Aggregate Taxable Assessed Value of the District

The [YEAR] certified total aggregate taxable assessed value for the land in the District is approximately \$[AMOUNT] according to the applicable appraisal district(s).

ITEMS REQUIRED BY SECTION 4(a)(vi)(A-B)

[Insert a line item]

Section 4(a)(vii)

<u>Top Assessment Payers in the District ⁽¹⁾</u>		
<u>Property Owner</u>	<u>Outstanding Assessments</u>	<u>Percentage of Total Assessments</u>

⁽¹⁾ Does not include those owing less than twenty percent (20%) of total Assessments.

Section 4(a)(viii)

Collection and Delinquent History of Assessments in the District

<u>Collected in Fiscal Year Ending 9/30</u>	<u>Assessment Billed</u>	<u>Parcels Levied</u>	<u>Delinquent Amount as of 3/1</u>	<u>Delinquent Percentage as of 3/1</u>	<u>Delinquent Amount as of 9/1</u>	<u>Delinquent Percentage as of 9/1</u>	<u>Total Assessments Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

Section 4(a)(ix)**FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR AND AS OF MARCH 1 OF THE NEXT SUCCEEDING YEAR**

<u>History of Prepayment of Assessments</u>				
<u>Time Period</u>	<u>Number of Prepayments</u>	<u>Amount of Prepayments</u>	<u>Bond Call Date</u>	<u>Amount of Bonds Redeemed</u>
[FISCAL YEAR END]		\$		\$
[MARCH 1 OF CURRENT YEAR] ⁽¹⁾		\$		\$

⁽¹⁾ As of _____, 20__.

FINANCIAL INFORMATION AND OPERATING DATA WITH RESPECT TO THE ISSUER OF THE GENERAL TYPE AS OF THE END OF THE FISCAL YEAR AND AS OF MARCH 1 OF THE NEXT SUCCEEDING YEAR**Section 4(a)(x)**

<u>Delinquent Assessments by Fiscal Year</u>					
<u>Time Period</u>	<u>Subject to Foreclosure Proceedings (not instituted)</u>	<u>Subject to Foreclosure Proceedings (not concluded)</u>	<u>Reduced to Judgment (not collected)</u>	<u>Reduced to Judgment (collected)</u>	<u>Result of Foreclosure Sales of Assessed Property ⁽²⁾</u>
[FISCAL YEAR END]	\$	\$	\$	\$	\$
[MARCH 1 OF CURRENT YEAR] ⁽¹⁾	\$	\$	\$	\$	\$

⁽¹⁾ As of _____, 20__.

⁽²⁾ If Assessed Property represents more than one percent (1%) of total amount of Assessments

ITEMS REQUIRED BY SECTION 4(a)(xi)

[Insert a line item]

EXHIBIT C

BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES*

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Assessments are due.
February 1	1	Assessments delinquent if not received
February 15	15	Issuer forwards payment to Trustee for all collections received as of February 15, along with detailed breakdown. Subsequent payments and relevant details will follow monthly thereafter.
		Issuer and/or Administrator should be aware of actual and specific delinquencies
		<p>Administrator shall be aware if Reserve Fund needs to be utilized for debt service payments during the corresponding Fiscal Year. If there is to be a shortfall of any Annual Installments due to be paid that Fiscal Year, the Trustee and Dissemination Agent shall be immediately notified by Administrator</p> <p>Administrator shall determine if previously collected surplus funds, if any, plus actual Annual Installment collections will be fully adequate for debt service in the corresponding March and September.</p> <p>At this point, if total delinquencies are under 5% and if there is adequate funding for March and September payments, no further action is anticipated for collection of Assessments except that the Issuer or Administrator, working with the Town Attorney or an appropriate designee, will begin process to cure deficiency. For properties delinquent by more than one year or if the delinquency exceeds \$10,000 the matter will be referred for commencement of foreclosure.</p> <p>If there are over 5% delinquencies or if there is insufficient funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required</p>

* Illustrates anticipated dates and procedures for pursuing the collection of delinquent Assessments, which dates and procedures are subject to adjustment.

		for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.
March 1	28/29	Trustee pays bond interest payments to bondholders.
		Issuer, or the Trustee on behalf of the Issuer, to notify Dissemination Agent of the occurrence of draw on the Reserve Fund and, following receipt of such notice, Dissemination Agent to notify MSRB of such draw or the Reserve Fund.
July 1	150/151	Issuer, or the Administrator on behalf of the Issuer, determines whether or not any Annual Installments are delinquent and, if such delinquencies exist, the Issuer commences as soon as practicable appropriate and legally permissible actions to obtain such delinquent Annual Installments.
		Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies.
		Preliminary Foreclosure activity commences, and Issuer to notify Dissemination Agent of the commencement of preliminary foreclosure activity. If Dissemination Agent has not received Foreclosure Schedule and Plan of Collections, Dissemination Agent to request same from the Issuer.
		If the Issuer has not provided the Dissemination Agent with Foreclosure Schedule and Plan of Collections, and if instructed by the bondholders under Section 11.2 of the Indenture, Dissemination Agent requests that the Issuer commence foreclosure or provide plan for collection.
August 15	195/196	The designated lawyers or law firm will be preparing the formal foreclosure documents and will provide periodic updates to the Dissemination Agent for dissemination to those bondholders who have requested to be notified of collections progress. The goal for the foreclosure actions is a filing by no later than August 15 (day 195/196).

		Foreclosure action to be filed with the court.
		Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status. Dissemination Agent notifies bondholders.
		If bondholders and Dissemination Agent have not been notified of a foreclosure action, Dissemination Agent will notify the Issuer that it is appropriate to file action.

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APPENDIX E-2

FORM OF DEVELOPER DISCLOSURE AGREEMENT

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**TOWN OF LITTLE ELM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT NO. 2 PROJECT)**

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of November 1, 2022 (this “Disclosure Agreement”) is executed and delivered by and among Valencia on the Lake 2B2 and 4, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc., (acting solely in its capacity as dissemination agent (the “Dissemination Agent”) with respect to the “Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)” (the “Bonds”). The Developer, the Administrator and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer, the Administrator and the Dissemination Agent for the benefit of the Owners (defined below) and beneficial owners of the Bonds. Unless and until a different filing location is designated by the MSRB (defined below) or the SEC (defined below), all filings made by the Dissemination Agent pursuant to this Disclosure Agreement shall be filed with the MSRB through EMMA (defined below).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture of Trust dated as of November 1, 2022, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement, including the Exhibits hereto, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Administrative Expenses” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean the Issuer or the person or independent firm designated by the Issuer who shall have the responsibility provided in the Service and Assessment Plan, the Indenture, or any other agreement or document approved by the Issuer related to the duties and responsibilities of the administration of the District. The Issuer has selected MuniCap, Inc. as the initial Administrator.

“Affiliates” shall mean an entity that owns property within the District and is controlled by, controls, or is under common control of the Developer.

“Annual Installment” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall mean Assessments as defined in the Indenture.

“Authorized Improvements” shall have the meaning assigned to such term in the Indenture.

“Business Day” means any day other than a Saturday, Sunday, legal holiday, or day on which banking institutions in the Town where the Designated Payment/Transfer Office of the Paying Agent/Registrar (as each term is defined in the Indenture) is located are required or authorized by law or executive order to close.

“Certification Letter” shall mean a certification letter provided by the Developer or any Significant Homebuilder, pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean Valencia on the Lake 2B2 and 4, LLC, a Texas limited liability company, and each other Person, through assignment, who assumes the obligations, requirements or covenants to construct one or more of the Authorized Improvements and their designated successors and assigns.

“Developer Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“Development Agreement” means the agreement titled the “Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” which was entered into by and between the Town and Valencia on the Lake, L.P. effective as of November 5, 2013; as amended by that “First Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of September 16, 2014; as further amended by that “Second Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of June 2, 2015; as further amended by that “Third Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of February 16, 2016; as further amended by that “Fourth Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of August 2, 2016; as further amended by that “Fifth Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of September 5, 2017; as further amended by that “Sixth Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of February 2, 2021, as further amended by that “Seventh Amendment to the Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement” entered into by and between the Town and Valencia on the Lake, L.P. effective as of August __, 2022 and as further amended.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of Issuer dated as of November 1, 2022 executed and delivered by and among the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean MuniCap, Inc., acting solely in its capacity as dissemination agent, or any successor Dissemination Agent designated in writing by the Issuer.

“District” shall mean Valencia Public Improvement District No. 2.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Homebuilder(s)” shall mean any merchant homebuilder who enters into a Lot Sale Agreement with the Developer, and the successors and assigns of such homebuilder under such Lot Sale Agreement.

“Issuer” shall mean the Town of Little Elm, Texas.

“Listed Events” shall mean, collectively, Developer Listed Events and Significant Homebuilder Listed Events.

“Lot Sale Agreement” shall mean, with respect to lots or land within the District, any Lot Sale Agreement between a Homebuilder and the Developer to purchase lots or to purchase land.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive continuing disclosure reports pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall have the meaning assigned to such term in the Indenture.

“Person” shall mean any legal person, including any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government, or any agency or political subdivision thereof.

“Limited Offering Memorandum” shall mean the Limited Offering Memorandum for the Bonds dated October 18, 2022.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning March 31, 2023.

“Quarterly Filing Date” shall mean for each Quarterly Ending Date, the fifteenth calendar day of the second month following such Quarterly Ending Date being May 15, August 15, November 15, and February 15.

“Quarterly Information” shall have the meaning assigned to such term in Section 3 of this Disclosure Agreement.

“Quarterly Report” shall mean any Quarterly Report described in Section 3 of this Disclosure Agreement and substantially similar to that attached as Exhibit A hereto.

“Reporting Party” shall mean the Developer and/or Significant Homebuilder, as applicable.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Significant Homebuilder” shall mean a Homebuilder that takes ownership of any single-family residential lots after the issuance of the Bonds in an amount greater than ten percent (10%)¹ or more of the single-family residential lots within the District.

“Significant Homebuilder Listed Events” shall mean any of the events listed in Section 4(b) of this Disclosure Agreement.

“Trustee” shall mean Wilmington Trust, National Association, national banking association duly organized and existing under the laws of the United States, acting solely in its capacity as trustee, or any successor trustee pursuant to the Indenture.

“Underwriter” shall mean FMSbonds, Inc. and its successors and assigns.

Section 3. Quarterly Reports.

(a) The Developer and any Significant Homebuilder, with respect to its acquired real property, shall, at its cost and expense, provide, or cause to be provided, to the Administrator, not more than ten (10) days after each Quarterly Ending Date, beginning with March 31, 2023, the information required for the preparation of the Quarterly Report (with respect to each party, the “Quarterly Information”). The Reporting Party shall provide, or cause to be provided to the Administrator, such Quarterly Information until such party’s obligations terminate pursuant to Section 6 of this Disclosure Agreement. For the avoidance of doubt, if the Developer elects, the Developer may, but shall not be obligated to provide any Quarterly Information on behalf of any Significant Homebuilder. The Developer shall remain obligated with respect to any real property acquired by a Significant Homebuilder until an acknowledgment of assignment with respect to such real property is delivered in accordance with Section 5 of this Disclosure Agreement, at which time Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property so transferred.

(b) The Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by the Reporting Party pursuant to subsection (a) above and (ii) provide to the Reporting Party, each Quarterly Report for review no later than twenty (20) days after each Quarterly Ending Date. Each Reporting Party shall review the Quarterly Report and, upon such review, shall promptly, but no later than thirty (30) days after each Quarterly Ending Date, provide to the Administrator the Certification Letter and authorize the Administrator to provide such Quarterly Report and Certification Letter to the Issuer and Dissemination Agent pursuant to subsection (c) below. In all cases, each Reporting Party, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of the Quarterly Information provided by such party contained in the Quarterly Report.

(c) The Administrator shall provide to the Dissemination Agent, no later than thirty-five (35) days after each Quarterly Ending Date, the Quarterly Report containing the information described in this

¹ At closing of the Bonds, based on the Service and Assessment Plan, ten percent (10%) of the total single family residential lots within the District is currently equal to approximately 54 lots.

Section 3 and the Certification Letter(s) provided by each Reporting Party. The Dissemination Agent shall file the Quarterly Report and the Certification Letter(s) with the MSRB and provide a copy of such report to the Issuer and the Underwriter within ten (10) days of the Dissemination Agent's receipt thereof pursuant to this subsection 3(c); provided, however, that the Quarterly Report and the Certification Letter(s) must be submitted to the MSRB not later than each Quarterly Filing Date. In the event that each Reporting Party does not provide the information required by subsection (a) or (b) of this Section, as applicable, in a timely manner and, as a result, either an incomplete Quarterly Report is filed with the MSRB, or a Quarterly Report is not filed with the MSRB by each Quarterly Filing Date, the Dissemination Agent shall, and is hereby directed to, file a notice of failure to provide Quarterly Information or failure to file a Quarterly Report with the MSRB in substantially the form attached as Exhibit B, as soon as practicable. If incomplete Quarterly Information is provided by the any Reporting Party to the Administrator, the Dissemination Agent shall not be responsible for any failure to submit a complete Quarterly Report to the MSRB in connection with such failure. If each Reporting Party timely provides the required Quarterly Information to the Administrator as described in this Section 3, the failure of the Administrator to provide the information to the Dissemination Agent, or the failure of the Dissemination Agent to provide such information to the parties required under this Section 3(c) in a timely manner, shall not be deemed a default by the Reporting Party, as applicable, under this Disclosure Agreement.

(d) The Quarterly Report shall be in a form similar to that as attached in Exhibit A hereof and shall include:

(i) In a form similar to Table 3(d)(i) in Exhibit A attached hereto, the composition of the property within the District subject to the Assessments, as of the Quarterly Ending Date, including:

- A. The number of single-family residential parcels;
- B. The number of acres of single-family residential parcels;
- C. The number of platted single-family residential lots;
- D. The number of single-family residential lots identified in the original Service and Assessment Plan; and
- E. An explanation as to any change to the number of lots/parcels within the District from the original Service and Assessment Plan;

(ii) In a form similar to Table 3(d)(ii) in Exhibit A attached hereto, the landowner composition of the District, including:

- A. The number of lots owned by each type of landowner (i.e., Developer, Homebuilders, end-user); and
- B. The percentage of single-family residential lots relative to the total single-family residential lots for the Developer, each Homebuilder, and end-users (end-users reported collectively), as of the Quarterly Ending Date;

(iii) In a form similar to Table 3(d)(iii) in Exhibit A attached hereto, for each parcel designated as single-family residential, lot absorption statistics by lot type, on a quarter over quarter basis for the District, including:

- A. The number of single-family lots platted in the District;
- B. The number of single-family lots in the District closed with a Homebuilder;
- C. The number of single-family lots in the District owned by the Developer and under contract (but not closed) with a Homebuilder; and
- D. The number of single-family lots in the District owned by the Developer and not closed or under contract with a Homebuilder;

(iv) In a form similar to Table 3(d)(iv) in Exhibit A attached hereto, for each parcel designated as single-family residential, for each Homebuilder, broken down by lot type and phase, on a quarter over quarter basis:

- A. The number of homes under construction in the District;
- B. The number of completed homes not under contract with end-users in the District;
- C. The number of homes under contract with end-users in the District;
- D. The number of homes closed with end-users in the District; and
- E. The average sales price of homes closed with end-users.

(v) In a form similar to Table 3(d)(v) in Exhibit A attached hereto, materially adverse changes or determinations to permits/approvals for the development of the District that necessitate changes to the land use plans of the Developer;

(vi) In a form similar to Table 3(d)(vi) in Exhibit A attached hereto, the occurrence of any new or modified mortgage debt on the land owned by the Developer, including the amount, interest rate and terms of repayment; and

Section 4. Event Reporting Obligations.

(a) Pursuant to the provisions of this Section 4, each of the following is a Developer Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District, on a parcel owned by the Developer; provided, however, that the exercise of any right of the Developer as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Developer Listed Event under this Section 4(a) nor a breach or default of this

Disclosure Agreement; provided that the Developer has complied with all legal requirements relating to the protest of such value, including the posting of a bond, if required;

(ii) Material damage to or destruction of any development or improvements within the District, including the Authorized Improvements;

(iii) Default by the Developer or any of the Developer's Affiliates on any loan with respect to the acquisition, development or permanent financing of the District undertaken by the Developer or any of the Developer's Affiliates;

(iv) Default by the Developer or any of Developer's Affiliates on any loan secured by property within the District owned by the Developer or any of the Developer's Affiliates;

(v) The commencement of any bankruptcy, insolvency or receivership process or any similar filing in respect of the Developer or any of the Developer's Affiliates or any adjudication, determination or finding that either the Developer or any of the Developer's Affiliates is unable to pay its debts as they become due;

(vi) The consummation of a merger, consolidation, or acquisition of the Developer, or the sale of all or substantially all of the assets of the Developer or any of the Developer's Affiliates, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(vii) The filing of any lawsuit with a claim for damages, in excess of \$1,000,000 against the Developer or any of the Developer's Affiliates that may adversely affect the completion of development of the District or litigation that may materially adversely affect the financial condition of the Developer or any of the Developer's Affiliates;

(viii) Any change in the legal or entity structure, chief executive officer or controlling ownership of the Developer; and

(ix) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Sections 5 or 6 herein.

(b) Pursuant to the provisions of this Section 4, each of the following occurrences related to any Significant Homebuilder is a Significant Homebuilder Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within the District, on a lot or parcel owned by such Significant Homebuilder; provided, however, that the exercise of any right of such Significant Homebuilder as a landowner within the District to exercise legal and/or administrative procedures to dispute the amount or validity of all or any part of any real property taxes shall not be considered a Significant Homebuilder Listed Event under this Section 4(b) nor a breach or default of this Disclosure Agreement;

(ii) The bankruptcy, insolvency or similar filing of such Significant Homebuilder or any determination that such Significant Homebuilder is unable to pay its debts as they become due;

(iii) The consummation of a merger, consolidation, or acquisition involving such Significant Homebuilder or the sale of all or substantially all of the assets of the Significant Homebuilder, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(iv) Any change in the type of legal entity, chief executive officer or controlling ownership of such Significant Homebuilder;

(v) Early termination of or material default by such Significant Homebuilder under a Lot Sale Agreement; and

(vi) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 herein.

(c) Whenever the Developer has any knowledge, notice or awareness of the occurrence of any Developer Listed Event, the Developer shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and the Developer shall direct the Dissemination Agent to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer and the Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Developer becomes aware of the occurrence of such Developer Listed Event. If the Developer timely notifies the Dissemination Agent of the occurrence of a Developer Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Underwriter in a timely manner shall not be deemed a default by the Developer under this Disclosure Agreement.

Whenever a Significant Homebuilder obtains knowledge of the occurrence of a Significant Homebuilder Listed Event, the applicable Significant Homebuilder shall promptly notify the Issuer, the Administrator and the Dissemination Agent in writing and such Significant Homebuilder shall direct the Dissemination Agent in writing to file a notice of such occurrence with the MSRB, in the manner hereinafter described, and provide a copy of such notice to the Issuer, the Developer and the Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Significant Homebuilder becomes aware of the occurrence of such Significant Homebuilder Listed Event. If the Significant Homebuilder timely notifies the Dissemination Agent of the occurrence of a Significant Homebuilder Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Underwriter in a timely manner shall not be deemed a default by the Significant Homebuilder under this Disclosure Agreement.

Any notice under the two (2) preceding paragraphs shall be accompanied with the text of the disclosure that the Developer or Significant Homebuilder, as applicable, desires to make, the written authorization of the Developer or the Significant Homebuilder, as applicable, for the Dissemination Agent to disseminate such information as provided herein, and the date the Developer or Significant Homebuilder, as applicable, desires for the Dissemination Agent to disseminate the information (which date shall not be more than ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the Developer Listed Event or Significant Homebuilder Listed Event, as applicable).

The Developer and each Significant Homebuilder, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to such Reporting Party and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Reporting Party, regardless if such Person is providing Quarterly Information on behalf of any other Reporting Party. In all cases, the Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures. In addition, the Developer or the Significant Homebuilder, as applicable, shall have the sole responsibility to ensure that any notice required to be filed with the MSRB under this Section 4 is actually filed within ten (10) Business Days after the Developer or Significant Homebuilder, as applicable, becomes aware of the occurrence of the applicable Listed Event.

(d) The Dissemination Agent shall, promptly, and not more than five (5) Business Days after obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer, the Developer and the Significant Homebuilder, if applicable, of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer or Significant Homebuilder, as applicable, to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer or Significant Homebuilder, as applicable, and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer and Significant Homebuilder, as applicable, as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Underwriter, the Issuer, the Developer, Significant Homebuilder, or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

(e) If the Dissemination Agent has been notified in writing by the Developer or Significant Homebuilder to report the occurrence of a Listed Event in accordance with subsections (c) or (d) of this Section 4, the Dissemination Agent shall file a notice of such occurrence with the MSRB within one (1) Business Day after its receipt of such written instructions from the Developer or Significant Homebuilder, as applicable; provided that all such notices must be filed no later than the date specified in subsection (c) of this Section 4 for such Listed Event. The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer and the Developer of such Listed Event. The Dissemination Agent shall not be required to file a notice of the occurrence of such Listed Event with the MSRB unless and until it receives written instructions from the Developer to do so. It is agreed and understood that the duty to make or cause to be made the disclosures herein is that of the Developer and not that of the Trustee or the Dissemination Agent. It is agreed and understood that the Dissemination Agent has agreed to give the foregoing notice to the Developer as an accommodation to assist it in monitoring the occurrence of such event but is under no obligation to investigate whether any such event has occurred. As used above, “actual knowledge” means the actual fact or statement of knowing, without a duty to make any investigation with respect thereto. In no event shall the Dissemination Agent be liable in damages or in tort to the Underwriter, the Issuer, the Developer or any Owner or beneficial owner of any interests in the Bonds as a result of its failure to give the foregoing notice or to give such notice in a timely fashion.

Section 5. Assumption of Reporting Obligations by Significant Homebuilders.

If a Homebuilder acquires ownership of real property in the District resulting in such Homebuilder becoming a Significant Homebuilder, the Developer shall cause such Significant Homebuilder to comply with the Developer's disclosure obligations under Sections 3(d)(iv) and 4(b) hereof, with respect to such acquired real property until such party's disclosure obligations terminate pursuant to Section 6 of this Disclosure Agreement; provided, however, a Significant Homebuilder who is also a Developer shall be required to provide the disclosure information required by Sections 3 and 4(a), as applicable, pursuant to Section 5 above. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement from each Significant Homebuilder, in substantially the form attached as Exhibit E (the "Significant Homebuilder Acknowledgment"), acknowledging and assuming its obligations under this Disclosure Agreement. Pursuant to Sections 4(a)(ix) and 4(b)(vi) above, the Developer or Significant Homebuilder, as applicable, shall direct the Dissemination Agent to file a copy of the Significant Homebuilder Acknowledgment with the MSRB, in accordance with Sections 4(c) and 4(e) above. Upon any such transfer to a Significant Homebuilder, and such Significant Homebuilder's delivery of written acknowledgement of assumption of Developer's obligations under this Disclosure Agreement as to the property transferred, the Developer shall have no further obligation or liability for disclosures or other responsibilities under this Disclosure Agreement as to the property transferred or the obligations assigned. Notwithstanding anything to the contrary elsewhere herein, after such transfer of ownership, the Developer shall not be liable for the acts or omissions of such Significant Homebuilder arising from or in connection with such disclosure obligations under this Disclosure Agreement.

Section 6. Termination of Reporting Obligations.

(a) The reporting obligations of the Developer or any Significant Homebuilder, if any, under this Disclosure Agreement shall terminate upon the earlier of when (i) none of the Bonds remain Outstanding or (ii) the Issuer's issuance of the certificate of occupancy for the last single family residential lot or Parcel in the District.

(b) Upon receipt of written notice from a Reporting Party or the Dissemination Agent that the reporting obligations of a Reporting Party have terminated in accordance with subsection (a) or (b) of this Section 6, the Administrator shall provide written notice to the applicable Reporting Party, the Underwriter, the Issuer, and the Dissemination Agent in substantially the form attached as Exhibit C, thereby, terminating such Reporting Party's reporting obligations under this Disclosure Agreement (the "Termination Notice"). If such Termination Notice with respect to a Reporting Party occurs while any of the Bonds remain Outstanding, the Administrator shall immediately provide, or cause to be provided, the Termination Notice to the Dissemination Agent, and the Dissemination Agent shall provide such Termination Notice to the MSRB, the Issuer, the Trustee, the applicable Reporting Party and the Underwriter on or before the next succeeding Quarterly Filing Date.

(c) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon, the earlier of (i) the date when none of the Bonds remain Outstanding, or (ii) termination of all Reporting Parties' reporting obligations in accordance with subsection (a) or (b) of this Section 6 and any Termination Notice required by subsection (c) of this Section 6 has been provided to the MSRB, the Issuer, the Trustee, the Dissemination Agent, the Reporting Parties, and the Underwriter, as applicable.

Section 7. Dissemination Agent. The initial Dissemination Agent appointed hereunder shall be MuniCap, Inc. The Issuer or the Trustee (at the request of any Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and indemnity satisfactory to the Trustee) may, from time to time, appoint or engage a successor Dissemination Agent to assist any Person or any Significant Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 5 hereof in carrying out their obligations under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time with sixty (60) days' notice to the Issuer, the Developer and the Administrator; provided, however, that if the Dissemination Agent is serving in the same capacity under the Disclosure Agreement of Issuer, the Dissemination Agent shall resign under the Disclosure Agreement of Issuer simultaneously with its resignation hereunder; provided, further, that if the Issuer is the Dissemination Agent, the Issuer may not resign without first appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to any Significant Homebuilder that has executed a Significant Homebuilder Acknowledgment pursuant to Section 5 hereof of any change in the identity of the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Developer, the Administrator and the Dissemination Agent may jointly amend this Disclosure Agreement (and the Dissemination Agent shall not unreasonably withhold its consent to any amendment so requested by the Developer or Administrator), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 or 4, it may only be made if it is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners and in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer or any Significant Homebuilder, or the type of business conducted;

(b) The amendment or waiver either (i) except in the case of (9)(a) above, is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or beneficial owners of the Bonds. No amendment which adversely affects the Dissemination Agent or the Issuer may be made without the respective party's prior written consent (which consent will not be unreasonably withheld or delayed); and

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administrator shall describe such amendment in the next related Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Developer. The Developer shall provide, or cause to be provided, at its cost and expense, an executed copy of any amendment or waiver entered into under this Section 8 to the Issuer, the Administrator, the Dissemination Agent, and the Underwriter.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer or any Significant Homebuilder from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of

communication, or including any other information in addition to that which is required by this Disclosure Agreement. If the Developer or Significant Homebuilder chooses to include any information in any Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event, as applicable, in addition to that which is specifically required by this Disclosure Agreement, the Developer or the Significant Homebuilder, as applicable, shall have no obligation under this Disclosure Agreement to update such information or include it in any future Quarterly Report or notice of occurrence of a Developer Listed Event or Significant Homebuilder Listed Event.

Section 10. Content of Disclosures. In all cases, the Developer or Significant Homebuilder, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all disclosures, whether provided under Section 3, 4 or 10 of this Disclosure Agreement.

Section 11. Default. In the event of a failure of the Developer, any Significant Homebuilder or the Administrator to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Owner or beneficial owner of the Bonds may, and the Trustee (at the request of any Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds and upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Developer, Significant Homebuilder and/or the Administrator to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer, Significant Homebuilder or the Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement by the Developer, or any Significant Homebuilder, as applicable, shall not be deemed a default under the Disclosure Agreement of Issuer by the Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by the Developer, any Significant Homebuilder or the Administrator. Additionally, a default by the Developer of its obligations under this Disclosure Agreement shall not be deemed a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement; and, likewise, a default by any Significant Homebuilder of such Significant Homebuilder's obligations under this Disclosure Agreement shall not be deemed a default of the Developer of the Developer's obligations under this Disclosure Agreement.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Quarterly Report) prepared by the Developer, Significant Homebuilder and/or the Administrator pursuant to this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Developer agrees to hold harmless the Dissemination Agent, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to

imply that the Dissemination Agent is an “obligated person” under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Dissemination Agent shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Dissemination Agent hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Dissemination Agent and believed to be genuine and to have been signed or presented by the proper party or parties.

(b) The Administrator shall not have any duty with respect to the content of any disclosures made pursuant to the terms hereof. The Administrator shall have only such duties as are specifically set forth in this Disclosure Agreement, and no implied covenants shall be read into this Disclosure Agreement with respect to the Administrator. The Developer agrees to hold harmless the Administrator, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Administrator’s breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Administrator and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Administrator is an “obligated person” under the Rule. The Administrator is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The Administrator shall not in any event incur any liability with respect to (i) any action taken or omitted to be taken in good faith upon advice of legal counsel given with respect to any question relating to duties and responsibilities of the Administrator hereunder, or (ii) any action taken or omitted to be taken in reliance upon any document delivered to the Administrator and believed to be genuine and to have been signed or presented by the proper party or parties.

(c) The Dissemination Agent may, from time to time, consult with legal counsel of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or their respective duties hereunder, and the Dissemination Agent and Administrator shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR OR THE DEVELOPER, OR ANY SIGNIFICANT HOMEBUILDER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY ANY OTHER PARTY TO THIS DISCLOSURE AGREEMENT OR A SIGNIFICANT HOMEBUILDER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. THE DISSEMINATION AGENT AND THE ADMINISTRATOR ARE UNDER NO OBLIGATION NOR ARE THEY REQUIRED TO BRING SUCH AN ACTION.

Section 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Developer, any Significant Homebuilder, the Administrator or the Dissemination Agent contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of

any present or future officer, agent or employee of the Developer, any Significant Homebuilder, the Administrator or Dissemination Agent in other than that person's official capacity.

Section 14. Severability. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reasons held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Administrator, the Dissemination Agent, the Issuer, the Underwriter, and the Owners and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. Nothing in this Disclosure Agreement is intended or shall act to disclaim, waive or otherwise limit the duties of the Issuer under federal and state securities laws.

Section 16. Dissemination Agent Compensation. The fees and expenses incurred by the Dissemination Agent for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Issuer shall pay or reimburse the Dissemination Agent, but only with funds to be provided from the Administrative Expenses component of the Annual Installments collected from the property owners in the District, for the fees and expenses for its services rendered in accordance with this Disclosure Agreement.

Section 17. Administrator Compensation. The fees and expenses incurred by the Administrator for its services rendered in accordance with this Disclosure Agreement constitute Administrative Expenses and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Administrator has entered into a separate agreement with the Issuer, which agreement governs the administration of the District, including the payment of the fees and expenses of the Administrator for its services rendered in accordance with this Disclosure Agreement.

Section 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

Section 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature pages follow.]

MUNICAP, INC.
(solely in its capacity as Dissemination Agent)

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

VALENCIA ON THE LAKE 2B2 and 4, LLC,
a Texas limited liability company
(as Developer)

By: Valencia on the Lake, L.P.,
a Texas limited partnership
Its Manager

By: Valencia on the Lake GP, LLC,
a Texas limited liability company
Its General Partner

By: _____
Name: Mehrdad Moayedi
Its Manager

MUNICAP, INC.
(as Administrator)

By: _____
Name: _____
Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

EXHIBIT A

**TOWN OF LITTLE ELM, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2022
(VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 PROJECT)**

QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: MuniCap, Inc.

Address:

Town:

Telephone: (____) - _____

Contact Person: Attn: _____

[Remainder of page intentionally left blank]

QUARTERLY INFORMATION

TABLE 3(d)(i)

DISTRICT OVERVIEW (as of [<i>Insert Quarterly Ending Date</i>])					
NUMBER OF SINGLE-FAMILY PARCELS, ACREAGE OF SUCH PARCELS AND NUMBER OF PLATTED SINGLE-FAMILY LOTS IN THE DISTRICT SUBJECT TO ASSESSMENTS:					
	The District ⁽¹⁾		Original Service and Assessment Plan ⁽²⁾		Explanation as to any change in Lots/Parcels from Original Service and Assessment Plan
Single-Family					
Total SF Parcels/Acres					
Lot Type	-		-		
50' Lot					
60' Lot					
<i>Total SF Lots:</i>					

⁽¹⁾ Single-family lots represent the number of platted single-family lots in the District, as of *[Insert Quarterly Ending Date]*.

⁽²⁾ Single-family lots represent the number of planned single-family lots included in Exhibit of the original Service and Assessment Plan.

[Remainder of page intentionally left blank]

TABLE 3(d)(ii)

DEVELOPER COMPOSITION (as of [<i>Insert Quarterly Ending Date</i>]) OF THE DISTRICT		
Landowner Composition	Number of Actual Single-Family Residential Lots Owned	Percentage of Total Actual Single-Family Residential Lots
Developer Owned		
50' Lot		
60' Lot		
<i>Total Developer Owned SF Lots:</i>		
[Homebuilder] Owned⁽¹⁾		
50' Lot		
60' Lot		
<i>Total Homebuilder Owned SF Lots:</i>		
End-User Owned		
50' Lot		
60' Lot		
<i>Total End-User Owned SF Lots:</i>		
<i>Total Development:</i>		

⁽¹⁾ Add additional rows for each Homebuilder.

[Remainder of page intentionally left blank]

FOR EACH PARCEL DESIGNATED AS SINGLE-FAMILY RESIDENTIAL:

TABLE 3(d)(iii)

DEVELOPER ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL IN THE DISTRICT											
	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__
# of platted SF lots:											
• 50'											
• 60'											
TOTAL											
# of SF lots closed with Homebuilders:											
• [Homebuilder]											
○ 50'											
○ 60'											
Subtotal											
• [Homebuilder]											
○ 50'											
○ 60'											
Subtotal											
• [Homebuilder]											
○ 50'											
○ 60'											
TOTAL											
# of SF lots under contract with Homebuilders:											
• [Homebuilder]											
○ 50'											
○ 60'											
Subtotal											
• [Homebuilder]											
○ 50'											
○ 60'											
Subtotal											
• [Homebuilder]											
○ 50'											
○ 60'											
TOTAL											
# of SF lots not under contract with Homebuilders:											
• 50'											
• 60'											
TOTAL											

TABLE 3(d)(iv)

[Homebuilder] ABSORPTION STATISTICS FOR SINGLE-FAMILY RESIDENTIAL LOTS IN THE DISTRICT ⁽¹⁾								
	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__	Q__ 20__
# of SF homes under construction: <ul style="list-style-type: none"> • 50' • 60' TOTAL								
# of completed SF homes NOT under contract with end-user: <ul style="list-style-type: none"> • 50' • 60' TOTAL								
# of SF homes under contract with end-user: <ul style="list-style-type: none"> • 50' • 60' TOTAL								
# of SF homes delivered to end-users: <ul style="list-style-type: none"> • 50' • 60' TOTAL								
Average home prices of homes delivered to end-users: <ul style="list-style-type: none"> • 50' • 60' • Average 								

(1) Additional tables to be added for each Homebuilder

STATUS OF DEVELOPMENT IN THE DISTRICT:

TABLE 3(d)(v)

PERMITS/APPROVALS	
Change or Determination to Permit/Approval	Description of the Change to the Land Use Plan

TABLE 3(d)(vi)

OCCURRENCE OF ANY NEW OR MODIFIED MORTGAGE DEBT				
Borrower	Lender	Amount	Interest Rate	Terms of Repayment

EXHIBIT B

**NOTICE TO MSRB OF FAILURE TO
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: Town of Little Elm, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Valencia Public Improvement District No. 2 Project) (the “Bonds”)
CUSIP Numbers: [insert CUSIP Numbers]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a
_____ (the [“Developer”]¹)[“Significant Homebuilder”] has not provided the
[Quarterly Information][Quarterly Report] for the period ending on [*Insert Quarterly Ending Date*]
with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer dated
as of November 1, 2022, by and among Valencia on the Lake 2B2 and 4, LLC, a Texas limited
liability company (the “Developer”), MuniCap, Inc., as the “Administrator” and MuniCap, Inc.,
as the “Dissemination Agent.” The [Developer] [“Significant Homebuilder”] anticipates that the
[Quarterly Information][Quarterly Report] will be [provided][filed] by _____.

Dated: _____

MUNICAP, INC.,
on behalf of the Developer
(acting solely in its capacity as
Dissemination Agent)

By: _____

Title: _____

cc: Town of Little Elm, Texas

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: Town of Little Elm, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Valencia Public Improvement District No. 2 Project) (the “Bonds”)
CUSIP Numbers. [insert CUSIP Numbers]
Date of Delivery: _____, 20__

FMSbonds, Inc.
5 Cowboys Way Suite 300-25
Frisco, Texas 75034

Wilmington Trust, National Association
15950 N. Dallas Parkway, Suite 550
Dallas, Texas 75248

Town of Little Elm, Texas
100 W. Eldorado Parkway
Little Elm, Texas 75068

Valencia on the Lake 2B2 and 4, LLC
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234

NOTICE IS HEREBY GIVEN that that _____, a
_____ (the [“Developer”][“Significant Homebuilder”]) is no longer
responsible for providing [any Quarterly Information][the Quarterly Report] with respect to the
Bonds, thereby, terminating such party’s reporting obligations under the Continuing Disclosure
Agreement of Developer dated as of November 1, 2022, by and among Valencia on the Lake 2B2
and 4, LLC, a Texas limited liability company (the “Developer”), MuniCap, Inc., as the
“Administrator” and MuniCap, Inc., as the “Dissemination Agent.”

Dated: _____

MuniCap, Inc.
on behalf of the Developer
(solely in its capacity as Administrator)

By: _____

Title: _____

¹ If applicable, replace with applicable successor(s)/assign(s).

EXHIBIT D

CERTIFICATION LETTER

[DATE]

Name of Issuer: Town of Little Elm, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2022
(Valencia Public Improvement District No. 2 Project) (the “Bonds”)
CUSIP Numbers. [insert CUSIP Numbers]
Date of Delivery: _____, 20__

Re: Quarterly Report for Valencia Public Improvement District No. 2

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of November 1, 2022 by and among Valencia on the Lake 2B2 and 4, LLC¹ (the “Developer”), MuniCap, Inc., as the “Administrator”, and MuniCap, Inc., as the “Dissemination Agent,” this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][_____, as a “Significant Homebuilder”], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Significant Homebuilder], constitutes the [portion of the] Quarterly Report required to be furnished by the [Developer][Significant Homebuilder]. Any and all Quarterly Information, provided by the [Developer][Significant Homebuilder], contained in this Quarterly Report for the three month period ending on [Insert Quarterly Ending Date], to the best of my knowledge, is true and correct, as of [insert date].

Please do not hesitate to contact our office if you have and questions or comments.

VALENCIA ON THE LAKE 2B2 and 4, LLC,
a Texas limited liability company
(as Developer)

By: Valencia on the Lake, L.P.,
a Texas limited partnership
Its Manager

By: Valencia on the Lake GP, LLC,
a Texas limited liability company
Its General Partner

By: _____
Name: Mehrdad Moayed
Its Manager

¹ If applicable, replace with applicable successor(s)/assign(s).

OR

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: _____

Title: _____

EXHIBIT E

FORM OF ACKNOWLEDGEMENT OF ASSIGNMENT OF SIGNIFICANT HOMEBUILDER REPORTING OBLIGATIONS

[DATE]

[INSERT ASSIGNEE CONTACT INFORMATION]

Re: Valencia Public Improvement District No. 2 – Continuing Disclosure Obligation

Dear _____,

As of _____, 20____, you own _____ lots within the Valencia Public Improvement District No. 2 (the “District”), which is equal to approximately ____% of the single-family residential lots within the District.

Pursuant to Section 2 of the Continuing Disclosure Agreement of Developer dated as of November 1, 2022, (the “Disclosure Agreement of Developer”) by and among Valencia on the Lake 2B2 and 4, LLC (the “Initial Developer”), MuniCap, Inc. (the “Administrator”), and MuniCap, Inc. (the “Dissemination Agent”) with respect to the “Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project),” any person or entity that owns fifty-four (54) or more of the single-family residential lots within the District is defined as a Significant Homebuilder.

As a Significant Homebuilder, pursuant to Section 5 of the Disclosure Agreement of Developer, you acknowledge and assume the reporting obligations under Sections 3(d)(iv) and 4(b) of the Disclosure Agreement of Developer for the property which is owned as detailed in the Disclosure Agreement of Developer, which is included herewith.

Sincerely,

[SIGNIFICANT HOMEBUILDER]

(as Significant Homebuilder)

By: _____

Title: _____

Acknowledged by:

[INSERT ASSIGNEE NAME]

By: _____

Title: _____

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APPENDIX F

FORM OF CONSTRUCTION, FUNDING AND ACQUISITION AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

**VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 CONSTRUCTION,
FUNDING, AND ACQUISITION AGREEMENT**

THIS VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 CONSTRUCTION, FUNDING, AND ACQUISITION AGREEMENT (this “Agreement”), dated as of October 18, 2022, is by and between the **TOWN OF LITTLE ELM, TEXAS**, a home-rule municipality of the State of Texas (the “Town”), and **VALENCIA ON THE LAKE 2B2 AND 4, LLC**, a Texas limited liability company, (the “Developer”).

**ARTICLE I
DEFINITIONS**

The following terms shall have the meanings ascribed to them in this Article I for purposes of this Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Indenture (as hereinafter defined).

“**Act**” means the Public Improvement District Assessment Act, Texas Local Government Code, Chapter 372, as amended.

“**Actual Costs**” means the costs of the Authorized Improvements actually paid or incurred for construction and installation of the Authorized Improvements in accordance with the Service and Assessment Plan.

“**Administrator**” means, initially, MuniCap, Inc., or any other individual or entity designated by the Town to administer the District.

“**Annual Service Plan Update**” means the annual update to the Service and Assessment Plan conducted by the Administrator pursuant to the Service and Assessment Plan.

“**Authorized Improvements**” means improvements authorized by Section 372.003 of the Act, including and as listed in Section III of the Service and Assessment Plan. An individual Authorized Improvement, including a completed segment, section or part, shall be referred to as an Authorized Improvement.

“**Authorized Improvements Account**” means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

“**Bond Ordinance**” means the ordinance adopted by the Town Council on October 18, 2022, authorizing the issuance of the Bonds pursuant to the Indenture.

“**Bonds**” means the Town’s bonds designated "Town of Little Elm, Texas, Special Assessment Revenue Bonds, Series 2022 (Valencia Public Improvement District No. 2 Project)".

“**Budgeted Costs**” means the anticipated, agreed upon costs of the Authorized Improvements as shown in Section III of the Service and Assessment Plan.

“Certification for Payment” means a certificate, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Developer, the Administrator and the Town Representative, executed by an engineer, construction manager or other person or entity acceptable to the Town, as evidenced by the signature of a Town Representative, provided no more frequently than once per month to the Town Representative and the Trustee, specifying the amount of work performed and the amount charged for that work, including materials and labor costs, presented to the Trustee to request payment for Actual Costs of Authorized Improvements under the Indenture.

“Closing Disbursement Request” means the certificate, substantially in the form of **Exhibit A** hereto or otherwise mutually agreed to by the Developer, Administrator, and Town Representative, executed by an engineer, construction manager or other person or entity acceptable to the Town, as evidenced by the signature of a Town Representative, specifying the amounts to be disbursed for the costs related to the creation of the District and the costs of issuance of the Bonds.

“Construction Contracts” means the contracts for the construction of an Authorized Improvement. “Construction Contract” means any one of the Construction Contracts.

“Cost” means the Budgeted Costs or the cost of an Authorized Improvement as reflected in a Construction Contract, if greater than the Budgeted Costs.

“Costs of Issuance Account” means the account of such name in the Project Fund created under Section 6.1 of the Indenture.

“Cost Overrun” means, with respect to each Authorized Improvement, the Actual Cost, as appropriate, of such Authorized Improvement in excess of the Budgeted Cost.

“Development Agreement” means that certain Valencia on the Lake Pre-Annexation Agreement, Development Agreement, Public Improvement District Agreement and Tax Increment Reinvestment Zone Agreement executed by and between the Town and Valencia on the Lake, L.P., effective November 13, 2013, as amended.

“District” shall mean the Valencia Public Improvement District No. 2 created on August 16, 2022.

“Final Completion” means completion of an Authorized Improvement in compliance with existing Town standards for dedication under the Town’s ordinances and the Development Agreement.

“Indenture” means that certain Indenture of Trust between the Town and Wilmington Trust, National Association, as trustee, dated as of November 1, 2022 relating to the Bonds.

“Plans” means the plans, specifications, schedules and related construction contracts for the Authorized Improvements, respectively, approved pursuant to the applicable standards,

ordinances, procedures, policies and directives of the Town, the Development Agreement, and any other applicable governmental entity.

“Project Fund” means the fund, including the accounts created and established under such fund, where monies from the proceeds of the sale of the Bonds and any funds received from the Developer, excluding those deposited in other funds in accordance with the Indenture, shall be deposited, and the fund by such name created under the Indenture.

“Service and Assessment Plan” means the Valencia Public Improvement District No. 2 Service and Assessment Plan adopted by Town ordinance on October 18, 2022 by the Town Council, prepared pursuant to the Act.

“Substantial Completion” means the time at which the construction of an Authorized Improvement (or specified segment, section or part thereof) has progressed to the point where such Authorized Improvement (or a specified segment, section or part thereof) is sufficiently complete in accordance with the Construction Contracts related thereto so that such Authorized Improvement (or a specified segment, section or part thereof) can be utilized for the purposes for which it is intended.

“Supplement” means a written document agreed upon by the parties to this Agreement amending, supplementing or otherwise modifying this Agreement and any exhibit hereto.

“Town Inspector” means an individual employed by or an agent of the Town whose job is, in part or in whole, to inspect infrastructure to be owned by the Town for compliance with all rules and regulations applicable to the development and the infrastructure inspected.

“Town Manager” means the Town Manager of the Town, or its designee.

“Town Representative” means the Town Manager, or any other official or agent of the Town later authorized by the Town to undertake the action referenced herein.

ARTICLE II RECITALS

Section 2.01. The District and the Authorized Improvements.

(a) The Town has created the District under the Act for the financing of, among other things, the acquisition, construction and installation of the Authorized Improvements.

(b) The Town has authorized the issuance of the Bonds in accordance with the provisions of the Act, the Bond Ordinance and the Indenture, the proceeds of which Bonds shall be used, in part, to finance all or a portion of the Authorized Improvements in accordance with the terms and limitations of the Development Agreement, this Agreement, and the Service and Assessment Plan.

(c) All Authorized Improvements are eligible to be financed with proceeds of the Bonds to the extent specified herein.

(d) The proceeds from the issuance and sale of the Bonds and funds received from the Developer concurrently with the closing of the Bonds shall be deposited in accordance with the Indenture.

(e) The Developer will undertake, oversee, or ensure the construction and development of the Authorized Improvements for acquisition and acceptance by the Town, in accordance with the terms and conditions contained in the Development Agreement and this Agreement.

Section 2.02. Agreements. In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Town and the Developer agree that the foregoing recitals, as applicable to each, are true and correct and further make the agreements set forth herein.

ARTICLE III FUNDING

Section 3.01. Bonds.

(a) The Town, in connection with this Agreement, is proceeding with the issuance and delivery of the Bonds.

(b) The projects to be financed in part with the proceeds of the Bonds are the Authorized Improvements. The payment of costs from the proceeds of the Bonds for such Authorized Improvements shall be made from the Authorized Improvements Account of the Project Fund established under the Indenture.

(c) The Town's obligation with respect to the payment of the Authorized Improvements shall be limited to the lesser of the Actual Costs or Budgeted Costs, and shall be payable solely from amounts on deposit for the payment of such costs as provided herein and in the Indenture. The Developer agrees and acknowledges that it is responsible for all Cost Overruns and all expenses related to the Authorized Improvements, qualified, however, by the distribution of Cost Underrun (as defined in Section 4.04 hereof) monies, as detailed in Section 4.04.

(d) The Town shall have no responsibility whatsoever to the Developer with respect to the investment of any funds held in the Project Fund by the Trustee under the provisions of the Indenture, including any loss of all or a portion of the principal invested or any penalty for liquidation of an investment.

(e) The Developer acknowledges that any lack of availability of amounts in the funds or accounts established in the Indenture to pay the Costs of the Authorized Improvements shall in no way diminish any obligation of the Developer with respect to the construction of or contributions for the Authorized Improvements required by this Agreement, the Development

Agreement, or any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject.

Section 3.02 Accounts. All disbursements from the Authorized Improvements Account of the Project Fund shall be made by the Town in accordance with provisions of the Development Agreement, the Service and Assessment Plan, this Agreement, and the Indenture.

ARTICLE IV CONSTRUCTION OF THE AUTHORIZED IMPROVEMENTS

Section 4.01. Duty of Developer to Construct.

(a) All Authorized Improvements shall be constructed by or at the direction of the Developer in accordance with the Plans and in accordance with this Agreement and the Development Agreement. The Developer shall perform, or cause to be performed, all of its obligations and shall conduct, or cause to be conducted, all operations with respect to the construction of Authorized Improvements in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Developer shall employ, at all times, adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of all Authorized Improvements to be acquired and accepted by the Town, from the Developer, as provided in this Agreement.

(b) The Developer shall not be relieved of its obligation to construct or cause to be constructed each Authorized Improvement and, upon completion, inspection, and acceptance, convey each such Authorized Improvement to the Town, in accordance with the terms hereof, even if there are insufficient funds in the Project Fund to pay the Actual Costs thereof. In any event, this Agreement shall not affect any obligation of the Developer under any other agreement to which the Developer is a party or any governmental approval to which the Developer or any land within the District is subject, with respect to the Authorized Improvements required in connection with the development of the land within the District.

Section 4.02. No Competitive Bidding. The Authorized Improvements shall not require competitive bidding pursuant to Section 252.022(a)(9) of the Texas Local Government Code, as amended.

Section 4.03. Independent Contractor. In performing this Agreement, the Developer is an independent contractor and not the agent or employee of the Town with respect to the Authorized Improvements.

Section 4.04. Remaining Funds After Completion of an Authorized Improvement. Upon the Final Completion of an Authorized Improvement and payment of all outstanding invoices for such Authorized Improvement, if the Actual Cost of such Authorized Improvement is less than the Budgeted Cost (a “Cost Underrun”), any remaining Budgeted Cost may be made available to pay Cost Overruns on any other Authorized Improvement. The Town shall promptly confirm to the Administrator that such remaining amounts are available to pay such Cost Overruns, and the Developer, the Administrator and the Town Representative will agree how to use such moneys to secure the payment and performance of the work for other Authorized Improvements and shall include an update reflecting such change in the subsequent Annual Service Plan Update. Any Cost Underrun for any Authorized Improvement is available to pay Cost Overruns on any other Authorized Improvement.

Section 4.05. Contracts and Change Orders. The Developer shall be responsible for entering into all contracts and any supplemental agreements (herein referred to as “change orders”) required for the construction of the Authorized Improvements. Developer or its contractors may approve and implement any change orders, even if such change order would increase the Cost of an Authorized Improvement, but the Developer shall be solely responsible for payment of any Cost Overruns resulting from such change orders except to the extent amounts are available, or become available, pursuant to Section 4.04. If any change order is for work that requires changes to be made by an engineer to the construction and design documents and plans previously approved under Section 4.01, then such revisions made by an engineer must be submitted to the Town for approval by the Town’s engineer prior to execution of the change order.

ARTICLE V ACQUISITION, CONSTRUCTION, AND PAYMENT

Section 5.01. Payment Requests for Disbursements at Closing. In order to receive the disbursement from the Costs of Issuance Account of the Project Fund or from the Authorized Improvements Account of the Project Fund at closing of the Bonds related to costs of issuance of the Bonds or costs incurred in the creation of the District, the Developer shall execute a Closing Disbursement Request, substantially in the form of **Exhibit A** hereto or otherwise acceptable and agreed to by the Town, to be delivered to the Town no less than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in accordance with the provisions of the Indenture. In order to receive the disbursement for an Authorized Improvement from the Authorized Improvements Account of the Project Fund at closing of the Bonds, the Developer shall execute a Certification for Payment, substantially in the form of **Exhibit B** hereto or otherwise agreed to by the Town, to be delivered to the Town no later than five (5) business days prior to the scheduled Closing Date for the Bonds for payment in accordance with the provisions of the Indenture. Upon approval by the Town, the Town shall submit a Closing Disbursement Request or a Certification for Payment, as applicable, to the Trustee for disbursement to be made

from the Costs of Issuance Account of the Project Fund or the Authorized Improvements Account of the Project Fund, as applicable.

Section 5.02. Certification for Payment for an Authorized Improvement.

(a) No payment hereunder shall be made from the Project Fund to the Developer for work on an Authorized Improvement until a Certification for Payment is received from the Developer. Upon receipt of a Certification for Payment substantially in the form of **Exhibit B** hereto (and all accompanying documentation required by the Town) from the Developer, the Town Inspector shall conduct a review in order to confirm that such request is complete, that the work with respect to such Authorized Improvement identified therein for which payment is requested was completed in accordance with all applicable governmental laws, rules and regulations and applicable Plans therefor and with the terms of this Agreement, the Development Agreement, and to verify and approve the Actual Cost of such work specified in such Certification for Payment (collectively, the “Developer Compliance Requirements”). The Town Inspector and/or the Town Representative shall also conduct such review as is required in his discretion to confirm the matters certified in the Certification for Payment. The Developer agrees to cooperate with the Town Inspector and/or Town Representative in conducting each such review and to provide the Town Inspector and/or Town Representative with such additional information and documentation as is reasonably necessary for the Town Inspector and/or Town Representative to conclude each such review.

(b) Within fifteen (15) business days of receipt of any Certification for Payment, the Town Representative shall either (i) approve and execute the Certification for Payment and forward the same to the Administrator for approval and delivery to the Trustee for payment to the Developer in accordance with Section 5.03(a) hereof, or (ii) in the event the Town Representative disapproves the Certification for Payment, give written notification to the Developer of the Town Representative’s disapproval, in whole or in part, of such Certification for Payment, specifying the reasons for such disapproval and the additional requirements to be satisfied for approval of such Certification for Payment. If a Certification for Payment seeking reimbursement is approved only in part, the Town Representative shall specify the extent to which the Certification for Payment is approved and shall deliver such partially approved Certification for Payment to the Administrator for approval in accordance with Section 5.03 hereof and delivery to the Developer in accordance with Section 5.02(c) hereof, and any such partial work shall be processed for payment under Section 5.03 notwithstanding such partial disapproval.

(c) If the Town Representative disapproves the Certification for Payment, the disapproval must be in writing, stating the reason(s) for disapproval. The disapproval may be appealed to the Town Council by the Developer in writing within thirty (30) days after Developer’s receipt of the Town’s disapproval pursuant to Section 5.02(b) of this Agreement. Disapproval of the Certification for Payment by the Town Council shall be attempted to be resolved by half-day

mediation between the parties in the event an agreement is not otherwise reached by the parties, with the mediator's fee being paid by Developer. The Certification for Payment shall not be forwarded to the Trustee for payment until the dispute is resolved by the Town and the Developer.

(d) The Developer shall deliver the approved or partially approved Certification for Payment to the Trustee for payment and the Trustee shall make such payment from the Project Fund in accordance with Section 5.03 below.

Section 5.03. Payment for an Authorized Improvement.

(a) Upon receipt of a reviewed and approved Certification for Payment, the Trustee shall make payment from the Authorized Improvements Account of the Project Fund pursuant to the terms of the Certification for Payment and the Indenture in an amount not to exceed the Budgeted Cost for the particular Authorized Improvement, unless a Cost Overrun amount has been approved for a particular Authorized Improvement. If a Cost Overrun amount has been approved, then the amount reimbursed shall not exceed the Budgeted Amount plus the approved Cost Overrun amount.

(b) Approved Certifications for Payment that await reimbursement shall not accrue interest.

(c) Notwithstanding any other provisions of this Agreement, when payment is made, the Trustee shall make payment (i) directly to the general contractor or supplier of materials or services, or (ii) jointly to Developer (or any permitted assignee of such Developer) and the general contractor or supplier of materials or services, as indicated in an approved Certification for Payment, out of available and appropriate funds in the Project Fund. If the request for payment results in ninety percent (90%) or more of the Budgeted Costs for such Authorized Improvement identified in such request for payment being paid, then Trustee shall hold the payment until work with respect to that Authorized Improvement has been completed and accepted by the Town. If an unconditional lien release related to the items referenced in the Certification for Payment is attached to such Certification for Payment, the Trustee shall make such payment to the Developer or any permitted assignee of the Developer. In the event the Developer provides a general contractor's or supplier of materials' unconditional lien release for a portion of the work covered by a Certification for Payment, the Trustee will make such payment directly to the Developer or any permitted assignee of the Developer to the extent of such lien release.

(d) Withholding Payments.

Nothing in this Agreement shall be deemed to prohibit the Developer or the Town from contesting in good faith the validity or amount of any mechanics or materialman's lien and/or judgment nor limit the remedies available to the Developer or the Town with respect thereto, including the withholding of any payment that may be associated with the exercise of such remedy, so long as such delay in performance shall not subject the Authorized Improvement to foreclosure,

forfeiture, or sale. In the event that any such mechanics or materialman's lien and/or judgment with respect to any Authorized Improvement is contested, the Developer shall post or cause delivery of a surety bond in the amount reasonably determined by the Town or the Town may decline to accept the Authorized Improvements until such mechanics or materialman's lien and/or judgment is satisfied.

ARTICLE VI OWNERSHIP AND TRANSFER OF AN AUTHORIZED IMPROVEMENT

Section 6.01. Authorized Improvement to be Owned by the Town – Title Evidence. If required by the Town, the Developer shall furnish to the Town, a preliminary title report for land with respect to an Authorized Improvement to be acquired and accepted by the Town from the Developer, and not previously dedicated or otherwise conveyed to the Town, for review and approval at least thirty (30) calendar days prior to the transfer of title of an Authorized Improvement to the Town. The Town shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the Town, could materially affect the Town's clean title or use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the Town does not approve the preliminary title report, the Town shall not be obligated to accept title to the Authorized Improvement until the Developer has cured such objections to title to the reasonable satisfaction of the Town.

Section 6.02. Authorized Improvement Constructed on Town Land or Developer Land. If the Authorized Improvement is on land owned by the Town, the Town hereby grants to the Developer a license to enter upon such land for purposes related to construction (and maintenance pending acquisition and acceptance by the Town) of the Authorized Improvement. If the Authorized Improvement is on land owned by the Developer, the Developer hereby grants to the Town a nonexclusive easement to enter upon such land for purposes related to inspection and maintenance (pending acquisition and acceptance by the Town) of the Authorized Improvement. The grant of the permanent easement shall not relieve the Developer of any obligation to grant the Town title to property and/or easements related to the Authorized Improvement as required by the Development Agreement or as should, in the Town's reasonable judgment, be granted to provide for convenient access to and routine and emergency maintenance of such Authorized Improvement. The provisions for inspection and acceptance of such Authorized Improvement otherwise provided herein shall apply.

ARTICLE VII REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 7.01. Representations, Covenants and Warranties of the Developer. The Developer represents and warrants for the benefit of the Town as follows:

(a) Organization. The Developer consists of one limited liability company duly formed, organized and validly existing under the laws of the State of Texas, is in compliance with the laws of the State of Texas, and has the power and authority to own its properties and assets and to fulfill its obligations in this Agreement and the Development Agreement and to carry on its business in the State of Texas as now being conducted as hereby contemplated.

(b) Authority. The Developer has the power and authority to enter into this Agreement and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by the Developer.

(c) Binding Obligation. This Agreement is a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms, subject to bankruptcy and other equitable principles.

(d) Compliance with Law. The Developer shall not commit, suffer or permit any act to be done in, upon or to the lands in the District or the Authorized Improvements in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District or the Authorized Improvements.

(e) Requests for Payment. The Developer represents and warrants that (i) it will not request payment from the Project Fund for the acquisition construction or installation of any improvements that are not part of the costs associated with the Authorized Improvements, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Certification for Payments.

(f) Financial Records. For a period of two years after completion of the Authorized Improvements, the Developer covenants to maintain proper books of record and account for the construction of the Authorized Improvements and all Costs related thereto. Such accounting books shall be maintained in accordance with generally accepted accounting principles, and shall be available for inspection by the Town or its agents at any reasonable time during regular business hours on reasonable notice.

(g) Plans. The Developer represents that it has obtained or will obtain approval of the Plans from all appropriate departments of the Town and from any other public entity or public utility from which such approval must be obtained. The Developer further agrees that, subject to the terms hereof, the Authorized Improvements have been or will be constructed in full compliance with such Plans and any change orders thereto consistent with the Act, this Agreement and the Development Agreement. Developer shall provide as-built plans for all Authorized Improvements to the Town.

(h) Additional Information. The Developer agrees to cooperate with all reasonable written requests for nonproprietary information by the initial purchaser of the Bonds, the Town

Manager and the Town Representative related to the status of construction of the Authorized Improvements within the District, the anticipated completion dates for future improvements and any other matter that the initial purchaser of the Bonds or Town Representative deems material to the investment quality of the Bonds.

(i) Continuing Disclosure Agreement. The Developer agrees to provide the information required pursuant to the Continuing Disclosure Agreement executed by the Developer in connection with the Bonds.

(j) Tax Certificate. The Town will deliver a certificate relating to the Bonds (such certificate, as it may be amended and supplemented from time to time, being referred to herein as the “Tax Certificate”) containing covenants and agreements designed to satisfy the requirements of 26 U.S. Code Sections 103 and 141 through 150, inclusive, and the federal income tax regulations issued thereunder relating to the use of the proceeds of the Bonds or of any monies, securities or other obligations on deposit to the credit of any of the funds and accounts created by the Indenture or this Agreement or otherwise that may be deemed to be proceeds of the Bonds within the meaning of 26 U.S. Code Section 148 (collectively, “Bond Proceeds”).

The Developer covenants to provide, or cause to be provided, such facts and estimates as the Town reasonably considers necessary to enable it to execute and deliver its Tax Certificate. The Developer further covenants that (i) such facts and estimates will be based on its reasonable expectations on the date of issuance of the Bonds and will be, to the best of the knowledge of the officers of the Developer providing such facts and estimates, true, correct and complete as of that date, and (ii) the Developer will make reasonable inquiries to ensure such truth, correctness and completeness. The Developer covenants that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use or investment of the Bond Proceeds (including, but not limited to, the use of the Authorized Improvements) that would cause any of the covenants or agreements of the Town contained in the Tax Certificate to be violated or that would otherwise have an adverse effect on the tax-exempt status of the interest payable on the Bonds for federal income tax purposes.

(k) Financial Resources. The Developer represents and warrants that it has the financial resources, or the ability to obtain sufficient financial resources, to meet its obligations under this Agreement, the Service and Assessment Plan and the Development Agreement.

Section 7.02. Indemnification and Hold Harmless. THE DEVELOPER SHALL INDEMNIFY AND HOLD HARMLESS THE TOWN INSPECTOR, THE TOWN, ITS OFFICIALS, EMPLOYEES, OFFICERS, REPRESENTATIVES AND AGENTS (EACH AN “INDEMNIFIED PARTY”), FROM AND AGAINST ALL ACTIONS, DAMAGES, CLAIMS, LOSSES OR EXPENSE OF EVERY TYPE AND DESCRIPTION TO WHICH THEY MAY BE SUBJECTED OR PUT: (I) BY REASON OF, OR RESULTING FROM THE BREACH OF ANY PROVISION OF THIS AGREEMENT BY THE DEVELOPER; (II) THE NEGLIGENT

DESIGN, ENGINEERING, AND/OR CONSTRUCTION BY THE DEVELOPER OR ANY ARCHITECT, ENGINEER OR CONTRACTOR HIRED BY THE DEVELOPER OF ANY OF THE AUTHORIZED IMPROVEMENTS ACQUIRED FROM THE DEVELOPER HEREUNDER; (III) THE DEVELOPER'S NONPAYMENT UNDER CONTRACTS BETWEEN THE DEVELOPER AND ITS CONSULTANTS, ENGINEERS, ADVISORS, CONTRACTORS, SUBCONTRACTORS AND SUPPLIERS IN THE PROVISION OF THE AUTHORIZED IMPROVEMENTS; (IV) ANY CLAIMS OF PERSONS EMPLOYED BY THE DEVELOPER OR ITS AGENTS TO CONSTRUCT THE AUTHORIZED IMPROVEMENTS; OR (V) ANY CLAIMS AND SUITS OF THIRD PARTIES, INCLUDING BUT NOT LIMITED TO DEVELOPER'S RESPECTIVE PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, ASSIGNEES, VENDORS, GRANTEEES AND/OR TRUSTEES, REGARDING OR RELATED TO THE AUTHORIZED IMPROVEMENTS OR ANY AGREEMENT OR RESPONSIBILITY REGARDING THE AUTHORIZED IMPROVEMENTS, INCLUDING CLAIMS AND CAUSES OF ACTION WHICH MAY ARISE OUT OF THE SOLE OR PARTIAL NEGLIGENCE OF AN INDEMNIFIED PARTY (THE "CLAIMS"). NOTWITHSTANDING THE FOREGOING, NO INDEMNIFICATION IS GIVEN HEREUNDER FOR ANY ACTION, DAMAGE, CLAIM, LOSS OR EXPENSE DETERMINED BY A COURT OF COMPETENT JURISDICTION TO BE DIRECTLY ATTRIBUTABLE TO THE WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF ANY INDEMNIFIED PARTY, DEVELOPER IS EXPRESSLY REQUIRED TO DEFEND THE TOWN AGAINST ALL SUCH CLAIMS, AND THE TOWN IS REQUIRED TO REASONABLY COOPERATE AND ASSIST DEVELOPER IN PROVIDING SUCH DEFENSE.

IN ITS REASONABLE DISCRETION, THE TOWN SHALL HAVE THE RIGHT TO APPROVE OR SELECT DEFENSE COUNSEL TO BE RETAINED BY DEVELOPER IN FULFILLING ITS OBLIGATIONS HEREUNDER TO DEFEND AND INDEMNIFY THE INDEMNIFIED PARTIES, UNLESS SUCH RIGHT IS EXPRESSLY WAIVED BY THE TOWN IN WRITING. THE INDEMNIFIED PARTIES RESERVE THE RIGHT TO PROVIDE A PORTION OR ALL OF THEIR/ITS OWN DEFENSE, AT THEIR/ITS SOLE COST; HOWEVER, INDEMNIFIED PARTIES ARE UNDER NO OBLIGATION TO DO SO. ANY SUCH ACTION BY AN INDEMNIFIED PARTY IS NOT TO BE CONSTRUED AS A WAIVER OF DEVELOPER'S OBLIGATION TO DEFEND THE INDEMNIFIED PARTIES OR AS A WAIVER OF DEVELOPER'S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PARTIES, PURSUANT TO THIS AGREEMENT. DEVELOPER SHALL RETAIN TOWN-APPROVED DEFENSE COUNSEL WITHIN SEVEN (7) BUSINESS DAYS OF WRITTEN NOTICE FROM AN INDEMNIFIED PARTY THAT IT IS INVOKING ITS RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. IF DEVELOPER FAILS TO RETAIN COUNSEL WITHIN SUCH TIME PERIOD, THE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO RETAIN DEFENSE COUNSEL ON ITS OWN BEHALF, AND DEVELOPER

SHALL BE JOINTLY AND SEVERALLY LIABLE FOR ALL REASONABLE COSTS INCURRED BY INDEMNIFIED PARTIES.

THIS SECTION 7.02 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

THE PARTIES AGREE AND STIPULATE THAT THIS INDEMNIFICATION COMPLIES WITH THE CONSPICUOUSNESS REQUIREMENT AND THE EXPRESS NEGLIGENCE TEST, AND IS VALID AND ENFORCEABLE AGAINST THE DEVELOPER.

Section 7.03. Use of Monies by Town; Changes to Indenture. The Town agrees not to take any action or direct the Trustee to take any action to expend, disburse or encumber the monies held in the Project Fund and any monies to be transferred thereto for any purpose other than the purposes permitted by the Indenture. Prior to the acceptance of all the Authorized Improvements, the Town agrees not to modify or supplement the Indenture without the approval of the Developer if as a result or as a consequence of such modification or supplement: (a) the amount of monies that would otherwise have been available under the Indenture for disbursement for the Costs of the Authorized Improvements is reduced, delayed or deferred, (b) the obligations or liabilities of the Developer are or may be increased or otherwise adversely affected in any manner, or (c) the rights of the Developer are or may be modified, limited, restricted or otherwise substantially adversely affected in any manner.

Section 7.04. No Reduction of Assessments. The Developer agrees not to take any action or actions to reduce the total amount of such Assessments to be levied as of the effective date of this Agreement.

ARTICLE VIII TERMINATION

Section 8.01. Mutual Consent. This Agreement may be terminated by the mutual, written consent of the Town and the Developer, in which event the Town may either execute contracts for or perform any remaining work related to the Authorized Improvements not accepted by the Town or other appropriate entity and use all or any portion of funds on deposit in the Project Fund or other amounts transferred to the Project Fund under the terms of the Indenture to pay for same, and the Developer shall have no claim or right to any further payments for the Costs of a Authorized Improvement hereunder, except as otherwise may be provided in such written consent.

Section 8.02. Town's Election for Cause.

(a) The Town, upon notice to Developer and the passage of the cure period identified in subsection (b) below, may terminate this Agreement, without the consent of the Developer, if the Developer shall breach any material covenant or default in the performance of any material obligation hereunder.

(b) If any such event described in Section 8.02(a) occurs, the Town shall give written notice of its knowledge of such event to the Developer, and the Developer agrees to promptly meet and confer with the Town Inspector and other appropriate Town staff and consultants as to options available to assure timely completion, subject to the terms of this Agreement, of the Authorized Improvements. Such options may include, but not be limited to, the termination of this Agreement by the Town. If the Town elects to terminate this Agreement, the Town shall first notify the Developer (and any mortgagee or trust deed beneficiary specified in writing by the Developer to the Town to receive such notice) of the grounds for such termination and allow the Developer a minimum of 45 days to eliminate or to mitigate to the reasonable satisfaction of the Town the grounds for such termination. Such period may be extended, at the sole discretion of the Town, if the Developer, to the reasonable satisfaction of the Town, is proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), as determined reasonably by the Town, the Developer has not eliminated or completely mitigated such grounds to the reasonable satisfaction of the Town, the Town may then terminate this Agreement. In the event of the termination of this Agreement, the Developer is entitled to payment for work accepted by the Town related to an Authorized Improvement only as provided for under the terms of the Indenture and this Agreement prior to the termination date of this Agreement. Notwithstanding the foregoing, so long as the Developer has breached any material covenant or defaulted in the performance of any material obligation hereunder, notice of which has been given by the Town to the Developer, and such event has not been cured or otherwise eliminated by the Developer, the Town may in its discretion cause the Trustee to cease making payments for the Actual Costs of Authorized Improvements, provided that the Developer shall receive payment of the Actual Costs of any Authorized Improvements that were accepted by the Town at the time of the occurrence of such breach or default by the Developer upon submission of the documents and compliance with the other applicable requirements of this Agreement.

(c) If this Agreement is terminated by the Town for cause, the Town may either execute contracts for or perform any remaining work related to the Authorized Improvements not accepted by the Town and use all or any portion of the funds on deposit in the Project Fund or other amounts transferred to the Project Fund and the Developer shall have no claim or right to any further payments for the Authorized Improvements hereunder, except as otherwise may be provided upon the mutual written consent of the Town and the Developer or as provided for in the Reimbursement Agreement. The Town shall have no obligation to perform any work related to an Authorized Improvement or to incur any expense or cost in excess of the remaining balance of the Project Fund.

Section 8.03. Termination Upon Redemption or Defeasance of Bonds. This Agreement will terminate automatically and with no further action by the Town or the Developer upon the redemption or defeasance of all outstanding Bonds (including any refunding bonds issued to fund the Bonds) issued under the Indenture.

Section 8.04. Construction of the Authorized Improvements Upon Termination of this Agreement. Notwithstanding anything to the contrary contained herein, upon the termination of this Agreement pursuant to this Article VIII, the Developer shall perform its obligations with respect to the Authorized Improvements in accordance with this Agreement and the Development Agreement.

Section 8.05. Force Majeure. Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes or other acts of God, war, civil commotion, riots, strikes, picketing or other labor disputes, damage to work in progress by casualty or by other cause beyond the reasonable control of the party (financial inability excepted) (“Force Majeure”), then the specified time for performance shall be extended by the amount of the delay actually so caused. The extension of time to perform allowed by this Section 8.05 shall not apply unless, upon the occurrence of an event of Force Majeure, the party needing additional time to perform notifies the other party of the event of Force Majeure and the amount of additional time reasonably required within ten (10) business days of the conclusion of the event of Force Majeure.

ARTICLE IX MISCELLANEOUS

Section 9.01. Limited Liability of Town. The Developer agrees that any and all obligations of the Town arising out of or related to this Agreement are special obligations of the Town, and the Town’s obligations to make any payments hereunder are restricted entirely to the moneys, if any, in the Project Fund and from no other source. Neither the Town, the Town Inspector, Town Representative nor any other Town employee, officer, official or agent shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

Section 9.02. Audit. The Town Inspector, Town Representative or a finance officer of the Town shall have the right, during normal business hours and upon the giving of three business days’ prior written notice to a Developer, to review all books and records of the Developer pertaining to costs and expenses incurred by the Developer with respect to any of the Authorized Improvements and any bids taken or received for the construction thereof or materials therefor.

Section 9.03. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any party shall be deemed to have been received when personally delivered or transmitted by telecopy or facsimile transmission (which shall be immediately confirmed by telephone and shall be followed by mailing an original of the same within 24 hours after such transmission) or 72 hours following deposit of the same in any United States Post Office, registered or certified mail, postage prepaid, addressed as follows:

To the Town: Attn: Matt Mueller, Town Manager
Town of Little Elm, Texas
100 W. Eldorado Parkway
Little Elm, Texas 75068

With a copy to: Attn: Robert Brown
Brown & Hofmeister, LLP
740 E. Campbell Rd., Ste. 800
Richardson, Texas 75081

And to: Attn: Bond Counsel
Robert Dransfield
Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201

To the Developer: Attn: Mehrdad Moayed
Valencia on the Lake 2B2 and 4, LLC
1800 Valley View Lane, Suite 300
Farmers Branch, Texas 75234

With a copy to: Attn: Travis Boghetich
Boghetich Law, PLLC
1800 Valley View Lane, Suite 360
Farmers Branch, Texas 75234

Any party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

The Town shall advise the Developer of the name and address of any person who is to receive any notice or other communication pursuant to this Agreement.

Section 9.04. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent possible.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Any receivables due under this Agreement may be assigned by the Developer without the consent of, but upon written notice to the Town pursuant to Section 9.03 of this Agreement. The obligations, requirements, or covenants of this Agreement shall be able to be assigned to an affiliate or related entity of the Developer, or any lien holder on the Property, without prior written consent of the Town. The obligations, requirements, or covenants of this Agreement shall not be assigned by the Developer to a non-affiliate or non-related entity of the Developer without prior written consent of the Town Manager, except pursuant to a collateral assignment to any person or entity providing construction financing to the Developer for the Developer for an Authorized Improvement, provided such person or entity expressly agrees to assume all obligations of the Developer hereunder if there is a default under

such financing and such Person elects to complete the Authorized Improvement. No such assignment shall be made by the Developer or any successor or assignee of the Developer that results in the Town being an “obligated person” within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission without the express written consent of the Town. In connection with any consent of the Town, the Town may condition its consent upon the acceptability of the financial condition of the proposed assignee, upon the assignee’s express assumption of all obligations of the Developer hereunder and/or upon any other reasonable factor which the Town deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned. The Town may assign by a separate writing certain rights as described in this Agreement and in the Indenture, to the Trustee and the Developer hereby consents to such assignment.

Section 9.06. Other Agreements. The obligations of the Developer hereunder shall be those of a party hereto and not as an owner of property in the District. Nothing herein shall be construed as affecting the Town’s or the Developer’s rights or duties to perform their respective obligations under other agreements, use regulations, ordinances or subdivision requirements relating to the development of the lands in the District, including the applicable Construction Contracts and the Development Agreement. To the extent there is a conflict between this Agreement and the Development Agreement, the Development Agreement shall control. To the extent there is a conflict between this Agreement and the Indenture, the Indenture shall control.

Section 9.07. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by any other party, or the failure by a party to exercise its rights upon the default of any other party, shall not constitute a waiver of such party’s right to insist and demand strict compliance by such other party with the terms of this Agreement thereafter.

Section 9.08. Merger. No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Agreement shall be binding.

Section 9.09. Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the Town and the Developer any rights, remedies or claims under or by reason of this Agreement or any covenants, conditions or stipulations hereof, and all covenants, conditions, promises and agreements in this Agreement contained by or on behalf of the Town or the Developer shall be for the sole and exclusive benefit of the Town and the Developer.

Section 9.10. Amendment. Except as otherwise provided in Section 9.05, upon agreement by the parties, this Agreement may be amended, from time to time in a manner consistent with the Act, the Indenture, and the Bond Ordinance by written supplement hereto and executed in counterparts, each of which shall be deemed an original.

Section 9.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 9.12. Effective Date. This Agreement has been dated as of the date first above written solely for the purpose of convenience of reference and shall become effective upon its

execution and delivery, on the Closing Date of the Bonds, by the parties hereto. All representations and warranties set forth therein shall be deemed to have been made on the Closing Date of the Bonds.

Section 9.13. Term. The term of this Agreement, other than the provisions contained in Section 7.02, which shall survive the termination of this Agreement, shall be thirty (30) years or upon redemption or defeasance of the Bonds (including any refunding bonds issued to refund the Bonds) issued under the Indenture. If the Developer defaults under this Agreement, or the Development Agreement, this Agreement and the Development Agreement shall not terminate with respect to the costs of the Authorized Improvements that have been approved by the Town pursuant to a Certification for Payment prior to the date of default.

Section 9.14 No Waiver of Powers or Immunity. The Town does not waive or surrender any of its governmental powers, immunities, or rights except as necessary to allow Developer to enforce its remedies under this Agreement.

Section 9.15. No Boycott Israel. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2271.002, Texas Government Code, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to enable the Town to comply with such Section and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, ‘boycott Israel,’ a term defined in Section 2271.001, Texas Government Code, by reference to Section 808.001(1), Texas Government Code, means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit.

Section 9.16. Not a Listed Company. The Developer represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: [https:// comptroller.texas.gov/purchasing/docs/sudan-list.pdf](https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf), <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>. The foregoing representation is made solely to enable the Town to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Developer and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime

relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.17. Verification Regarding Energy Company Boycotts. To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 13 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. The foregoing verification is made solely to enable the Town to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification, “boycott energy companies,” a term defined in Section 2274.001(1), Texas Government Code (as enacted by such Senate Bill) by reference to Section 809.001, Texas Government Code (also as enacted by such Senate Bill), shall mean, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by (A) above. As used in this Section, the Developer understands ‘affiliate’ to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.18. Verification Regarding Discrimination Against Firearm Entity or Trade Association.

To the extent this Agreement constitutes a contract for goods or services for which a written verification is required under Section 2274.002 (as added by Senate Bill 19 in the 87th Texas Legislature, Regular Session), Texas Government Code, as amended, the Developer hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. The foregoing verification is made solely to enable the Town to comply with such Section and to the extent such Section does not contravene applicable Texas or federal law. As used in the foregoing verification and the following definitions:

(i) ‘discriminate against a firearm entity or firearm trade association,’ a term defined in Section 2274.001(3), Texas Government Code (as enacted by such Senate Bill), (A) means, with respect to the firearm entity or firearm trade association, to (i) refuse to engage in the trade of any goods or services with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, (ii)

refrain from continuing an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association, or (iii) terminate an existing business relationship with the firearm entity or firearm trade association based solely on its status as a firearm entity or firearm trade association and (B) does not include (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency or (bb) for any traditional business reason that is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association;

(ii) 'firearm entity,' a term defined in Section 2274.001(6), Texas Government Code (as enacted by such Senate Bill), means a manufacturer, distributor, wholesaler, supplier, or retailer of firearms (defined in Section 2274.001(4), Texas Government Code, as enacted by such Senate Bill, as weapons that expel projectiles by the action of explosive or expanding gases), firearm accessories (defined in Section 2274.001(5), Texas Government Code, as enacted by such Senate Bill, as devices specifically designed or adapted to enable an individual to wear, carry, store, or mount a firearm on the individual or on a conveyance and items used in conjunction with or mounted on a firearm that are not essential to the basic function of the firearm, including detachable firearm magazines), or ammunition (defined in Section 2274.001(1), Texas Government Code, as enacted by such Senate Bill, as a loaded cartridge case, primer, bullet, or propellant powder with or without a projectile) or a sport shooting range (defined in Section 250.001, Texas Local Government Code, as a business establishment, private club, or association that operates an area for the discharge or other use of firearms for silhouette, skeet, trap, black powder, target, self-defense, or similar recreational shooting); and

(iii) 'firearm trade association,' a term defined in Section 2274.001(7), Texas Government Code (as enacted by such Senate Bill), means any person, corporation, unincorporated association, federation, business league, or business organization that (i) is not organized or operated for profit (and none of the net earnings of which inures to the benefit of any private shareholder or individual), (ii) has two or more firearm entities as members, and (iii) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c) of that code.

As used in this Section, the Developer understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Developer within the meaning of SEC Rule 133(f), 17 C.F.R. § 230.133(f), and exists to make a profit.

Section 9.19. Form 1295. Submitted herewith is a completed Form 1295 in connection with the Developer's participation in the execution of this Agreement generated by the Texas Ethics Commission's (the "TEC") electronic filing application in accordance with the provisions of Section 2252.908 of the Texas Government Code and the rules promulgated by the TEC (the "Form 1295"). The Town hereby confirms receipt of the Form 1295 from the Developer, and the

Town agrees to acknowledge such form with the TEC through its electronic filing application not later than the 30th day after the receipt of such form. The Developer and the Town understand and agree that, with the exception of information identifying the Town and the contract identification number, neither the Town nor its consultants are responsible for the information contained in the Form 1295; that the information contained in the Form 1295 has been provided solely by the Developer; and, neither the Town nor its consultants have verified such information.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of October 18, 2022.

TOWN OF LITTLE ELM, TEXAS

By: _____

Name: Curtis J. Cornelious

Title: Mayor

ATTEST:

Name: Caitlan Biggs

Title: Town Secretary

(Town Seal)

APPROVED AS TO FORM:

Robert Brown, Attorney for the Town

DEVELOPER:

Valencia on the Lake 2B2 and 4, LLC
a Texas limited liability company

By: Valencia on the Lake, L.P.,
a Texas limited partnership
Its Manager

By: Valencia on the Lake GP, LLC,
a Texas limited liability company
Its General Partner

By: _____
Name: Mehrdad Moayed
Its: Manager

Exhibit A

FORM OF CLOSING DISBURSEMENT REQUEST

The undersigned is an agent for Valencia on the Lake 2B2 and 4, LLC, (the “Developer”) and requests payment from:

[the Costs of Issuance Account of the Project Fund][the Authorized Improvements Account of the Project Fund] (as defined in the Valencia Public Improvement District No. 2 Construction, Funding, and Acquisition Agreement) from Wilmington Trust, National Association, (the “Trustee”) in the amount of _____ DOLLARS (\$_____) for costs incurred in the establishment, administration, and operation of the Valencia Public Improvement District No. 2 (the “District”), as follows:

Closing Costs Description	Cost	PID Allocated Cost
TOTAL		

In connection to the above referenced payments, the Developer represents and warrants to the Town as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Closing Disbursement Request on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the above referenced establishment, administration, and operation of the District at the time of the delivery of the Bonds has not been the subject of any prior payment request submitted to the Town.
3. The amount listed for the above itemized costs is a true and accurate representation of the Actual Costs incurred by Developer with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with the Service and Assessment Plan.
4. The Developer has not received written notice of any uncured default under the Valencia Public Improvement District No. 2 Construction, Funding, and Acquisition Agreement, the Indenture, or the Service and Assessment Plan.
5. All conditions set forth in the Indenture (as defined in the Valencia Public Improvement District No. 2 Construction, Funding, and Acquisition Agreement) for the payment hereby requested have been satisfied.

6. The Developer agrees to cooperate with the Town in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the Town to complete said review.

Payments requested hereunder shall be made as directed below:

- a. X amount to Person or Account Y for Z goods or services.
- b. Etc.

I hereby declare that the above representations and warranties are true and correct.

VALENCIA ON THE LAKE 2B2 AND 4, LLC

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST BY TOWN

The Town is in receipt of the attached Closing Disbursement Request. After reviewing the Closing Disbursement Request, the Town approves the Closing Disbursement Request and shall include said payments in the Town Certificate submitted to the Trustee directing payments to be made from the Costs of Issuance Account of the Project Fund and/or the Authorized Improvements Account of the Project Fund, as applicable, upon delivery of the Bonds. The Town's approval of the Closing Disbursement Request shall not have the effect of estopping or preventing the Town from asserting claims under the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in an Authorized Improvement.

TOWN OF LITTLE ELM, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

Exhibit B

CERTIFICATION FOR PAYMENT FORM – AUTHORIZED IMPROVEMENTS

The undersigned is a lawfully authorized representative for Valencia on the Lake 2B2 and 4, LLC, (the “Developer”) and requests payment from the Authorized Improvements Account of the Project Fund from Wilmington Trust, National Association (the “Trustee”) in the amount of _____ for labor, materials, fees, and/or other general costs related to the construction and installation of the following Authorized Improvements related to the Valencia Public Improvement District No. 2 (the “Authorized Improvements”):

[insert specific Authorized Improvement this request is for here]

Unless otherwise defined, any capitalized terms used herein shall have the meanings ascribed to them in the Valencia Public Improvement District No. 2 Construction, Funding, and Acquisition Agreement.

In connection to the above referenced payment, the Developer represents and warrants to the Town as follows:

1. The undersigned is a duly authorized officer of the Developer, is qualified to execute this Certification for Payment Form on behalf of the Developer, and is knowledgeable as to the matters set forth herein.
2. The payment requested for the below referenced Authorized Improvement(s) has not been the subject of any prior payment request submitted for the same work to the Town or, if previously requested, no disbursement was made with respect thereto.
3. The itemized amounts listed for the Authorized Improvement(s) below is a true and accurate representation of the Actual Costs incurred by Developer with the construction and installation of said Authorized Improvement(s) identified above, and such costs are (i) in compliance with the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement, and (ii) consistent with the Service and Assessment Plan.
4. The Developer has not received written notice of any uncured default under the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement, the Indenture, or the Service and Assessment Plan.
5. All conditions set forth in the Indenture (as defined in the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement) for the payment hereby requested have been satisfied.
6. The work with respect to the Authorized Improvement(s) identified above (or its completed segment, portion or segment) has been completed and the Town has inspected or may begin inspection of the Authorized Improvement(s). If this request for payment

results in ninety percent (90%) or more of the Budgeted Costs for the Authorized Improvement(s) identified above being paid, then the work with respect to the Authorized Improvement(s) have been completed and the Town has inspected AND accepted the Authorized Improvement(s).

7. The Developer agrees to cooperate with the Town in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the Town to complete said review.

Payments requested are as follows:

Payee / Description of Authorized Improvement	Total Cost of Authorized Improvement	Budgeted Cost of Authorized Improvement	Amount to be paid from the Project Fund

Attached hereto, are receipts, purchase orders, change orders, and similar instruments which support and validate the above requested payments.

Pursuant to the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement, after receiving this Payment Request, the Town is authorized to inspect the Authorized Improvement (or completed segment, portion or segment) and confirm that said work has been completed in accordance with all applicable governmental laws, rules, and Plans.

I hereby declare that the above representations and warranties are true and correct.

VALENCIA ON THE LAKE 2B2 AND 4, LLC

By: _____

Name: _____

Title: _____

Date: _____

APPROVAL OF REQUEST BY TOWN

The Town is in receipt of the attached Certification for Payment. After reviewing the Certification for Payment, the Town approves the Certification for Payment and shall include said payments in the Town Certificate submitted to the Trustee directing payments to be made from appropriate Project Fund account. The Town's approval of the Certification for Payment shall not have the effect of estopping or preventing the Town from asserting claims under the Valencia Public Improvement District No. 2 Construction, Funding and Acquisition Agreement, the Indenture, the Service and Assessment Plan, any other agreement between the parties or that there is a defect in the Authorized Improvements.

TOWN OF LITTLE ELM, TEXAS

By: _____

Name: _____

Title: _____

Date: _____

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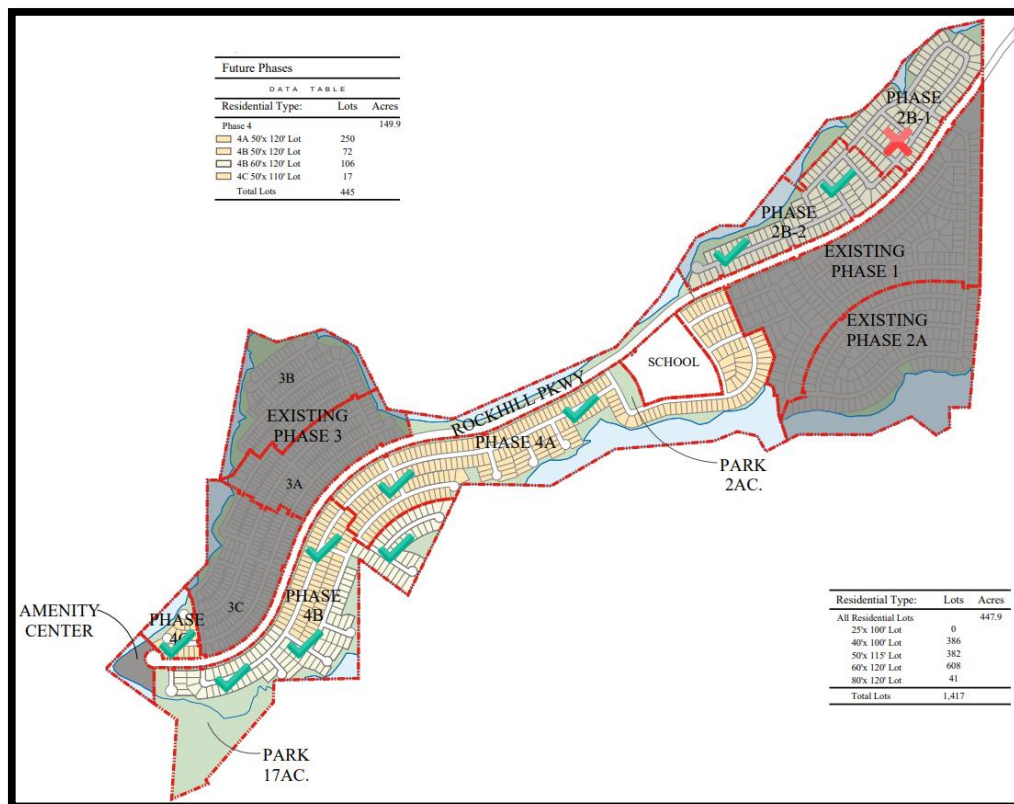
APPENDIX G

APPRAISAL OF PROPERTY WITHIN THE DISTRICT

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Appraisal Report

PROJECT # A22-0727-01



**THE VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2
535 IMPROVED LOTS IN A MASTER-PLANNED RESIDENTIAL COMMUNITY
LITTLE ELM, TX 75068**

FOR:

**TOWN OF LITTLE ELM
100 W ELDORADO PKWY.
LITTLE ELM, TEXAS 75068**

**FMSBONDS, INC.
5 COWBOYS WAY, STE. 300-25
FRISCO, TEXAS 75034**

**EFFECTIVE DATE OF APPRAISAL:
SEPTEMBER 1, 2022 (PHASE 2B-2)
JANUARY 1, 2023 (PHASE 4)**

**PREPARED BY:
JAMES L. MAIBACH, CPM, STATE CERTIFIED GENERAL REAL ESTATE APPRAISER
AND SHERIDAN ENGEL, APPRAISER TRAINEE OF:**

**PEYCO SOUTHWEST REALTY, INC.
1703 NORTH PEYCO DRIVE
ARLINGTON, TEXAS 76001**

August 25, 2022

Mr. Matt Mueller

Town Manager
Town of Little Elm
100 W Eldorado Pkwy.
Little Elm, TX 75068
mmueller@littleelm.org

Mr. R.R “Tripp” Davenport, III

Director
FMSbonds, Inc
5 Cowboys Way, Ste. 300-25
Frisco, TX 75034
tdavenport@fmsbonds.com

SUBJECT: Market Value “Upon Completion” Appraisal
 The Valencia Public Improvement District No. 2
 Little Elm, Denton County, Texas 75068

Mr. Mueller and Mr. Davenport,

At your request, we have inspected and appraised the above-referenced property. The purpose of the appraisal is to develop an opinion of future market value of the fee simple interest of the Valencia Public Improvement District No. 2 (“Valencia PID No. 2”) which consists of the following:

- Prospective Market Value “Upon Completion” of **90 residential improved lots as of September 1, 2022**, on 28.9 acres. The improved lots consist of **90 lots with 60-foot frontages (FF)**.
- Prospective Market Value “Upon Completion” of **445 residential improved lots as of January 1, 2023**, on 149.9 acres. The improved lots consist of **106 lots with 60-foot frontages (FF) and 339 lots with 50-foot frontages (FF)**.

The clients for the assignment are the Town of Little Elm and FMSbonds, Inc. The intended use is underwriting of a proposed PID bond transaction. This appraisal is not for purposes of determining the amount of any assessments to be levied by the Town of Little Elm or Denton County, nor is it the basis of a determination of the benefit any constructed or installed public improvements will have on properties within the Valencia PID No. 2.

The subject represents a total of 535 improved developed single-family residential lots located in the Valencia PID No. 2. These improved lots are within two phases – Phase 2B-2 and Phase 4 (which includes Phases 4A, 4B, and 4C). The construction on the 90 improved residential lots in Phase 2B-2 is complete and substantial completion is expected to be granted by September 1, 2022. Construction on Phase 4 is in progress and substantial construction completion is expected in Q4 of 2022 so our effective date is the next full month – January 1, 2023.

Per the Preliminary Service and Assessment Plan (PSAP) distributed by MuniCap, Inc., the Valencia PID No. 2 (which is part of the Valencia on the Lake residential development) is approximately 189.257 contiguous acres. The entire Valencia on the Lake residential development is approximately 447.9 acres. The subject property of our report – the Valencia PID No. 2 – will have a build-out of 535 homes while the larger Valencia on the Lake subdivision will have a final estimated build-out of approximately 1,417 homes. Both the subject property and larger development are located in the Town of Little Elm, Denton County, Texas.

Valencia Public Improvement District No. 2

Each of the 50-foot frontage lot types will have a minimum of 5,500-square feet (SF) lot size and each of the 60-foot frontage lot types will have a minimum lot size of 7,200-SF. For shorthand we will often refer to 50-foot frontage lots as “50’s,” or “50-FF”, and the 60-foot frontage as “60’s,” or “60-FF”, which is typical in residential land development.

At substantial completion, the subject property is expected to consist of the infrastructure necessary to provide residential streets, drainage, and utilities to the individual lots within Phases 2B-2 and 4 of the Valencia PID No. 2. The lots throughout Phase 2B-2 are platted and the entire Valencia PID No. 2 is governed by a development agreement with the Town of Little Elm and is zoned by the Town of Little Elm, each of which allows single-family development. Each of the lots are designed for front-access and have mandatory Homeowner’s Association membership. Phase 2B-2 is located in Denton ISD and the entirety of Phase 4 is located in Little Elm ISD.

The 90 – 60-FF lots in Phase 2B-2 are contracted to Mattamy Homes (formerly New Synergy) and DR Horton. Mattamy Homes is contracted to purchase 28 lots at \$81,000 (\$1,350/FF) and DR Horton is contracted to purchase 62 lots at \$72,000 (\$1,200/FF) in Phase 2B-2 on a takedown basis over time. Each of the contracted lot sales include an additional amenity fee - \$1,000 for DR Horton and \$1,500 for Mattamy Homes – and a \$500 marketing fee for each lot. Lot sale takedowns commence following substantial construction completion being granted by the homebuilder which is expected by September 1, 2022.

The 106 – 60-FF lots in Phase 4 are contracted to Mattamy Homes and First Texas Homes. Mattamy Homes is contracted to purchase 72 lots at \$81,000 (\$1,350/FF) and First Texas Homes is contracted to purchase 34 lots at \$81,000 (\$1,350/FF) on a takedown basis over time. The 339 – 50-FF lots in Phase 4 are contracted to First Texas Homes and Beazer Homes. Beazer Homes is contracted to purchase 239 lots at \$70,000 (\$1,400/FF) and First Texas Homes is contracted to purchase 72 lots at \$70,000 (\$1,400/FF) on takedown basis. Each of the lot sales include an additional \$1,500 amenity fee and a \$500 marketing fee for each lot. Lot sale takedowns commence following substantial construction completion being granted by the homebuilder which is expected in Q4 of 2022.

As the market has improved in the past few years and each of these contracts were signed in prior years, the contract prices for these lots are significantly below current market value, as our report will explain throughout.

The land within the development is owned by the developer, Valencia on the Lake 2B2 & 4 LLC, which is an affiliate of Centurion American Development Group. The owner and the Town of Little Elm have set up a PID and TIRZ to reimburse the owner the owner for the cost of public improvements.

Following is a discussion of Extraordinary Assumptions and Hypothetical Conditions utilized in this appraisal.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used in this assignment because the improved residential lots to be delivered by the dates utilized in this report are currently incomplete as of the report date.

- Our opinions of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications provided by the Preliminary Service and Assessment Plan (PSAP) published by MuniCap, Inc. and the engineering plans published by Barraza Consulting Group, LLC as of September 1, 2022, for 90 improved residential lots in Phase 2B-2 of the Valencia PID No. 2 and as of January 1, 2023, for 445 improved residential lots in Phase 4 of the Valencia PID No. 2.
- All information relative to the property located within the Valencia PID No. 2 including land areas, lot totals, lot sizes, and other pertinent data that was provided by FMSbonds, Valencia on the Lake 2B2 & 4 LLC (owner – affiliate of Centurion American Development Group), Landmark Interests (developer), Barraza Consulting Group, LLC (professional engineers), the Town of Little Elm, Denton County, and the Denton Central Appraisal District is assumed to be correct.
- The subject is proposed residential lot construction with an expected completion date of September 1, 2022, for Phase 2B-2 and the fourth quarter of 2022 for Phase 4; therefore, this report contains a prospective opinion of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation dates. Further, we cannot be held responsible for unforeseeable global events that alter market conditions prior to the prospective effective dates.

The use of these extraordinary assumptions has affected assignment results.

In addition to the Extraordinary Assumptions, the value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- No Hypothetical Conditions are used in this report.

Valencia Public Improvement District No. 2

Based upon the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of the cumulative retail lot value as of the expected construction completion date is as follows:

VALENCIA PID No. 2 - PHASES 2B-2 & 4						
Phase	Total Lots	Feet Frontage (FF)	Retail Price/Lot on Sep. 1, 2022	Retail Price/Lot on Jan. 1, 2023	Price/FF (\$/FF)	Total Retail Value (\$)
2B-2	90	60	\$105,000	-	\$1750/FF	\$9,450,000
4	106	60	-	\$107,100	\$1785/FF	\$11,352,600
4	339	50	-	\$91,800	\$1836/FF	\$31,120,200
	535					\$51,922,800

After considering discount cash flow, our final value conclusion "Upon Completion" is shown below:

FINAL MARKET VALUE CONCLUSION	
<i>Fee Simple Interest, Complete September 1, 2022</i>	
Valencia PID No. 2 - Phase 2B-2 90 Improved Lots	\$8,900,000 (\$98,889/Lot)
<i>Fee Simple Interest, Complete January 1, 2023</i>	
Valencia PID No. 2 - Phase 4 445 Improved Lots	\$38,050,000 (\$85,506/Lot)

Attached is our Appraisal Report which summarizes the investigation and analyses undertaken in arriving at our value conclusions. Should you have any questions, please contact our office.

Respectfully submitted,

Peyco Southwest Realty



James L. Maibach, C.P.M.
TX-1323658
State Certified General Real Estate Appraiser



Sheridan Engel
TX- 1342474
Appraiser Trainee

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EXECUTIVE SUMMARY

Subject Property	
Property Name	Valencia PID No. 2
Property Type	Master-Planned Residential Community
Location	North and South of Rockhill Pkwy., South of US 380, North of FM 423
Town, County, State, Zip	Town of Little Elm, Denton County, TX 75068
Legal Descriptions	Multiple (9 Separate Tracts); Table Found on Page 13
Owner of Record	Valencia on the Lake 2B2 & 4 LLC (affiliate of Centurion American)
Census Tract	0201.08
Tax ID – Denton Central Appraisal District	Multiple (9 Separate Tracts); Tables Found on Page 13 & 15
Land Area	28.9-AC in Phase 2B-2; 149.9-AC in Phase 4
Total Lots	535 Lots <ul style="list-style-type: none"> • 60' (90 total) in Phase 2B-2 • 50' (339 total) in Phase 4 • 60' (106 total) in Phase 4
Topography	Gently Sloping
FEMA Flood Zones	100% Zone X
FEMA Panel	48121C0410G (Effective 4/18/2011)
Utilities	
Water	Town of Little Elm
Sewer	Town of Little Elm
Electric	CoServ
Natural Gas	Atmos
Zoning (Town of Little Elm)	Single-Family 4 District (SF-4) – Planned Development for Single-Family Residential Uses
Future Land Use	Single-Family Residential Subdivision
Highest & Best Use	Single-Family Residential Subdivision
Final Value Conclusion	<ul style="list-style-type: none"> • Phase 2B-2: \$8,900,000 (\$98,889/Lot for 60-FF lots) as of September 1, 2022 • Phase 4: \$38,050,000 (\$85,506/Lot combining 60-FF lots and 50-FF lots) as of January 1, 2023
Exposure Period	6-12 Months
Marketing Period	6-12 Months
Date of Inspection	August 16, 2022
Date of Valuation	September 1, 2022 (Phase 2B-2) and January 1, 2023 (Phase 4)
Report Date	August 25, 2022

CERTIFICATION

We certify that, to the best of our knowledge and belief...

- (1) The statements of fact contained in this report are true and correct.
- (2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial and unbiased professional analyses, opinions and conclusions.
- (3) We have no present or prospective interest in the property that is the subject of this analysis, and we have no personal interest with respect to the parties involved.
- (4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (5) Our compensation for completing this assignment is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this report, or upon developing or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Our engagement in this assignment is not contingent upon developing or reporting predetermined results.
- (6) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- (7) James L. Maibach and Sheridan Engel have inspected the subject property. The values herein were developed and reported by James L. Maibach, C.P.M. and Sheridan Engel. Minor assistance has been provided by Brian Cotter, CLA, who is a certified land architect and has consulted on and developed numerous subdivision developments in the Dallas-Fort Worth area over the past 30 years.
- (8) This assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan.
- (9) None of the signatories have previously performed services as an appraiser or in any other capacity, other than that specifically stated, regarding the property that is the subject of this report within the three-year period immediately preceding the acceptance of this assignment.



James L. Maibach, C.P.M.
TX-1323658
State Certified General Real Estate Appraiser



Sheridan Engel
TX-1342474
Appraiser Trainee

SCOPE OF WORK

Scope of Work is defined by the Uniform Standards of Professional Appraisal Practice as “the type and extent of research and analyses in an assignment.” Under the Scope of Work Rule, the appraiser must:

- Identify the problem to be solved;
- Determine and perform the scope of work necessary to develop credible assignment results; and
- Disclose the scope of work in the report.

The problems to be solved are:

- Determine the Prospective Market Value “Upon Completion” for **90 improved 60’ lots** in the Valencia PID No. 2 Phase 2B-2 as of September 1, 2022
- Determine the Prospective Market Value “Upon Completion” for **445 improved lots** in the Valencia PID No. 2 Phase 4 as of January 1, 2023 which includes the following categories:
 - **106 – 60-FF** in Phase 4B
 - **250 – 50-FF** in Phase 4A, **72 – 50-FF** in Phase 4B, and **17 – 50-FF** in Phase 4C

The definition of market value¹ utilized herein is as follows:

Market Value is defined as the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite for a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of FIRREA guidelines and the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice, in a manner necessary to produce a credible result.

This Appraisal Report has been prepared under Standards Rule 2-2(a) of an appraisal performed under Standards Rule 1 of USPAP. The value set forth herein was determined after consideration and appropriate application and

¹ The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice, Washington, D.C.: Appraisal Standards Board (2020-2021), DEFINITIONS

analysis by three approaches to value i.e., the Cost Approach, the Income (Subdivision Development) Approach, and the Sales Comparison Approach.

This Appraisal Report summarizes all pertinent data, descriptions, and discussions germane to the appraisal of the subject of this report. This appraisal included an inspection of the subject property and comparable sales and an analysis of the surrounding neighborhood with recognition of existing and future trends. Empirical information relative to the market was gathered from reliable sources, including, but not limited to various federal governmental agencies, the North Texas Real Estate Information System (NTREIS), CoStar, the Texas A&M Real Estate Research Center, and Zonda (formerly Metrostudy). Data was also gathered from various sources, including review of county deed records, various industry specific databases, as well as public domain databases, and conversations with real estate brokers and developers throughout the Dallas-Fort Worth Metroplex and specifically Denton County. The appraisers also reviewed information pertaining to the development, such as:

- The subject property address and salient facts
- Overall Concept Plan for Valencia PID No. 2
- Town of Little Elm Land Use Plans
- Town of Little Elm Zoning Maps and Planned Development Ordinances
- Development Agreement between the Town of Little Elm and Valencia on the Lake, LP
- PID exhibits and Budgeted Costs – Barraza Consulting Group, LLC
- Preliminary Service and Assessment Plan from MuniCap, Inc.
- Flood plain maps (FEMA)
- Topographic Maps (DFWMaps.com)

VALUATION METHODOLOGY

Three approaches to value are typically considered when developing a market value opinion for real property. These are the Cost Approach, the Sales Comparison Approach, and the Income (Subdivision Development) Approach.

Residential Subdivision (535 Lots)

Cost Approach

The Cost Approach involves research, verification, and comparison of sales of other vacant land with the subject land. The sales are then adjusted for value-related differences. Cost figures are obtained from the developer and engineer and compared to cost figures on competing developments. Developer's profit is based on profit expectations reported by developers as well as actual profit on similar developments.

The Cost Approach provides information that contrasts with information from the Income Capitalization and Sales Comparison Approaches. It allows the appraiser to address the feasibility and highest and best use issues inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when finished lots make up a substantial portion of the entire project. Since the subject property has had multiple phases developed in previous years and much of the major improvements are in-place, *the Cost Approach is not the most appropriate and thus was not utilized.*

Income (Subdivision Development) Approach

In the Income Capitalization Approach, the retail value of the residential lots is estimated. The individual lot values are based on lot sales in competing developments. The absorption rates, expenses, and discount rates are also based on competing developments. Since sales of individual lots to an end-user homeowner is exceedingly rare in tract home subdivisions in this market, the value of an individual retail lot is effectively the same value of

a portion of lots to a homebuilder because homebuilders tend to be the exclusive buyers of vacant developed lots from land developers. In addition, discussions with developers and homebuilders as well as review of contracts indicate that lots are typically received by the builders on a takedown schedule with annual price escalations of approximately 6% so the lots are not released in bulk to the home builders. The indicated value by the Income (Subdivision) Approach is based on the sellout of the lots with deductions for holding costs and discounted to a net present value.

The Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases a subdivision or large group of lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since the problem to be solved in this appraisal is to determine the bulk sale value of 90 lots in Phase 2B-2 as of September 1, 2022, and 445 lots in Phase 4 as of January 1, 2023, *the Income (Subdivision Development) Approach is the most appropriate and was developed.*

Sales Comparison Approach

The Sales Comparison Approach involves comparing recent sales of entire subdivisions or a large group of lots that involved a single purchaser. The sales are then adjusted for value-related differences. Determining market values for the subdivision or the group of lots is the objective of the analysis, and that determination requires recent and relevant similar bulk sales for the comparison. Finding highly similar and recent sales of improved subdivisions to a single buyer in most markets can be difficult, perhaps impossible. Comparison requires comparable sales with about the same or similar remaining absorption period, a similar mix of lots or unit types, location, home price points, and other characteristics. As Texas is a non-disclosure state, sales data available is limited to sales confirmed by associated parties. In addition, the bulk sale value discounts are estimates that are difficult to substantiate other than an opinion of the appropriate discount factor. Since data on highly similar bulk-sales to a single purchaser is difficult find and verify, *the Sales Comparison Approach was not fully developed by the appraisers, but aspects of this approach are partially utilized in determining the retail market value of the improved lots.*

Use of the approaches for the valuation of the improved lots in Valencia PID No. 2 is summarized as follows:

<i>Approach</i>	<i>Applicability to Subject</i>	<i>Use in Assignment</i>
Cost Approach	<i>Not Appropriate Since Much of Valencia on the Lake is Built-Out</i>	<i>Not Utilized</i>
Income (Subdivision Development) Approach	<i>Appropriate in Determining Residential Subdivision Value</i>	<i>Utilized</i>
Sales Comparison Approach	<i>Aspects Used in Subdivision Valuation</i>	<i>Partially Utilized</i>

COMPETENCY OF THE APPRAISER

James L. Maibach, C.P.M. is a Certified General Real Estate Appraiser according to the Texas Appraiser Licensing and Certification Board and has appraised numerous properties similar to the subject since 1993. The appraiser also manages, through his commercial real estate management company, approximately 2.0 million SF of which 70% is industrial warehouse, 20% is Class B and C office and 10% in retail product in Tarrant, Dallas, and Johnson counties. Mr. Maibach has been personally involved in over 125 residential development projects as a broker, developer, bank director, and zoning consultant in the past 38 years. Sheridan Engel is an Appraiser Trainee and has assisted in the analysis and appraisal of numerous properties similar to the subject. Attention is invited to the qualifications of each individual, which are presented in the Addenda of this report.

Peyco Southwest Realty is a full-service professional real estate appraisal and consulting firm, providing service to a variety of corporate, institutional, governmental, and private clientele. In the past 12 months, our firm has completed numerous valuation assignments involving similar properties. The subject is located in the Town of Little Elm, Denton County, Texas. The appraiser currently owns, represents, and manages multiple properties throughout the DFW Metroplex, mostly in Tarrant, Dallas, Johnson, and Ellis Counties.

INTENDED USE AND USERS

The intended use of the appraisal is to estimate the prospective market value upon completion for the underwriting of a proposed Public Improvement District bond transaction. The client and intended users are the Town of Little Elm and FMSbonds, Inc. The appraisal is not intended for any other use or user. No party or parties other than Town of Little Elm and FMSbonds, Inc. may use or rely on the information, opinions, and conclusions contained in this report; provided that it is acknowledged that this appraisal will be used in a limited offering memorandum for public improvement district bonds. The Client may, without Appraiser's prior authorization or notice to Appraiser, provide the Appraisal to other parties for their use in analysis-related activities, however, it does not make the recipient an intended user of this engagement.

DATE OF THE APPRAISAL REPORT

The preparation of this Appraisal Report was completed on **August 25, 2022**. James L. Maibach and Sheridan Engel most recently inspected the subject property on August 16, 2022, as well as August 4, 2022.

EFFECTIVE DATES OF THE APPRAISAL

The descriptions, analyses, and conclusions of this report for the designated Market Values of the subject property are applicable as of the following dates:

- **September 1, 2022, for Phase 2B-2** which is the expected date of substantial construction completion will be granted by homebuilders in Phase 2B-2, and
- **January 1, 2023, for Phase 4 (including Phases 4A, 4B, and 4C)** which is the first full month following the expected date of substantial construction completion expected to be 4Q of 2022.

ASSIGNMENT CONDITIONS

Assignment conditions include assumptions that affect the scope of work, other than those previously discussed in the "Assumptions and Limiting Conditions". There are no other material and specific hypothetical conditions or extraordinary assumptions other than those referenced in this report.

PROPERTY RIGHTS APPRAISED

The property rights appraised in this assignment are the Fee Simple Estate in the subject property. A commitment for Title Insurance was not submitted to the appraisers and reservations, if any, are unknown. If property rights differ from the above definitions, the value may be affected.

ASSETS APPRAISED

The assets appraised in this appraisal assignment include land, any primary and ancillary site improvements. No furniture, fixtures, equipment (FF&E), personal property, mineral rights or business value was included in the valuation process.

ENVIRONMENTAL CONDITIONS

No environmental report was available to us, and no recent environmental tests were performed. Because we have no evidence to the contrary, we have assumed that the property is free of any material defects, other than those noted, which would adversely affect the value, including, but not limited to, asbestos and toxic waste. Our value conclusions are subject to revision should these assumptions prove incorrect. We caution and advise the user of this report to obtain environmental studies which may be required to ascertain status of the property regarding asbestos and other hazardous materials.

HISTORY OF SUBJECT PROPERTY

The subject property is currently owned by Valencia on the Lake 2B2 & 4 LLC, an affiliate of Centurion American Development Group, who was transferred each of the nine tracts that comprise the property on August 24, 2021, from Valencia on the Lake, LP and MM Valencia 2BPC, LLC. Based a review of Denton County deed records, it appears that affiliates of Centurion American Development have maintained ownership of the subject property since 2014.

We are unaware of any other attempts to sell the subject property as of the report date other than the pending contracts in place for improved lots.

LEGAL DESCRIPTION

The subject property includes nine tracts of land known as:

Tract	Property ID	Legal Description
1	38646	A0456A J. Guerrara, TR 2,3,4,5(PT), 4.78 Acres, Old DCAD TR #2,2A
2	584981	A0250A A. Cooper, TR 10A, 10.00 Acres, Old DCAD TR #4,5,6,9A
3	958385	A0456A J. Guerrara, TR 6,7,8,9(B)(PT), 9.00 Acres
4	986670	A0456A J. Guerrara, TR 2-5A, 14.72 Acres
5	986671	A0456A J. Guerrara, TR 6-9B(1), 0.425 Acres
6	986672	A0456A J. Guerrara, TR 6-9C(PT), 48.955 Acres
7	986673	A1068A T. Rodriquez, TR 9-17A, 16.4 Acres
8	986674	A0250A A. Cooper, TR 7-11A, 64.35 Acres
9	986675	A0250A A. Cooper, TR 7-11B, 6.097 Acres

PENDING TRANSACTIONS TO BUILDERS

The subject property – Valencia PID No. 2 – is comprised of two phases in the Valencia on the Lake residential subdivision. Phase 2B-2 is 90 lots of 60-FF widths that are contracted to DR Horton and Mattamy Homes while Phase 4 consists of three pods totaling 445 lots (106 – 60-FF and 329 – 50-FF) contracted to Mattamy Homes, First Texas Homes, and Beazer Homes. The phases have the following contract dates, lot counts, and contracted lot prices:

PENDING TRANSACTIONS TO BUILDERS							
Phase	Buyer	Contract Date	Lot Type (FF)	Lot Count	Earnest Money (\$)	Lot Price (\$)	Price per FF (\$/FF)
2B-2	DR Horton	11/18/2016	60'	62	\$1,200,000	\$72,000	\$1200/FF
2B-2	Mattamy Homes	10/12/2020	60'	28	\$1,215,000	\$81,000	\$1350/FF
4B	Mattamy Homes	10/12/2020	60'	72	**	\$81,000	\$1350/FF
4B	First Texas Homes	3/24/2021	60'	34	\$1,463,000	\$81,000	\$1350/FF
4A	First Texas Homes	3/24/2021	50'	100	**	\$70,000	\$1400/FF
4A, 4B, 4C	Beazer Homes	*	50'	239	\$2,499,000	\$70,000	\$1400/FF
TOTALS				535	\$6,377,000		

* Contract we reviewed was signed but did not have effective date

** Included in Earnest Money above. Mattamy Homes paid \$1,215,000 in total. First Texas Homes paid \$1,463,000 in total.

The contracts include a 6% annual escalation following initial closing which is typically 10-20 days after substantial completion is granted. The contract for DR Horton notes they will pay a \$1,000 amenity fee and a \$500 marketing fee. The contracts with Mattamy, First Texas, and Beazer Homes note a \$1,500 amenity fee and a \$500 marketing fee.

The Development Agreement with the Town of Little Elm notes water capital recovery fees are \$1,578 per unit, sewer capital recovery fees are \$1,558 per unit, and roadway capital recovery fees are \$2,500 per unit. The town has agreed to reimburse the owner of the development 66.67% of all roadway capital recovery fees collected within the development boundaries in exchange for the owner's obligation to construct all public roads within the property.

TAKEDOWN SCHEDULES

The purchasers/homebuilders have the following takedown schedules according to the contracts we reviewed:

DR Horton – 12 Lots on initial closing and 12 more lots within 120 days after initial closing, then 12 more within every 90 days until absorbed

Mattamy Homes – 12 Lots on initial closing and 12 more lots within 150 days after initial closing, then 12 more within every 90 days until absorbed

First Texas Homes – 27 lots (12-60's and 15-50's) on initial closing and 27 more lots (same proportion) within 150 days after initial closing, then 27 lots (same proportion) within every 90 days until absorbed. If there are not sufficient 60' lots to comply with the above, First Texas will acquire any other type to ensure at least 20 lots are taken down during each 90-day period.

Beazer Homes – 20 lots in each 4A, 4B, & 4C (60 total) on initial closing and 20 more in each phase within every 90 days until absorbed.

Real Estate Taxes - Denton County Appraisal District

Real estate tax assessments are administered by the Denton Central Appraisal District and are estimated by jurisdiction on a county basis for the subject. Real estate taxes in this state and this jurisdiction represent ad valorem taxes, meaning a tax applied in proportion to value. The real estate taxes for an individual property may be determined by dividing the assessed value for a property by \$100, then multiplying the estimate by the composite rate. Real estate taxes and assessments for the most recent tax year are shown in the following table which include taxes/assessments due in 2022 to Denton ISD or Little Elm ISD, the Town of Little Elm, and Denton County. The current combined tax rate for those tracts in Denton ISD is 2.239034 per \$100 assessed and the current combined tax rate for those tracts in Little Elm ISD is 2.307334 per \$100 assessed, as shown in the table below:

PROPERTY TAXES (Denton County Tax Office - 2022)					
ID	ISD	Size (AC)	Market Value	Appraised	Estimated Taxes
38646	Denton	4.780	\$ 576,414	\$ 576,414	\$ 13,778.25
584981	Little Elm	10.000	\$ 369,742	\$ 369,742	\$ 8,531.18
958385	Little Elm	9.000	\$ 554,612	\$ 554,612	\$ 12,796.75
986670	Denton	14.720	\$ 907,099	\$ 907,099	\$ 20,310.26
986671	Little Elm	0.425	\$ 26,190	\$ 26,190	\$ 604.29
986672	Little Elm	48.955	\$ 3,016,781	\$ 3,016,781	\$ 69,607.21
986673	Little Elm	64.350	\$ 3,965,475	\$ 3,965,475	\$ 91,496.75
986674	Little Elm	16.400	\$ 1,010,626	\$ 1,010,626	\$ 23,318.52
986675	Little Elm	6.097	\$ 375,719	\$ 375,719	\$ 8,669.09
TOTALS		174.727	\$ 10,802,658	\$ 10,802,658	\$ 249,112.31

The land areas represented by Denton CAD are not necessarily accurate. According to Denton CAD, the combined market value of the land is **\$10,802,658 (\$61,826/AC, \$1.42/SF)** which is slightly below market in this part of the Metroplex for entitled single-family land with available utilities and some major improvements.

Valencia Public Improvement District No. 2

The following tables show the tax rates for the subject property. Land in Phase 2B-2 is located in Denton ISD while the entirety of Phase 4 is located in Little Elm ISD and is subject to slightly higher taxes. The effect of rollback taxes (if any) and the tax rate equivalent (TRE) of the public improvement district are not reflected in the tables below.

Entity	Tax Rate
Denton ISD	1.362000
Town of Little Elm	0.643948
Denton County	0.233086
Total	2.239034

Entity	Tax Rate
Little Elm ISD	1.430300
Town of Little Elm	0.643948
Denton County	0.233086
Total	2.307334

When substantial construction is complete on the improved lots, the appraised value is expected to increase significantly; however, based on our company's experience as tax consultants working with tax districts and homebuilders, we believe the finished lots will be assessed by tax districts at below retail lot value. Finished lots are often assessed by tax districts at approximately 70% the retail value because the tax district does not have reliable information on updated costs and because developers are eligible for an inventory reduction on their lots.

Note: the Denton Central Appraisal District utilize an ad-valorem "mass appraisal" technique for tax assessment valuation. Mass appraisal is defined as the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. This method of analysis is based on, but not necessarily equivalent to, its market value. Tax assessment is utilized for the equitable distribution of the tax burden throughout the district, and it is not for developing individual opinions of value for specific properties for use outside of ad valorem taxation.

MARKET OVERVIEW

ECONOMIC INDICATORS: BEIGE BOOK FEDERAL RESERVE BANK (JULY 13, 2022)

Due to the subject's location in North Texas, coupled with integrated business economies, it is relevant to consider the national and regional economic indicators presented by the Federal Reserve Bank of Dallas in the Beige Book. Excerpts from the most recent Beige Book prior to the report date, published July 13, 2022, are presented below:

National Summary

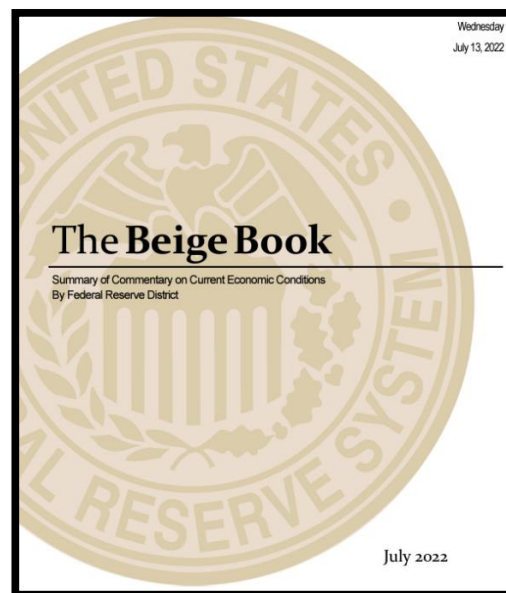
Economic activity expanded at a modest pace, on balance, since mid-May; however, several Districts reported growing signs of a slowdown in demand, and contacts in five Districts noted concerns over an increased risk of a recession. Most Districts reported that consumer spending moderated as higher food and gas prices diminished households' discretionary income. Due to continued low inventory levels, new auto sales remained sluggish across most Districts. Hospitality and tourism contacts cited healthy leisure travel activity with some noting an uptick in business and group travel. Manufacturing activity was mixed, and many Districts reported that supply chain disruptions and labor shortages continued to hamper production. Non-financial services firms experienced stable to slightly higher demand, and some firms reported that revenues exceeded expectations. Housing demand weakened noticeably as growing concerns about affordability contributed to non-seasonal declines in sales, resulting in a slight increase in inventory and more moderate price appreciation. Commercial real estate conditions slowed. Loan demand was mixed across most Districts; some financial institutions reported increased customer usage of revolving credit lines, while others reported weakening residential loan demand amid higher mortgage interest rates. Demand for transportation services was mixed and reports on agriculture conditions across reporting Districts varied. While demand for energy products was robust and oil and gas drilling activity picked up, production remained constrained by labor availability and supply chain bottlenecks for critical components. Similar to the previous report, the outlook for future economic growth was mostly negative among reporting Districts, with contacts noting expectations for further weakening of demand over the next six to twelve months.

Labor Markets

Most Districts continued to report that employment rose at a modest to moderate pace and conditions remained tight overall. However, nearly all Districts noted modest improvements in labor availability amid weaker demand for workers, particularly among manufacturing and construction contacts. Most Districts continued to report wage growth. One third of Districts indicated that employers were considering or had given employees bonuses to offset inflation related costs while in two Districts, workers requested raises to offset higher costs. A quarter of Districts indicated wage growth will remain elevated for the next six months, while a few noted that wage pressures are expected to subside later this year.

Prices

Substantial price increases were reported across all Districts, at all stages of consumption, though three quarters noted moderation in prices for construction inputs such as lumber and steel. Increases in food, commodities, and energy (particularly fuel) costs remained significant, though there were several reports that price inflation for



these categories had slowed compared with recent months but remained historically elevated. While several Districts noted concerns about cooling future demand, on balance, pricing power was steady, and in some sectors, such as travel and hospitality, firms were successful in passing through sizable price increases to customers with little to no pushback. Most contacts expect pricing pressures to persist at least through the end of the year.

ELEVENTH DISTRICT

FEDERAL RESERVE BANK OF DALLAS – JULY 13, 2022

Summary

Growth in the Eleventh District economy slowed to a modest pace, with part of the deceleration in demand attributed to surging prices, rising interest rates, and higher uncertainty. Manufacturing and service sector activity slowed, and retail spending and homes sales weakened further. Solid apartment and industrial leasing continued, but loan growth eased. The energy sector saw further expansion, while drought dampened agricultural conditions. Employment expanded broadly, and wage growth remained highly elevated due to a tight labor market. Supply-chain bottlenecks and higher energy prices continued to drive up costs, and prices rose at a rapid clip, though pass through was becoming more difficult for firms, eroding margins. Outlooks were mostly negative, and uncertainty surged, with contacts voicing concern about slowing future demand and increased risk of a recession stemming from high prices, supply-side constraints, weakening consumer sentiment, and rising interest rates.

Labor Markets

Employment continued to expand broadly, except in retail where it was little changed. Staffing challenges remained widespread, with many firms reporting that they were a drag on revenue growth. However, shortages appeared to be most acute for truck drivers, pilots, health care staff, and oil field workers. Staffing firms continued to report that filling lower-skilled positions was harder than higher-skilled jobs. A restaurateur noted operating at 85 percent capacity because of staffing issues, despite increasing pay and benefits. Some contacts said labor shortages had increased workload for existing staff, resulting in retention issues.

Wage growth remained robust amid a tight labor market. Multiple firms reported offering higher pay or bonuses to retain and/or hire employees. A contact in the oilfield services firms cited intense wage pressures, with wages up 10 percent in the industry so far in 2022, after double-digit increases last year, and added that rig workers with no experience and working half the year were being paid about \$85,000. A transportation equipment manufacturer cited continued difficulty hiring despite a 40 percent increase in starting pay. According to a June Dallas Fed survey of more than 300 Texas business executives, wages on average are expected to rise at an above-average pace both this year and in 2023.

Prices

Overall, input and selling price growth remained significantly elevated during the reporting period. In the energy sector, cost pressures accelerated to new heights. Construction contacts reported that the cost of materials remained steady but high, except for lumber prices which dipped slightly. Most manufacturers and service firms noted acute price pressures due to ongoing supply-chain issues, labor shortages, and high fuel prices. While price growth remained high, cost pass through was more difficult, particularly for small firms and companies in the service sector.

Exceptionally strong price growth was expected by Texas businesses in the near term. According to the earlier-mentioned survey, respondents anticipate input prices to climb 10 percent in 2022, on average, and selling prices

to increase 7 percent. These figures are markedly higher than pre-pandemic rates, and businesses expect these elevated price pressures to persist next year as well.

Nonfinancial Services

Activity in the service sector softened during the reporting period. Revenue growth was mixed, with continued solid increases seen in transportation and warehousing but flat to weaker activity in information and accommodation and food services. Staffing firms continued to report robust and broad-based activity, though a few contacts cited some slowing in demand, particularly for construction workers. Passenger air travel demand remained solid, with leisure travel continuing to dominate bookings. Airline contacts were optimistic that second-quarter revenues will surpass comparable 2019 levels. Air cargo volumes softened largely due to a dip in international shipments as domestic volumes remained strong. Small parcel shipments edged up, and container traffic at a large Texas seaport was up strongly year to date relative to 2021. Service-sector outlooks were negative due to higher uncertainty in the face of rising prices and interest rates, weakening consumer sentiment, and growing expectations of a recession in the near term.

Construction and Real Estate

Conditions in the housing market eroded more quickly than anticipated during the reporting period. Sales were off notably from earlier in the year and both online and foot traffic slowed markedly. Cancellations rose in part due to loan qualification issues. Buyers were hesitant to move forward and were looking for better deals, and builders noted offering incentives again to drive sales. Home prices were largely flat. One contact said that lenders were raising capital requirements on new acquisition and development loans. Contacts said several new land deals were on pause due to rising uncertainty in the market. Outlooks were negative, and sales and starts expectations were being revised downward.

The multifamily market remained tight, with occupancy and rent growth staying elevated. Commercial real estate markets were mixed. Office leasing continued to improve, though net absorption was negative in some markets. Activity in the industrial sector remained robust. On the investment side, transaction volumes have softened given higher interest rates and increased uncertainty in the economic outlook.

Financial Services

Loan volume growth moderated over the past six weeks amid broad increases in loan pricing. Growth was strongest in commercial real estate followed by commercial and industrial lending, though a deceleration occurred in both categories. Residential real estate loan volumes were flat for a second consecutive reporting period after two years of solid growth. Nonperforming loans continued to decrease overall, though an uptick was seen in consumer and auto loans. Credit standards and terms tightened notably. Looking six months ahead, contacts expect that general business activity and loan demand will decrease, and nonperforming loans will increase.

Texas A&M University
Texas Real Estate Research Center
Outlook for the Texas Economy (Excerpts)
Joshua Roberson, Weiling Yan, and Kaixin Zheng
(August 3, 2022)



Summary

As rising living expenses add pressure to the central bank, bond yields and mortgage rates are advancing at great speed to decelerate the market's money flows. For investors or borrowers, pressure from debt payments becomes acute, thus the loan count is drastically shrinking. However, the Fed's response led to mixed results in the Texas economy, as the declining capital investment had little effect on the state's strong but tight labor market. The work pool expanded half-a-percentage point month-over-month (MOM) to 13.4 million workers. Employers in all four major metros raised nominal wages to attract more skilled labor, especially in Fort Worth, where employers increased wages at a notable pace, beating the decade-high inflation and offering real increases.

Economic Activity

Texas' economy continued to expand in May according to the Dallas Fed's Texas Business-Cycle Index, reporting positive growth at 10.2 percent on a seasonally adjusted annualized rate (SAAR). However, the percent growths had been diminishing...Dallas remained the only major metro hovering above the year-ago performance at 15.6 percent SAAR.

The Texas Leading Economic Index (a measure of future directional changes in the business cycle) ended the streak of post-pandemic expansion and edged down for the second month. The fall in the leading index was due to rising recession worries. The Texas Consumer Confidence Index retreated after April's rebound as consumers feared inflation eroding their purchasing power.

The U.S. Consumer Price Index (CPI) accelerated 8.6 percent annually with a 34.4 percent and 9.7 percent YOY increase in energy and food/beverage costs, respectively. Core inflation moderated at 6 percent YOY, reverting to the January level. Dallas residents faced a few categories where prices rose more rapidly than the national average: 11.1% annual increase in food/beverage, 8.3% in housing, and 21.6% in transportation.

Financial Activity

Monetary policies affect bond yields and mortgage rates significantly. This year, to tighten the money flows in the economy, the Federal Reserve spiked the federal funds rate over nine-fold to 0.77 percent. Correspondingly during this tightening period, the ten-year U.S. Treasury bond yield rose 114 basis points to 2.9 percent, and the Federal Home Loan Mortgage Corporation's 30-year fixed-rate increased by half to 5.23 percent. The median mortgage rate within Texas increased in April to 4.4 and 4 percent for government-sponsored enterprise and non-GSE loans, respectively. The interest rate hikes turned away many borrowers.

Housing

Record home prices and rapidly rising mortgage rates continued to push potential buyers, particularly first-time buyers, out of the market for homeownership. According to the Multiple Listing Service (MLS), total housing sales fell to a seasonally adjusted rate of 33,097 closed listings, losing 1,800 deals from April's housing transactions. Texas' manufactured-housing outlook weakened for the first time during the COVID-19 pandemic recovery. According to the Texas Manufactured Housing Survey (TMHS), industry activity slowed as sales slipped and trended downward. However, despite the lowered new-order volume, housing manufacturers still had a healthy backlog of orders to work through.

Energy

The energy market had robust activities even though the energy payroll shrank. After seven months of steady growth, the energy sector dismissed 600 workers. The West Texas Intermediate (WTI) crude oil spot price climbed to its highest level to an average of \$118 per barrel, jumping 65.2 percent YTD. Texas' crude oil production elevated to five million barrels per day in April after active rigs shot up by 28 to a seasonally adjusted rate of 314. Natural gas prices disrupted the market even further with the Henry Hub spot price soaring to \$8.2 per million British thermal units (BTU), doubling the year-end price.

Construction

Construction payrolls expanded by 10,600 jobs, the sharpest monthly increase this year. Amid the industry's overall expansion, Houston alone recruited 1,100 workers for building construction, suggesting a surging construction demand in the local economy. Average hourly construction earnings ticked down to \$29.2 per hour, declining 4.29 percent YOY after adjusting for inflation. Texas' real construction earnings shrank 6.3 percent compared with the pre-pandemic level, while the national real earnings increased incrementally. Total construction values surged in May, largely due to a significant amount of office/bank buildings, stores/restaurants, and hotels/motels construction projects breaking ground in Austin. Total values rose by 4.5 percent YTD with this elevation in nonresidential investment. On the other hand, single-family construction values continued this year's contraction, building \$7.2 billion less in net value than 2021's cumulative YTD value.

Services

Texas' service-providing sector added 58,000 employees to bring the total level to 11.4 million workers. Accommodation/food services employment led the monthly gain, hiring 26,000 workers, followed by professional/scientific/technical services (7,600). Respondents to the Dallas Fed's Service Sector Outlook Survey communicated decelerated service activities amid the falling revenue index.

On the other hand, Texas retail was the only private sector other than health care/social assistance in which employment shrank amid the strong job market. The 6,000 gains in the motor vehicle/parts dealers and building materials/garden equipment/supply dealers were outweighed by the 12,000 layoffs from general merchandise. Corroborating the data, the Dallas Fed's Retail Outlook Survey deteriorated as retail labor market indicators plateaued and sales index slipped. In addition to the negative general business activity, the company outlook noted spiked uncertainty.

TEXAS HOUSING INSIGHT (EXCERPTS)
Texas A&M University – Texas Real Estate Research Center
Joshua Roberson, Weiling Yan, and Rajendra Patidar (August 17, 2022)



SUMMARY

Texas' housing market continues to cool as sales volume declines and housing inventories rise. While the pace of new listings begins to overcome housing sales, home prices are still elevated due to the tremendous housing pressures realized after the start of the COVID-19 pandemic. Even though home prices are still high, price growth is now retreating, providing a respite for potential buyers.

SUPPLY

According to Zonda, supply-side activities at the earliest stage of the construction cycle flattened at first quarter levels as inventory losses in Austin's vacant developed lots (VDLs) offset gains in Dallas, Houston, and San Antonio. The number of new VDLs in Austin shrank 24 percent from last year's quarterly average. Lot development in the \$300k-\$500k price cohort composed half of Austin's total VDL investment, but it saw a double-digit reduction quarter over quarter (QOQ) while the same investment cohorts in other metros advanced.

Starting in May, Texas' single-family construction permits retreated below 15,000 per month, declining 5.2 percent QOQ. Building permits fell significantly in Austin and Houston. Despite the drop, Houston and DFW remained the top two metropolitan areas on the national permit list. Each had a seasonally adjusted rate of over 4,000 permits for new-structure building or existing-structure renovation. In Central Texas, Austin issued 1,800 permits, while San Antonio issued 900. Meanwhile, Texas' multifamily sector surged to 9,900 construction permits in June, the highest level since 2015. Permits for two-to-four units and five-or-more units expanded at 39.8 percent and 26.3 percent QOQ, respectively.

Lumber price trended downward, declining 19.6 percent in a month. As the lumber price reduction lowered the framing cost by nearly one fifth, total Texas housing starts increased 6.2 percent QOQ. Zonda data revealed roughly 38,800 homes broke ground in the major metros over 2Q2022. Amid the construction expansion, all metros saw an uptick except Houston, where housing starts contracted 1.5 percent. Dallas had the most housing starts and luxury home construction projects. For every six houses built in the median price cohort of \$400k-\$499k, one house priced over \$1 million was built. While housing starts inched up, single-family private construction values tumbled to a six-month low, corroborating the lowered construction costs. All major metros except San Antonio reported negative quarterly growths.

While Texas' overall housing supply remains historically low, inventory throughout the state is currently on the rise. Texas' months of inventory (MOI) has gradually increased over the past few months, doubling from one

month in February to two months in June. At the metropolitan level, inventories grew most robustly in Austin. Austin's MOI surpassed DFW's and Houston's for the first time since 2019. By price cohort, inventories jumped for homes priced between \$300,000 and \$500,000.

DEMAND

Record home prices and rapidly rising mortgage rates continued to discourage buyers and cool the market. In June, over 37,000 homes were sold throughout the state, 9.4 percent below June 2021 sales. According to seasonally adjusted sale estimates, the slowdown actually began in January of this year, but June had the biggest single-month dip. Even though June sales were down from last year, they're almost identical to June 2019 sales, which was the last record-setting year before COVID. The drop in home sales coincides with the rapid increase in mortgage rates that began in January but picked up steam in recent months.

Because of softening housing demand, Texas' average days on market (DOM) has begun to creep up. Seasonally adjusted DOM increased to 34 days, up from 28 days in March. Normally, home sales accelerate in the summer and DOM decreases. That has not happened this summer. Homes sold the fastest in Austin and Dallas, leaving the market in 21 days. Houston's and San Antonio's DOMs remained around a month. The DOM for new homes was notably higher than the DOM for existing homes, especially in the Houston area, where new homes on average lasted 60 days on the market while existing homes lasted 23 days.

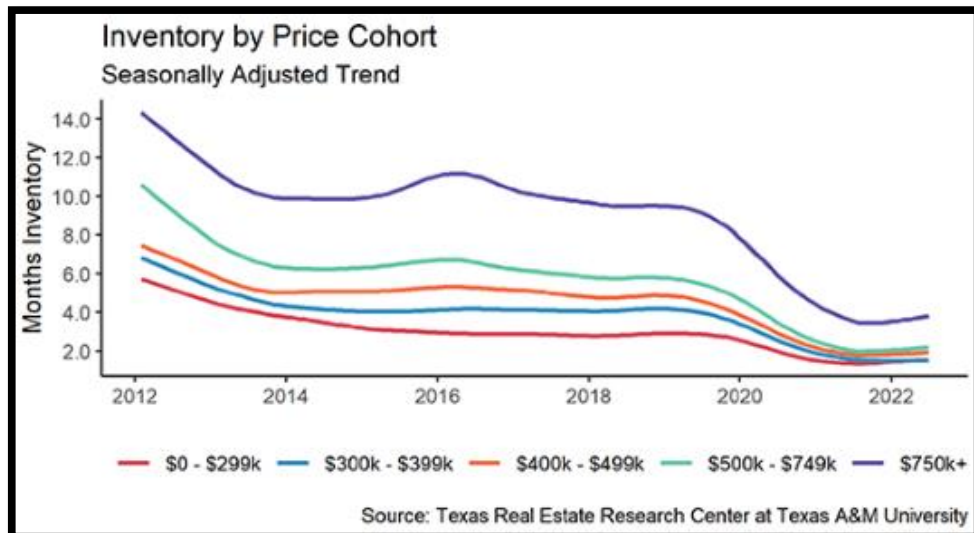
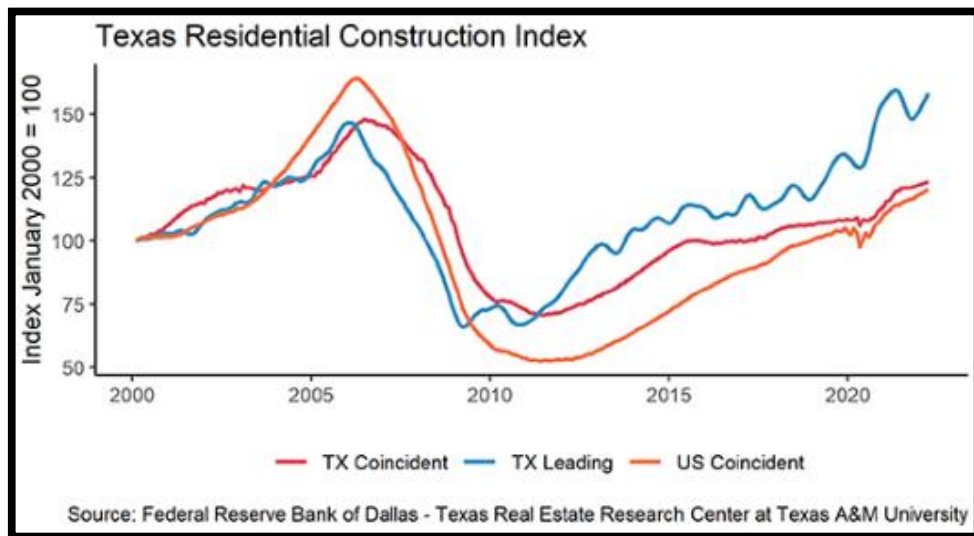
Homes priced in the \$300k and the \$400k cohorts were fastest at getting sold, typically leaving the market in 27 days. On the other hand, homes under \$300k had a conspicuously longer market duration.

PRICES

The Texas median home price may have reached a peak as the June value leveled out at a seasonally adjusted rate of \$349,000, which is \$3,000 below May and the first drop in home prices since December 2020. While home price growth may be slowing, current prices remain significantly higher than before the pandemic. Except for San Antonio, each of the big four metros had a slight dip in median home prices for June. Austin had the largest seasonally adjusted single-month dip in June at 3.7 percent, while DFW fell 0.8 percent.

The Texas Repeat Sales Home Price Index, which accounts for compositional price effects, corroborated substantial home-price appreciation as the index inched up 17.1 percent year over year (YOY). The falling prices pulled down YOY statewide growth by 3 percent in the last six months. Austin fell from the fastest appreciating metro to third place behind Dallas and Fort Worth.

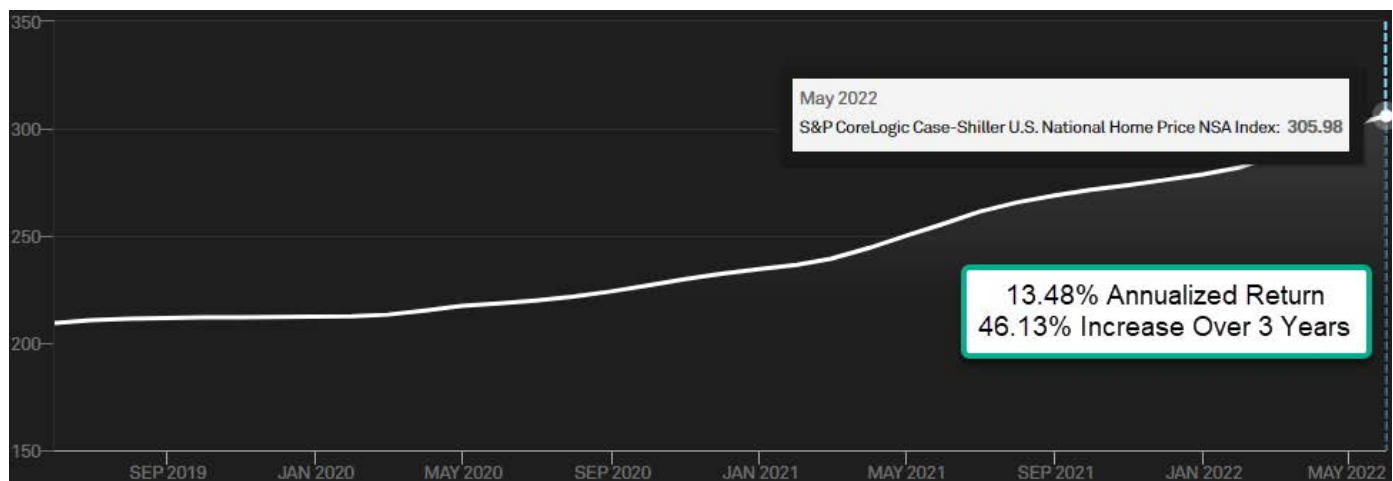
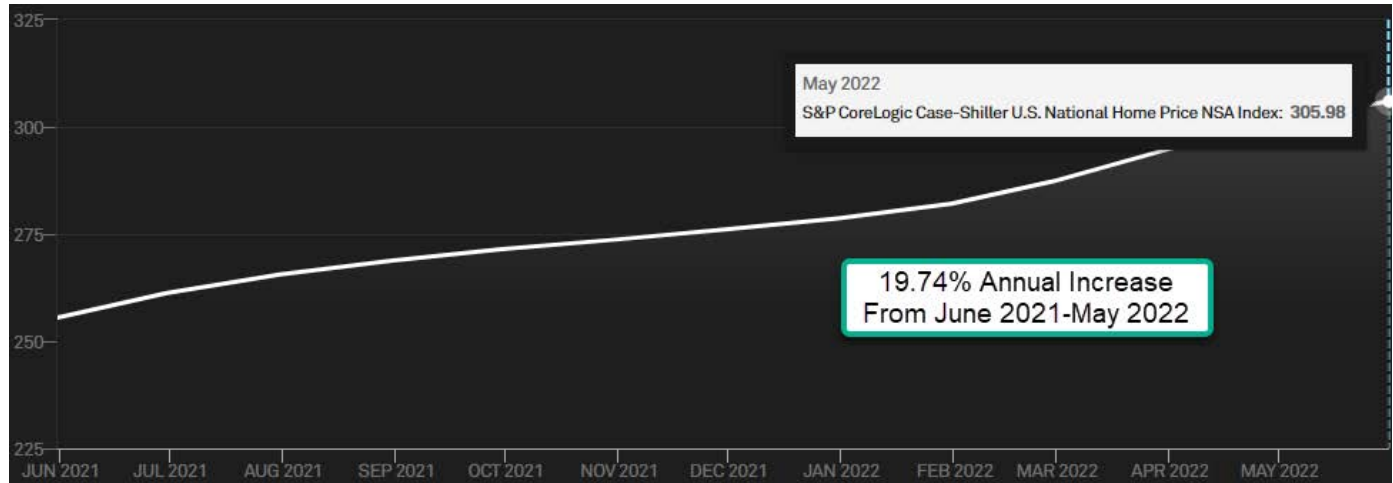
The Texas Housing Affordability Index (THAI) reflects the relationship between the median family income in a locale and the computed amount required to purchase a median-priced home. A higher THAI indicates relatively greater affordability. Measured by the THAI metric for first-time homebuyers, Houston was the most affordable metro, followed by San Antonio, Fort Worth, Dallas, and Austin, respectively. Despite the marginal median price decline, Austin remained the most unaffordable metro in the state.



S&P CORELOGIC CASE-SHILLER INDEX

August 22, 2022

Data reported for the Standard & Poor Dow Jones Indices (1-year and 3-year graphs shown below) from late July 2022 showed that home prices nationally were up 19.74% YOY while the Dallas Metropolitan Area is up 31.0% YOY. The price increases are now decelerating but still rising higher. Prices were strongest in the South and Southeast but every region in the country reported double-digit YOY gains.



Metropolitan Area	May 2022 Level	May/April Change (%)	April/March Change (%)	1-Year Change (%)
Dallas	304.76	2.6%	3.2%	30.8%
Composite-10	328.92	1.4%	2.1%	19.0%
Composite-20	317.30	1.5%	2.2%	20.5%
U.S. National	305.98	1.5%	2.3%	19.7%

NATIONAL ASSOCIATION OF REALTORS (NAR)

The most recent NAR local market report for DFW is shown below which reports local trends in the subject property's market.

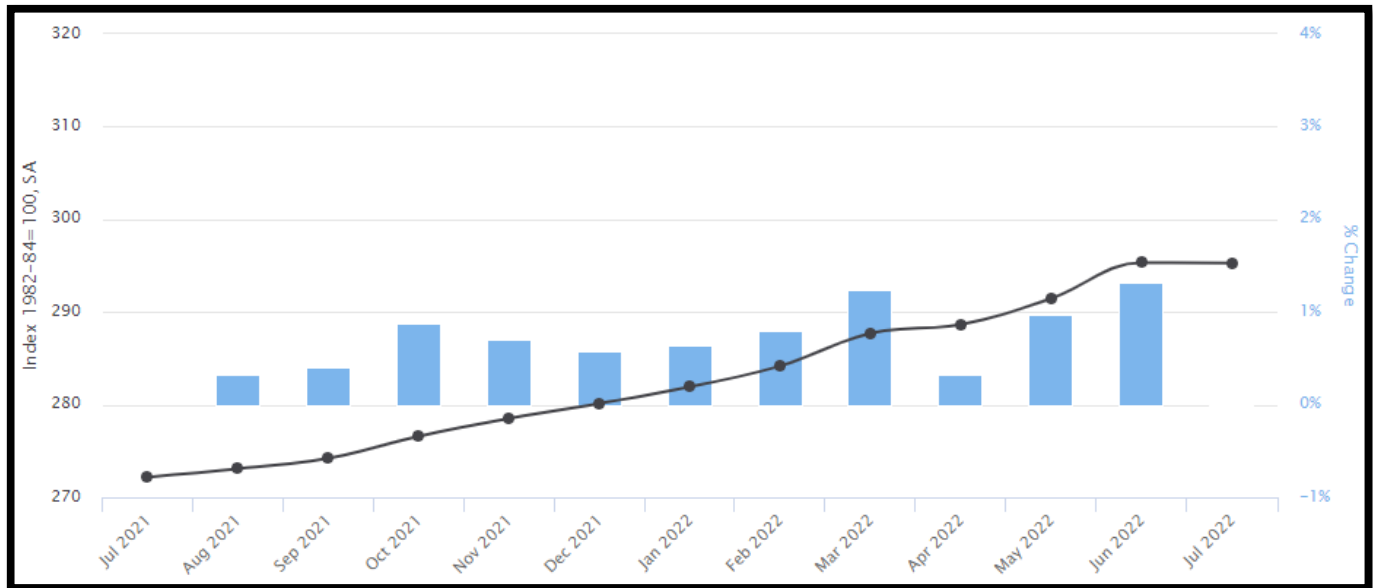


Local Price Trends			
Price Activity	Dallas	U.S.	Local Trend
Current Median Home Price (2022 Q1)	\$365,400	\$365,767	Prices continue to grow relative to last year
1-year (4-quarter) Appreciation (2022 Q1)	21.8%	15.2%	
3-year (12-quarter) Appreciation (2022 Q1)	43.7%	44.5%	
3-year (12-quarter) Housing Equity Gain*	\$111,100	\$112,700	Gains in the last 3 years have extended the trend of positive price growth after the recession
7-year (28 quarters) Housing Equity Gain*	\$172,900	\$162,367	
9-year (36 quarters) Housing Equity Gain*	\$205,000	\$189,833	
*Note: Equity gain reflects price appreciation only			

The National Association of Realtors reports that as of 1Q2022 the current median home price in DFW is \$365,400. This reflects a 1-year price appreciation of 21.8% and a 3-year price appreciation of 43.7%.

CONSUMER PRICE INDEX (CPI)

MOODY'S ANALYTICS CONSUMER PRICE INDEX (CPI) CHART



The US Bureau of Labor Statistics tracks the Consumer Price Index (CPI) and a chart prepared by Moody's Analytics is shown above. The CPI measures the change in prices paid by consumers for goods and services which is an indicator of how costs for goods and services are trending throughout the country. The CPI is based on prices of food, clothing, shelter, fuels, transportation, healthcare services, drugs, and other goods and services that people buy for day-to-day living.

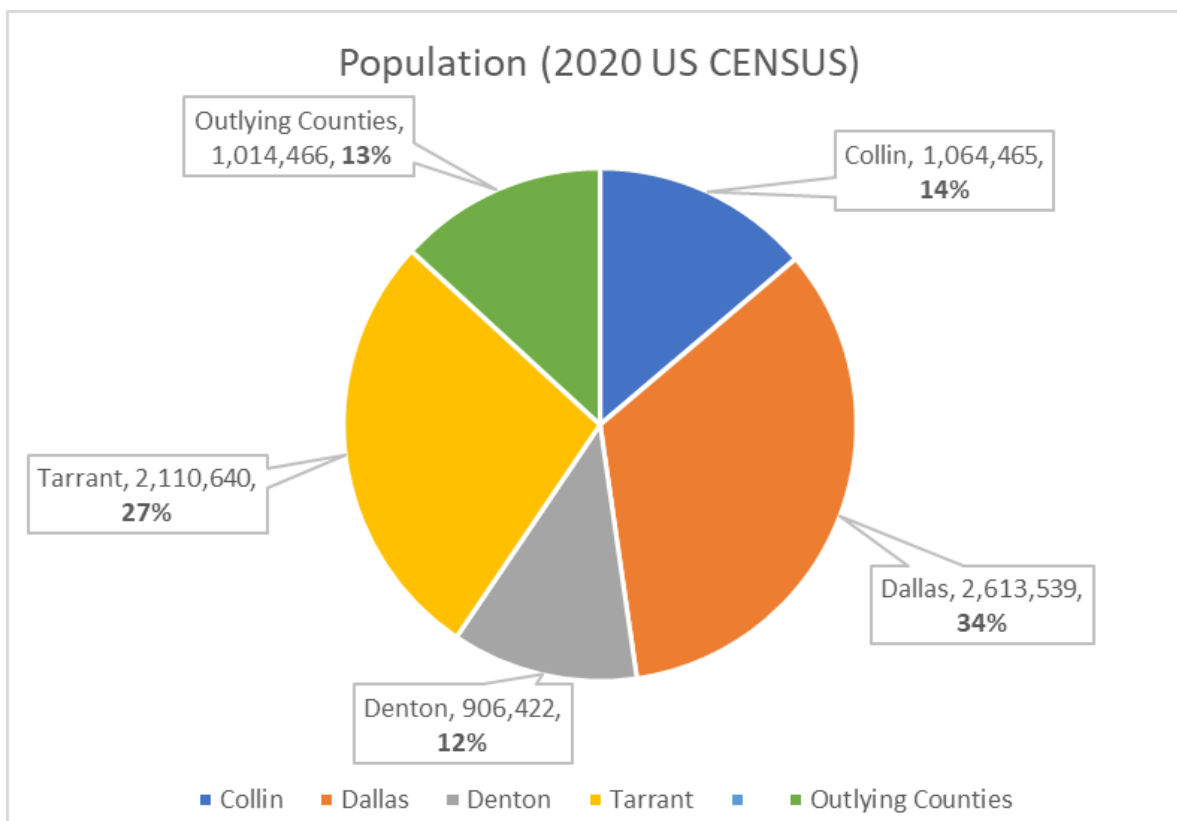
The BLS has reported significant increases in the CPI over the past year. Increases for energy, shelter, food, healthcare, household furnishings, and transportation are the most pronounced. There is little doubt that a period of inflation has arrived although the inflation rate acceleration seemed to have hit its zenith as YOY inflation in July was 8.5% compared to 9.1% in June. Whether this inflationary environment will last past the following few months and for several years is debatable; however, many indications point to higher periods of inflation even as supply chain issues caused by the COVID-19 Pandemic are easing.

REGIONAL ANALYSIS

The subject is located in Denton County within the Dallas-Fort Worth-Arlington Consolidated Metropolitan Statistical Area (CMSA), more commonly referred to as the Metroplex, which encompasses parts of 13 counties and contains 23 cities with populations over 50,000 in North Central Texas. As reported by the North Central Texas Council of Governments (NCTCOG), the estimated population as of Jan. 1, 2020, was 7,709,532 which makes it the most populous region in Texas and the fourth largest in the United States. In the most recent count (2019), the population of the Metroplex grew by 159,480 led by Fort Worth which added more than 24,000 people. Since 2010, the region has added almost 1.2 million new residents – an almost 19% increase.

A chart of the four counties in the Metroplex with the highest populations, with Denton County as the fourth populous, is shown in the chart below. Dallas County is the most populated county in the region with 2,613,539 residents, followed closely by Tarrant County with 2,110,640, Collin County with 1,064,465, and Denton County with 906,422. The subject property is within Denton County and just north of the 380 Corridor which has had numerous residential developments in the past decade. US 380 is the major thoroughfare between the cities of Denton and McKinney. The subject property's location just north of US 380 is consistent with where developers must find vacant land to build their master-planned communities.

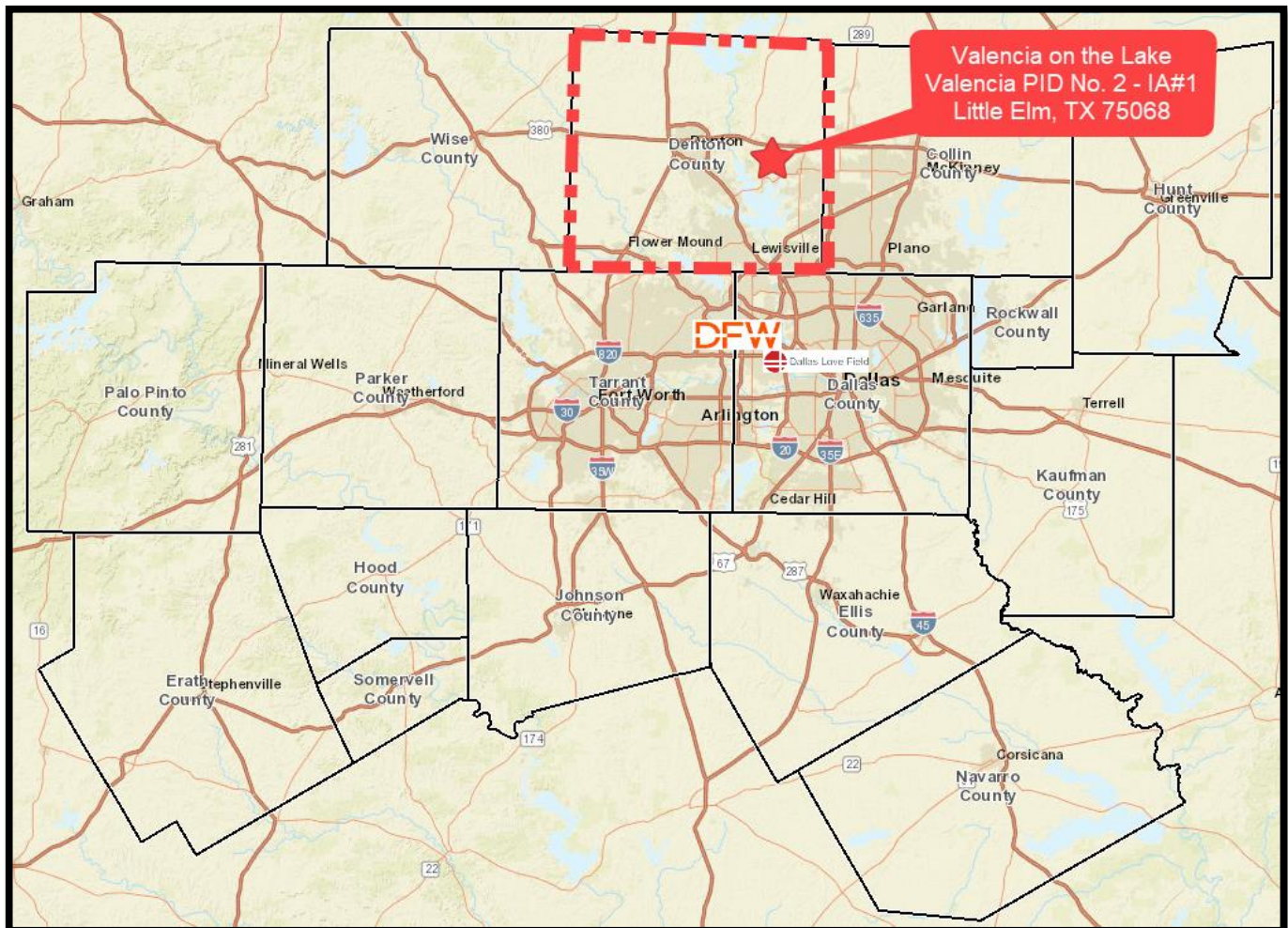
PIE CHART OF POPULATION PERCENTAGES IN DFW METROPLEX



Valencia Public Improvement District No. 2

The region is serviced by two major passenger airports: Dallas-Fort Worth International Airport (DFW), which is the third busiest airport in the world in terms of aircraft movements and the largest hub for American Airlines and Dallas Love Field Airport (DAL), which is a city owned airport and the largest hub for Southwest Airlines – the largest carrier in the world in terms of passengers carried.

MAP OF DALLAS-FORT WORTH METROPLEX
Red Lines Showing Denton County Boundary

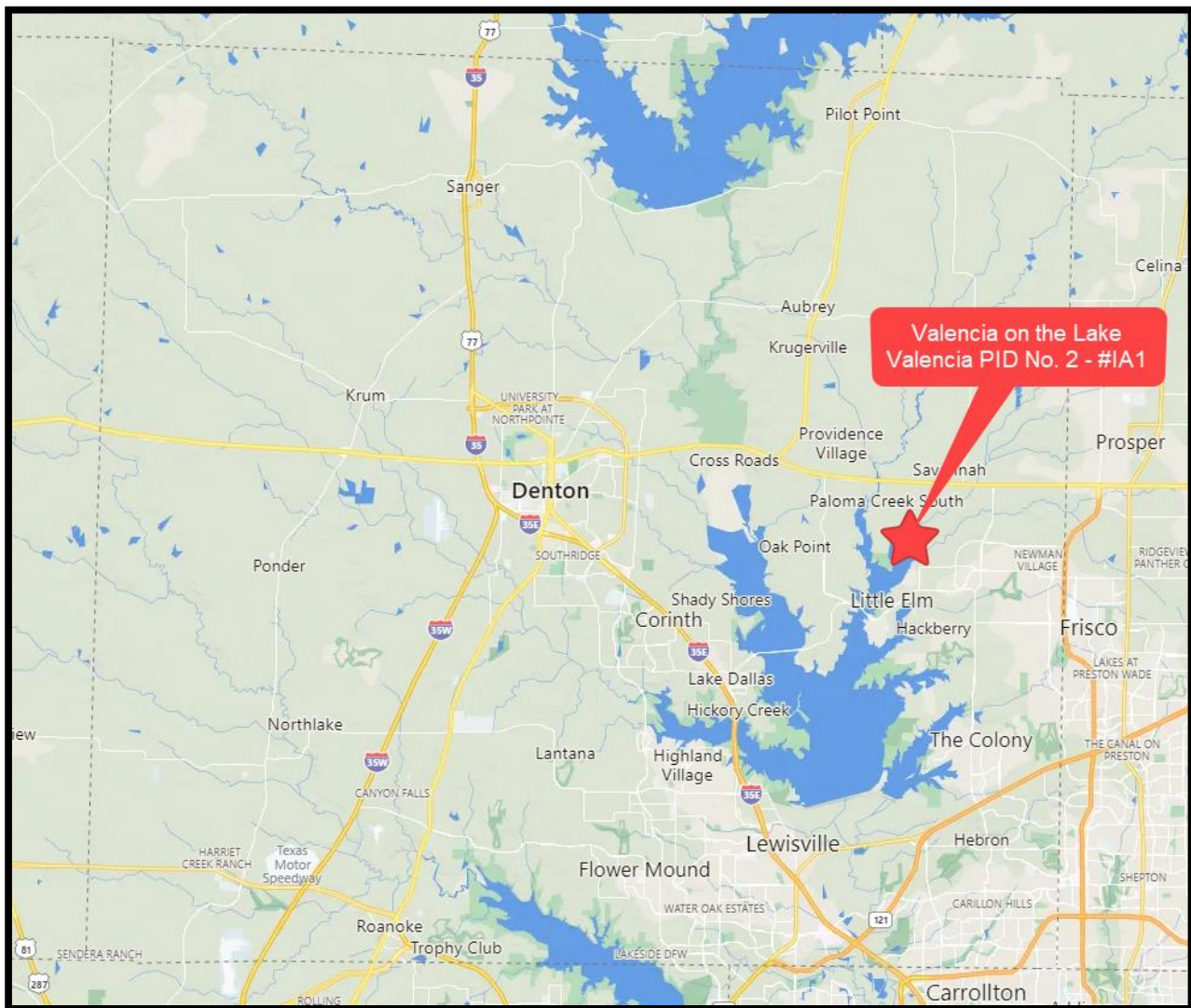


DENTON COUNTY OVERVIEW

The subject site is located in east central Denton County which is a rapidly growing county in the north-central portion of the Dallas-Fort Worth Metroplex. The county seat is Denton which is centrally located in the county and is home to the University of North Texas which is a public university boasting over 40,000 students. The county also contains three large lakes that provide recreation, water source, and flood control for the community: Ray Roberts Lake, Lewisville Lake, and Grapevine Lake. The county also includes parts of AllianceTexas which is a global logistics hub and home to over 500 companies and over 50 million square feet of industrial, commercial, retail, and residential space.

Initially serving as bedroom communities for Dallas and Fort Worth, as of 2020 Denton County had a population of 906,422 with population growth consistent for decades. Census data indicate Denton County population growth from 1970-1980 was 89.2%, 1980-1990 was 91.1%, 1990-2000 was 58.3%, 2000-2010 was 53.0%, and 2010-2020 was 36.8%.

MAP OF DENTON COUNTY *Subject Located In East Denton County*

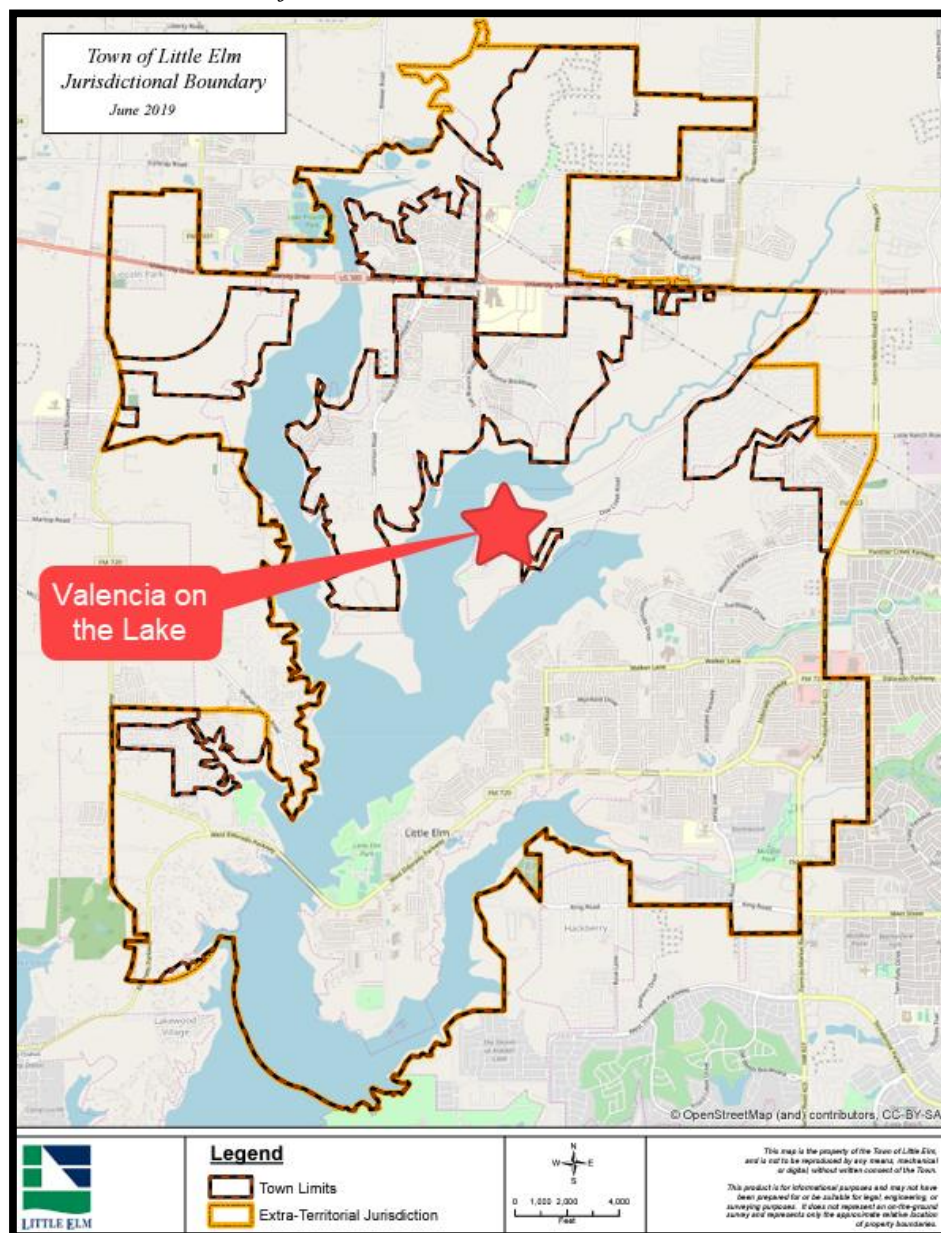


TOWN OF LITTLE ELM OVERVIEW

The Town of Little Elm, located in the northeastern quadrant of Denton County and approximately 12 miles northeast of Denton, has experienced significant growth over the past decade as developers have increasingly placed master-planned communities near US-380 and FM 423. Since incorporation in 1966, the population of Little Elm has grown exponentially due to the allure of the lake and the construction of FM 720 (Eldorado Pkwy.) that crosses Lewisville Lake and connects Denton to the North Dallas area. As of the 2020 census, Little Elm had 46,453 residents, as of 2022 the population is estimated at 50,565, and the town expects a full build-out of approximately 90,000 residents. Little Elm has 66 miles of shoreline within the town limits and four community parks along the lakeshore.

MAP OF THE TOWN OF LITTLE ELM

Subject Located in Northwest Little Elm

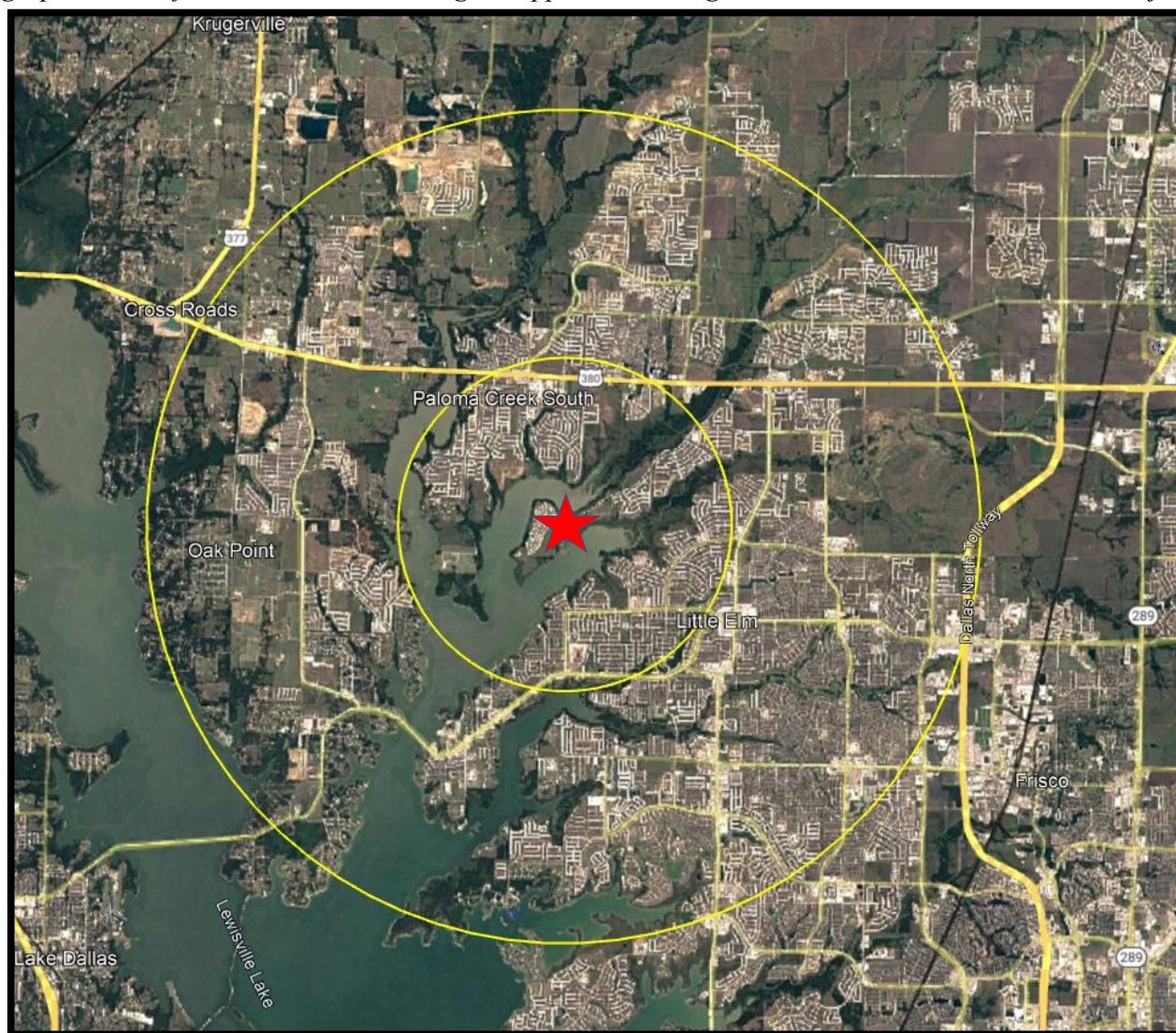


NEIGHBORHOOD ANALYSIS

A neighborhood may be defined as a section of a community or an entire community. It refers to relatively unified area with definite boundaries which exhibit a fairly high degree of homogeneous uses – basically group of complimentary land uses that exhibit a greater degree of commonality than the larger area. The boundaries of a neighborhood define the geographical area which exerts influence on the value of the subject property. The Valencia PID No. 2 is located within the Town of Little Elm, Texas and is partially within the Denton ISD and partially within Little Elm ISD.

NEIGHBORHOOD MAP

Geographic radii of 1 and 3 miles indicating the approximate neighborhood boundaries around the Subject

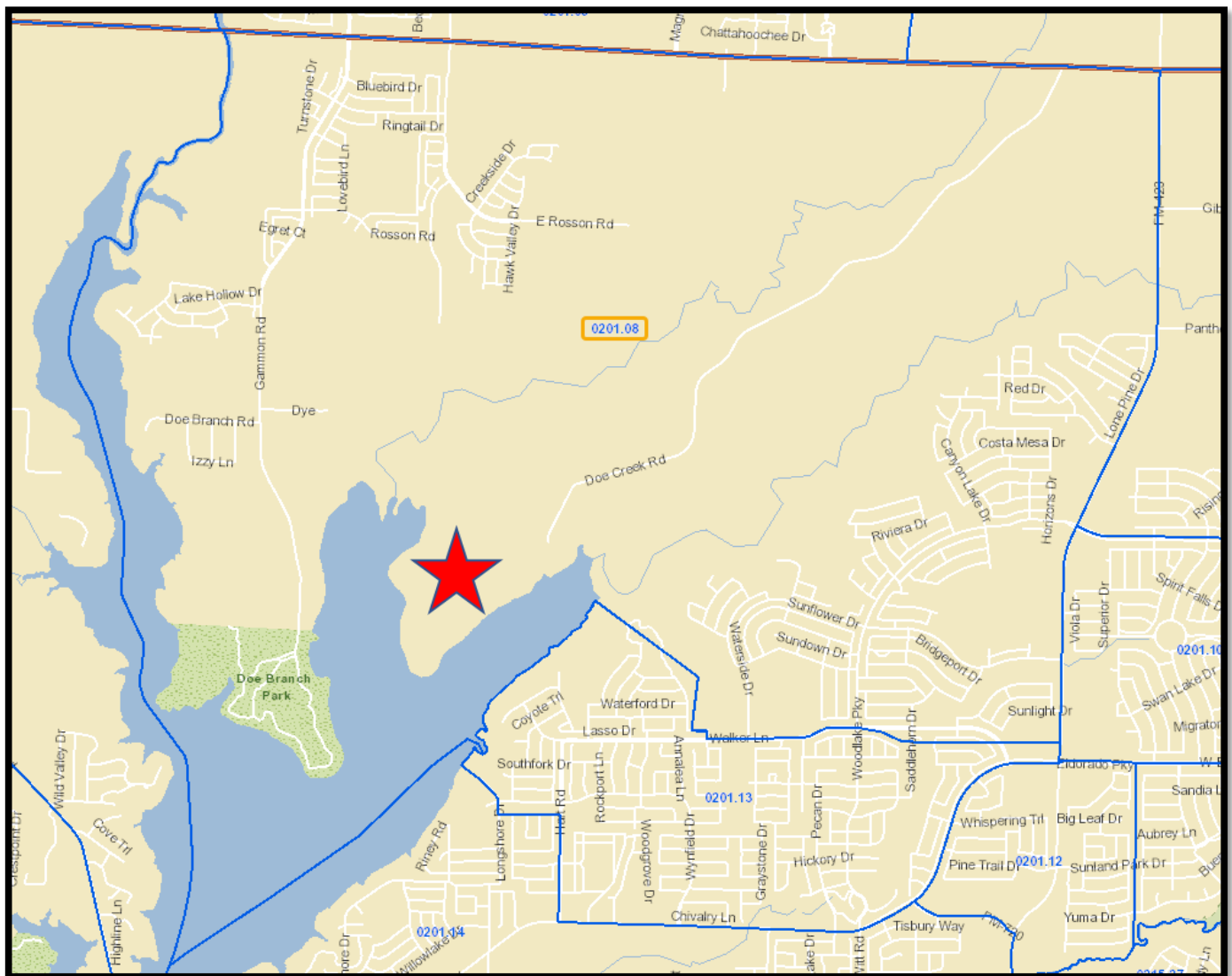


	2 Miles	5 Miles
North	US 380	FM 428
East	FM 423	Dallas North Tollway
South	Eldorado Pkwy.	Lebanon Rd.
West	East Oak Point, TX	West Oak Point, TX


NEIGHBORHOOD DEMOGRAPHICS

The subject is located in census tract 0201.08 with the census report shown on the following page. The census tract report from 2021 (the most recent year) for 0201.08 indicates 15,353 people reside in the tract and income levels are in the upper tier with estimated median family incomes of \$135,227 compared to a Dallas-Plano-Irving MSA estimated median family income of \$89,000. Within census tract 0201.08, approximately 86% of housing units are owner-occupied with 13% being renter-occupied and 1% are vacant. These housing and demographic statistics indicate upper-middle class residents who tend to live in single-family homes that are newer as the median house age is only 8 years.

Census Tract 0201.08 Map



Tract 0201.08 Census Report



2021 FFIEC Geocode Census Report

Address: Selected Tract
MSA: 19124 - DALLAS-PLANO-IRVING, TX
State: 48 -
County: 121 - DENTON COUNTY
Tract Code: 0201.08

Summary Census Demographic Information

Tract Income Level	Upper
Underserved or Distressed Tract	No
2021 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$89,000
2021 Estimated Tract Median Family Income	\$135,227
2010 Tract Median Family Income	\$108,109
Tract Median Family Income %	151.94
Tract Population	15353
Tract Minority %	46.30
Tract Minority Population	7108
Owner-Occupied Units	4090
1- to 4- Family Units	4758

Census Income Information

Tract Income Level	Upper
2010 MSA/MD/statewide non-MSA/MD Median Family Income	\$71,149
2021 FFIEC Estimated MSA/MD/non-MSA/MD Median Family Income	\$89,000
% below Poverty Line	4.23
Tract Median Family Income %	151.94
2010 Tract Median Family Income	\$108,109
2021 Estimated Tract Median Family Income	\$135,227
2010 Tract Median Household Income	\$106,495

Census Population Information

Tract Population	15353
Tract Minority %	46.30
Number of Families	4049
Number of Households	4694
Non-Hispanic White Population	8245
Tract Minority Population	7108
American Indian Population	99
Asian/Hawaiian/Pacific Islander Population	571
Black Population	3645
Hispanic Population	2316
Other/Two or More Races Population	477

Census Housing Information

Total Housing Units	4758
1- to 4- Family Units	4758
Median House Age (Years)	8
Owner-Occupied Units	4090
Renter Occupied Units	604
Owner Occupied 1- to 4- Family Units	4090
Inside Principal City?	NO
Vacant Units	64

DEMOGRAPHIC SUMMARY

Analytics from CoStar of the area is provided below. Within a 10-mile radius of the subject there are almost 500,000 people which represents an 81% increase (5.07% annual increase) in population since 2010 and highlights the strong growth and movement into areas around Little Elm that has occurred. The population growth is expected to continue its strong pace in coming years and grow another 23.1% (4.24% per year) in the next five years. The median age of the same area is 36.8, compared to the median age nationally of 38.2 which indicates a relatively young labor supply pool. Median household incomes in the 10-mile radius are well-over \$100,000.

Population			
	2 mile	5 mile	10 mile
2010 Population	18,829	83,090	271,261
2022 Population	39,880	156,975	490,855
2027 Population Projection	49,409	193,440	604,262
Annual Growth 2010-2022	9.3%	7.4%	6.7%
Annual Growth 2022-2027	4.8%	4.6%	4.6%
Median Age	34.4	35.8	36.8
Bachelor's Degree or Higher	44%	47%	49%

Income			
	2 mile	5 mile	10 mile
Avg Household Income	\$134,114	\$144,737	\$138,932
Median Household Income	\$114,684	\$120,364	\$114,216
< \$25,000	464	2,841	10,248
\$25,000 - 50,000	976	3,942	18,008
\$50,000 - 75,000	1,925	6,730	23,084
\$75,000 - 100,000	2,004	6,443	22,166
\$100,000 - 125,000	2,203	7,758	21,582
\$125,000 - 150,000	1,717	6,103	18,127
\$150,000 - 200,000	2,129	8,106	25,143
\$200,000+	1,908	10,628	33,199

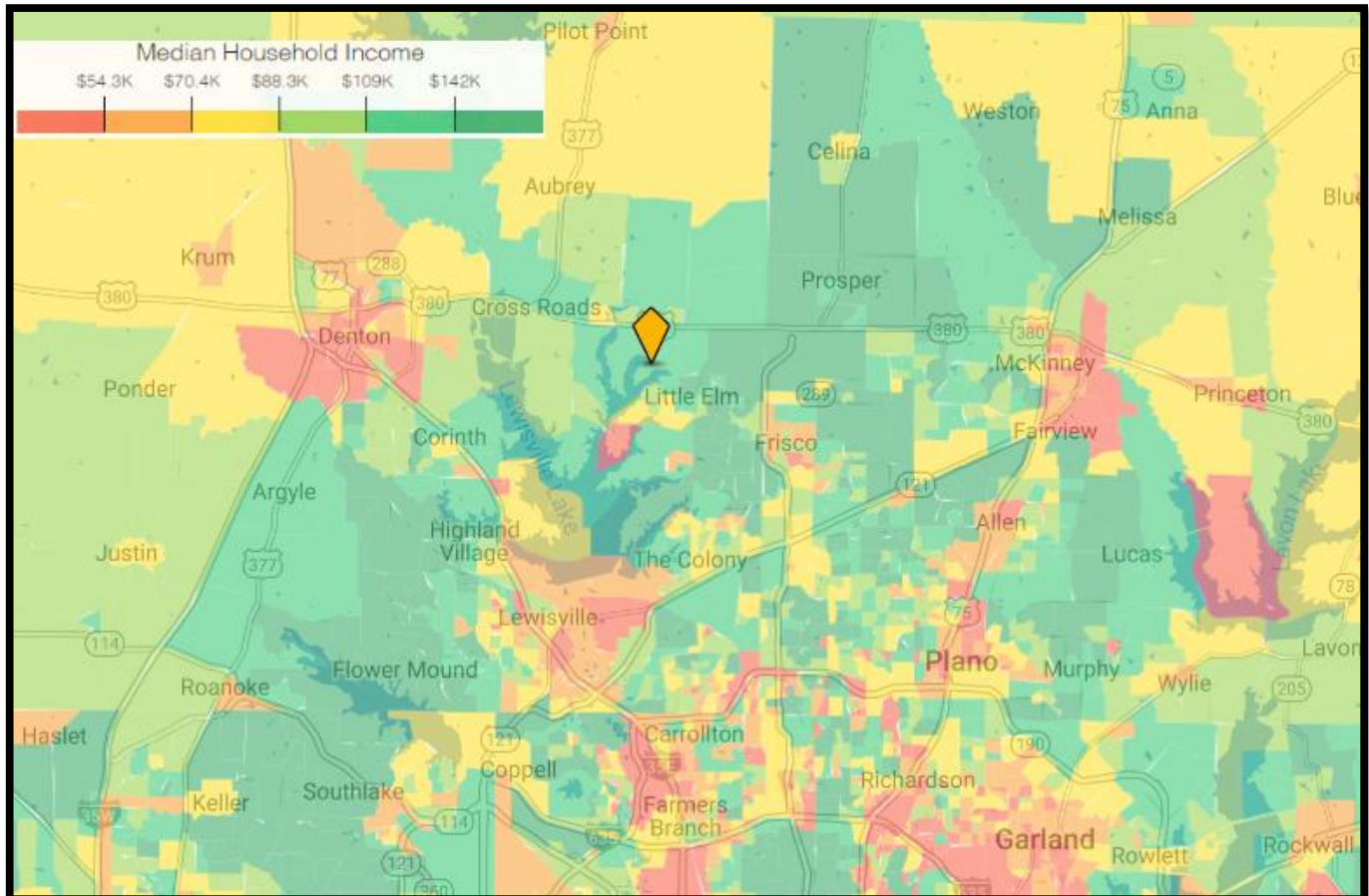
EMPLOYMENT DATA

A table of the 5-mile radius employment figures are shown below. The numbers highlight the area's diverse economy with thousands of employees taking part in the diverse economy of the DFW area.

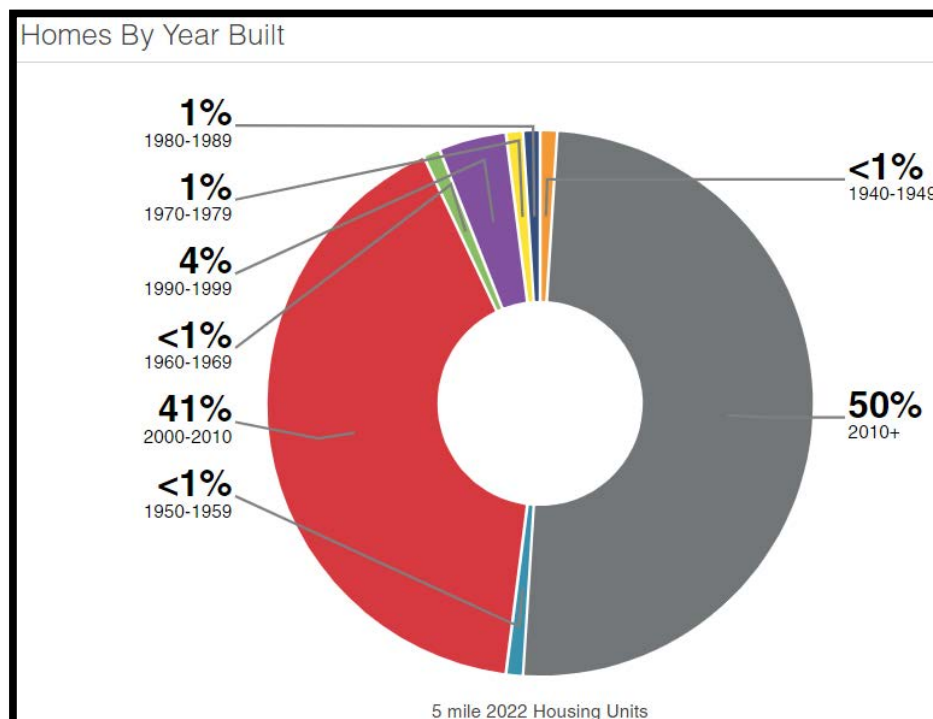
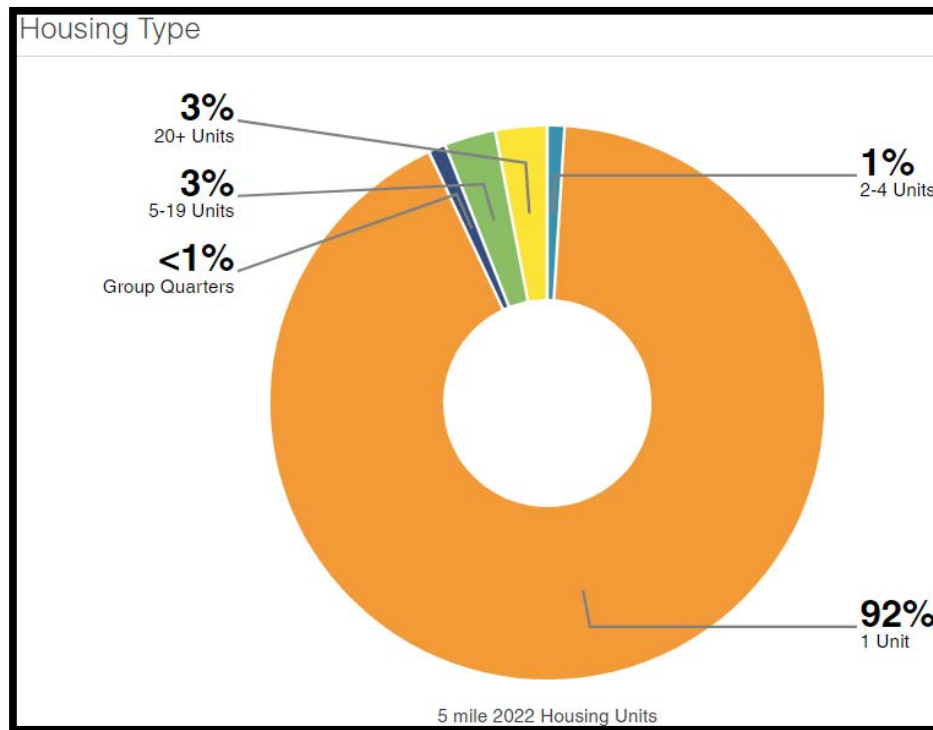
Daytime Employment			
Radius	5 mile		
	Employees	Businesses	Employees Per Business
Service-Producing Industries	18,539	2,716	7
Trade Transportation & Utilit...	3,135	358	9
Information	301	40	8
Financial Activities	1,448	352	4
Professional & Business Se...	1,628	394	4
Education & Health Services	6,145	869	7
Leisure & Hospitality	3,967	330	12
Other Services	1,699	343	5
Public Administration	216	30	7
Goods-Producing Industries	1,561	347	4
Natural Resources & Mining	20	10	2
Construction	1,219	292	4
Manufacturing	322	45	7
Total	20,100	3,063	7

CoStar Analytics – Map of Median Household Income

As indicated by the map below, median incomes in DFW tend to be higher in suburban areas outside the population centers in Dallas, Fort Worth, and Denton. This is especially true in areas north of Dallas where affluent communities have concentrated for the past few decades.



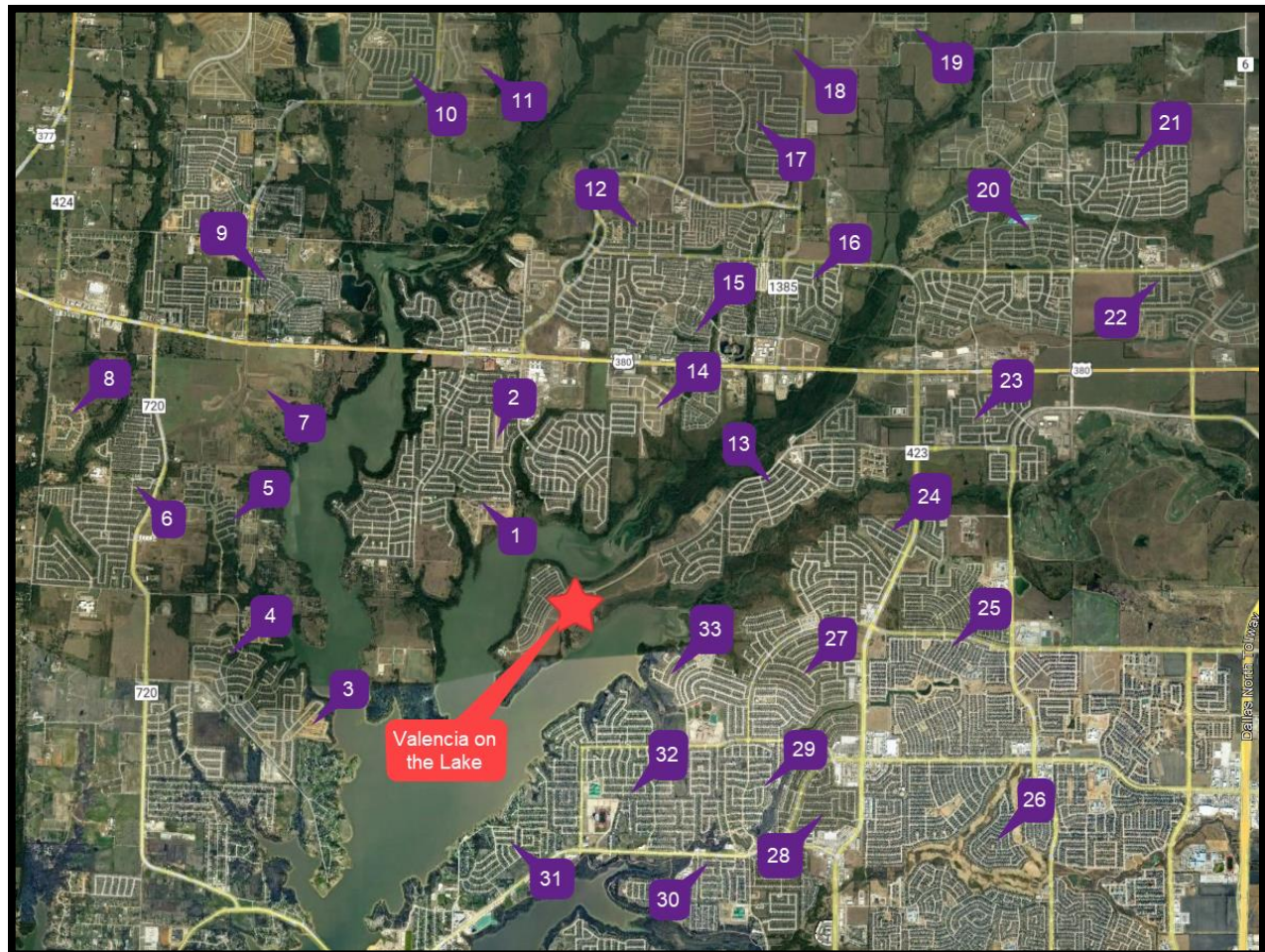
CoStar Analytics - Average Home Values and Homes by Year Built (5-Mile Radius)



The vast majority (89%) of housing in the 5-mile radius consists of single unit housing stock. In addition, most housing in the area (63%) are homes that were built after 2000. This is consistent with the growth stage of the surrounding area which has experienced numerous residential subdivision development in recent years. The subject property is detached single-family housing that is consistent with the surrounding area.

Map of Notable Nearby Developing Residential Subdivisions

A map of some notable built-out and developing single-family residential subdivisions is shown below which highlights the similar and conforming uses around the subject property.



MAP KEY

1	Northlake Estates	12	Union Park	23	Hollyhock
2	Paloma Creek	13	Frisco Hills	24	Frisco Ranch
3	Shahan Lakeview Estates	14	Linden Hills	25	Grayhawk
4	Wildridge	15	Windsong Ranch	26	The Fairways
5	Prairie Oaks	16	Glenbrooke Estates	27	Lakeview/Sunset Pointe
6	Cross Oak Ranch	17	ArrowBrooke	28	Eldorado Estate
7	Spiritas Ranch	18	Winn Ridge	29	Woodlake
8	Oak Hill Ranch	19	Sutton Fields	30	Glen Cove
9	Providence	20	Windsong Ranch	31	Lakewood Estates
10	Silverado	21	Artesia	32	Robinson Ridge
11	Enclave at Pecan Creek	22	Parks at Legacy	33	Sunset Pointe

ABSORPTION ANALYSIS

RESIDENTIAL ANALYSIS

The subject property is the Valencia PID No. 2 of a master-planned residential community – Valencia on the Lake – that has detached, single-family residences. The subject property is within the Town of Little Elm and is being developed by Landmark Interests for Centurion American. Centurion American is one of the largest developers of residential lots in the Metroplex. Since 1990, Centurion has developed over 100,000 single-family lots in dozens of communities in North Texas. Centurion has developed or is developing numerous similar PIDs recently such as Sutton Fields, Edgewood Creek, Mobberly Farms, Creeks of Legacy, Northlake Estates, and Winn Ridge to name a few nearby.

When analyzing the financially feasible and maximally productive use of the site, uses that are both physically possible and legally permissible must be considered. An important factor affecting development of the subject is the surrounding land usage. For the subject property, the primary potential use is single-family residential development as that conforms to recent land development in the surrounding area near the US 380 Corridor that runs from Denton to McKinney and near FM 423 which is the main north/south traffic carrier through Little Elm. The neighborhood is best described as the area south of US 380, west of the Dallas North Tollway, and north of Eldorado Pkwy./FM 720 (the presence of the Lewisville Lake and the fact the subject property is located on a peninsula means travel to the west must take a circuitous route but there are numerous residential developments on nearby peninsulas). The neighborhood is predominantly recently developed single-family residential subdivisions in all directions around the subject property. Approximately two miles north of the subject property US 380 runs west/east and several community commercial uses are located on this arterial traffic carrier. In addition to US 380, FM 423 to the east has numerous community commercial uses and Little Elm's central commercial area is located along this traffic carrier at the junction with Eldorado Pkwy.

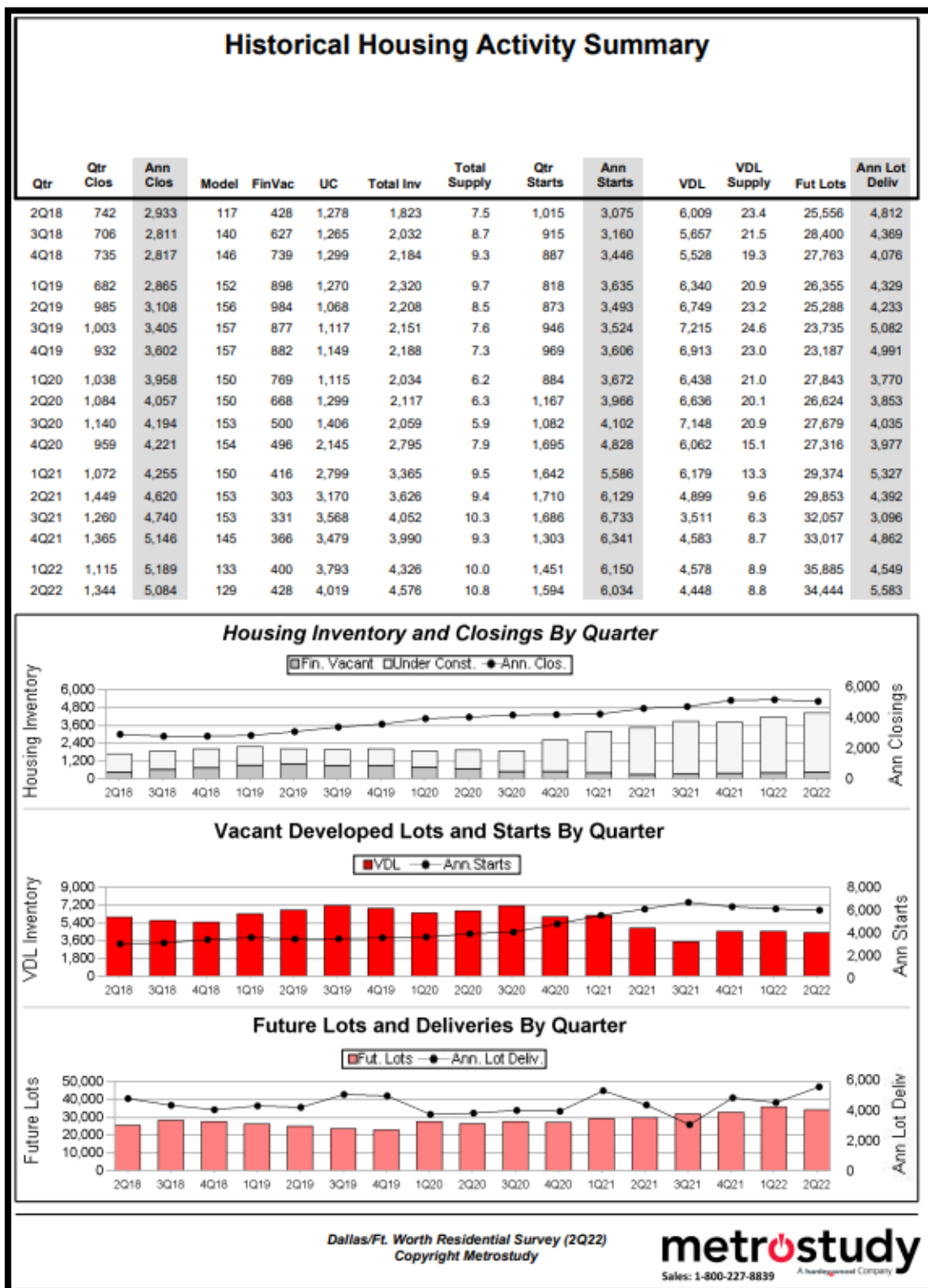
Since the recession in 2008, the residential real estate market in this area of North Texas has continuously and considerably improved. Low interest rates persisted nationally in 2020 and 2021 leading to significant price increases for single-family homes; however, interest rates are rising in 2022 with several interest rate increases already introduced. Still, with large numbers of in-migration from higher cost-of-living states, movement from urban to suburban locales, and an abundance of steady jobs, demand for residential real estate is expected to remain strong in the Metroplex, although sales may slow in the short-term due to inflation fears and higher interest rates for loan.

Demand for vacant developed lots (VDLs) for home builders is currently high; however, material shortages and the rising cost of labor were well-publicized in 2021 and contributed to an inflationary environment with higher development and building costs. Developable residential land in DFW with good access to Dallas is in high demand with developments moving ever further away from the Dallas CBD and highly developed areas of North Dallas where vacant land is scarce after decades of growth. The subject property – the Valencia PID No. 2 – is removed from the large Central Business Districts in the Metroplex but relatively new areas of Denton and Collin Counties where many young families have migrated when searching for safe neighborhoods, good schools, relatively affordable new homes, and desirable residential amenities. The subject property has average access as US 380 and the Dallas North Tollway are within a few miles of the development.

Based on the preceding, the proposed absorption of single-family home lots in the subject's neighborhood will be analyzed using historical absorption data provided by Zonda (Metrostudy) as well as information obtained from area market participants and developers. It is important to note that our absorption data is based on historical trends and current available data. We will analyze the historical trends and attempt to forecast the absorption rates based off data, analytics, and our conversations with developers in the market.

Valencia Public Improvement District No. 2

The following chart provided by Metrostudy summarizes historical lot absorption from the past several years for the defined market area around the subject property in northwest Little Elm near and northeast of Denton.

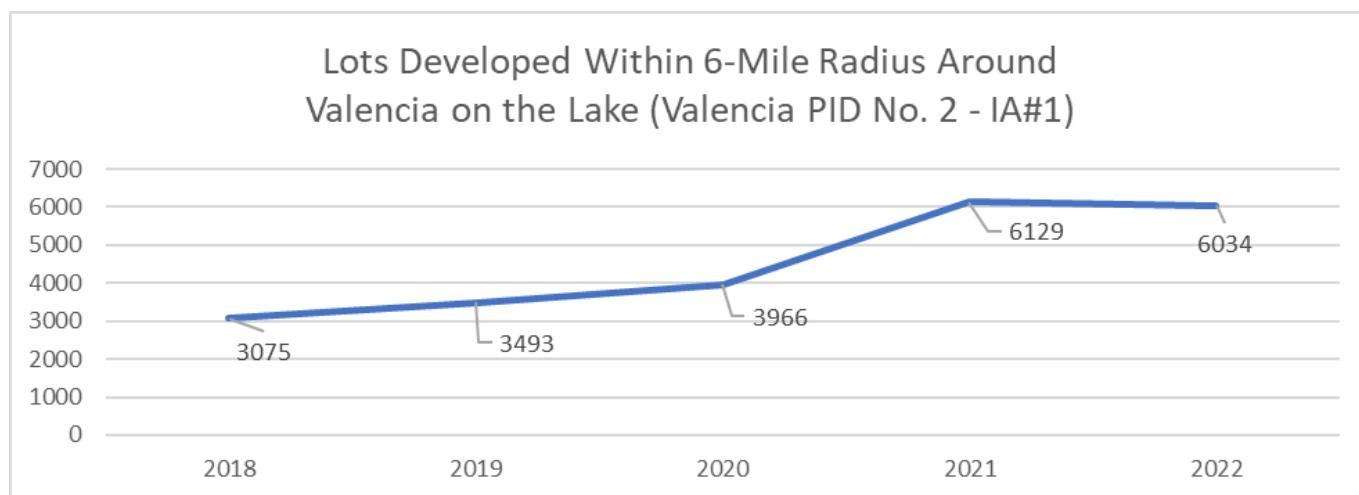


DEFINED SUBMARKET AREA

As shown in the previous chart, the absorption of lots (determined from home construction starts) within the selected area was stable yet consistently increasing from 2018 to 2020 before increasing substantially in 2021 and staying consistent in 2022. According to Zonda (Metrostudy), the selected area absorbed the following total homes/lots year-over-year from 2018 to 2022:

- 2Q2018 – 3,075 lots absorbed
- 2Q2019 – 3,493 lots absorbed
- 2Q2020 – 3,966 lots absorbed
- 2Q2021 – 6,129 lots absorbed
- 2Q2022 – 6,034 lots absorbed

From 2018-2022, the *annual average* of lots absorbed was 4,539. Utilizing the more recent 24-month absorption of lots (3Q2020 to 2Q2022), the annual average of lots absorbed almost increases to 6,082 lots absorbed in the area. We have compiled a graph of the lots absorbed over the past 5 years below:



COMPETITIVE SUPPLY (LOT INVENTORY)

According to Zonda, the existing supply of available housing is presently below ideal levels in the submarket as the number of vacant developed lots in the area has trended lower since 3Q2020 from a high of 7,148 to a present supply in 2Q2022 of 4,448. It should be noted this is a large radius – 6 miles – for such a developed single-family residential area but we determined prospective buyers would search subdivisions throughout Little Elm, North Frisco, Prosper, Aubrey, and Celina with a preference to be near the 380 Corridor which serves as a major east/west thoroughfare and has numerous newer master-planned communities and desirable commercial options.

Based upon the Metrostudy absorption figures of the past 5 years, there is currently only an approximately 12-month ($4,448 \text{ lots} / 4,539 \text{ annual starts} = 0.98\text{-years}$) total supply of existing lots available in the submarket. This total supply is considered to be well below the ideal lot supply levels of 2.0 to 2.5 years, per Zonda. Furthermore, when utilizing the more current 24-month absorption average of 6,082 annual starts, the total supply of existing lots available in the subject's defined area decreases further to only 8.7 months ($4,448 \text{ lots} / 6,082 \text{ annual starts} = \sim 0.73\text{-years}$), which is well below optimum lot supply levels in the submarket.

Thus, the total lot supply within the subject's submarket is estimated to be between $\sim 0.73\text{-}$ to $\sim 0.98\text{-years}$ (~ 9 to ~ 12 months). Currently, this total lot supply is considered to be considerably **below** the ideal supply levels for a

significantly developing market. Also, taking into consideration that new developments require a typical 12-to-18-month construction period, *with increasing demand and declining lot supply, it appears that additional lot product in the submarket is feasible and needed at the current time.* This corresponds to discussions we had with DFW homebuilders who state there is a scarcity of vacant developed lots currently on the market which is pushing prices higher.

Note: A threat to the pace of lot development is multiple interest rate increases the Federal Reserve enacted as a reaction to rising inflation. These interest rate increases were conducted to combat inflation and cool the hot markets; however, the effect for residential housing may be to price first-time buyers out of the single-family residential market. Supply chain issues stemming back to the COVID-19 Pandemic have also increased development costs which may limit starts on the vacant developed lots thus leading to lower VDL and future home supply, thus increasing home prices. In general, we believe the diverse local economy, strong in-migration, and relative stability of the North Texas real estate market will serve to smooth out more global economic trends.

Having considered the supply of lots in the market, it is now prudent to examine the absorption history of specific competing subdivisions in the subject's market area with similar lot features and amenities relative to the subject to determine the projected absorption of the subject's proposed lots. Since the subject property is being completed in two distinct phases with different completion dates, we have separated Phase 2B-2 from Phase 4.

ABSORPTION ANALYSIS – 60' LOTS (PHASE 2B-2)

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions, including the subject's subdivision, that are considered to compete with the subject's lots. All data is per Zonda as of 2Q2022.

60' Lots (Phase 2B-2)

We included data for lots that were between 55-64' as those lots will allow for a similar building footprint. We selected twelve comparable absorption schedules at nearby communities we concluded are similar to the subject.

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Valencia on the Lake	60'	4	85	12	0.6	7.1
Northwood Manor	55-64'	29	94	12	3.7	7.8
Paloma Creek	60-65'	1	37	12	0.3	3.1
Silverado	60'	31	56	12	6.6	4.7
Creeks of Legacy West	60'	2	71	12	0.3	5.9
Sandbrock Ranch	60'	73	76	12	11.5	6.3
Sutton Fields	60'	100	139	12	8.6	11.6
AVERAGE		34.3	79.7	12.0	4.5	6.6

Our analysis indicates Starts/Month is between 3.1 and 11.6 with an average of 6.6 starts/month with a median of 6.3 starts/month. We noted the development the subject is located within – Valencia on the Lake – absorbed 7.1 lots over the past year which is similar to the average in our sample. Considering this, we conclude **the subject property's 60' lots in Phase 2B-2 would likely absorb 7 lots/month, or approximately 21 lots per quarter.**

ABSORPTION ANALYSIS – 60’ AND 50’ LOTS (PHASE 4)

The similarities considered to be most important are lot size, home price range, and amenity features. The tables that follow detail the active subdivisions, including the subject’s subdivision, that are considered to compete with the subject’s lots. All data is per Zonda as of 2Q2022.

60’ Lots (Phase 4)

We expect Phase 4 to have a similar absorption rate as Phase 2B-2 as these lots share similar location and physical characteristics; thus, we have concluded **the subject property’s 60’ lots in Phase 4 would likely absorb 7 lots/month, or approximately 21 lots per quarter.**

50’ Lots (Phase 4)

We included data for lots that were each 50’ lots. Since data on 50’ lots is relatively plentiful, we selected nine comparable absorption schedules at nearby communities we concluded are similar to the subject.

Subdivision	Size (Foot Front)	Available Lots	Starts	Months	Available Supply (Months)	Starts /Month
Northlake Estates	50'	12	131	12	1.1	10.9
Prairie Oaks	50'	7	90	12	0.9	7.5
ArrowBrooke	50'	45	167	12	3.2	13.9
Windsong Ranch	50'	149	109	12	16.4	9.1
Union Park	50'	155	110	12	16.9	9.2
Creeks of Legacy West	50'	27	139	12	2.3	11.6
Enclave at Pecan Creek	50'	18	172	12	1.3	14.3
Winn Ridge	50'	6	213	12	0.3	17.8
Enclave at Oak Grove	50'	84	68	12	5.7	5.7
<i>AVERAGE</i>		<i>55.9</i>	<i>133.2</i>	<i>12.0</i>	<i>5.4</i>	<i>11.1</i>

Our analysis indicates Starts/Month is between 5.7 and 17.8 with an average of 11.1 starts/month with a median of 10.9 starts/month which is a strong indication the subject property's 50's would likely be absorbed at 11 units per month. We conclude **the subject property’s 50’ lots in Phase 4 would likely absorb 11 lots/month, or approximately 33 lots per quarter.**

ABSORPTION SUMMARY PROJECTIONS: PHASE 2B-2 AND PHASE 4

Phase 2B-2

We estimate that the 90 lots in Phase 2B-2 of the Valencia PID No. 2 will sell at 21 lots/quarter for 60' lots with absorption beginning September 1, 2022. A table of the absorption schedule is shown below:

Projected Quarterly Absorption Summary - Phase 2B-2 (90 Lots)						
<i>Lot Type</i>	<i>Sep-2022</i>	<i>Oct-2022</i>	<i>Jan-2023</i>	<i>Apr-2023</i>	<i>Jul-2023</i>	TOTAL
60' Lots	7	21	21	21	20	90
Total	7	21	21	21	20	90

The total absorption period for 60' lots is expected to be 13 months (90 lots ÷ 7 lots/months), and lots are also expected to sell out in September 2023.

Phase 4

We estimate that the 445 lots in Phase 4 of the Valencia PID No. 2 will sell at 21 lots/quarter for 60' lots and 33 lots/quarter for 50' lots with absorption beginning January 1, 2023. A table of the absorption schedule is shown below:

Projected Quarterly Absorption Summary - Phase 4 (445 Lots)						
<i>Lot Type</i>	<i>Jan-2023</i>	<i>Apr-2023</i>	<i>Jul-2023</i>	<i>Oct-2023</i>	<i>Jan-2024</i>	<i>Apr-2024</i>
50' Lots	33	33	33	33	33	33
60' Lots	21	21	21	21	21	1
Total	54	54	54	54	54	34

►►	<i>Jul-2024</i>	<i>Oct-2024</i>	<i>Jan-2025</i>	<i>Apr-2025</i>	<i>Jul-2025</i>	TOTAL
	33	33	33	33	9	339
	-	-	-	-	-	106
	33	33	33	33	9	445

The total absorption period for 60' lots is expected to be 16 months (106 lots ÷ 7 lots/months), and lots are also expected to sell out in April 2024. The total absorption period for 50' lots is expected to be 31 months (339 lots ÷ 11 lots/month), and lots are expected to sell out in July 2025.

SUBJECT PROPERTY ANALYSIS

The subject property (Valencia PID No. 2) is located in Little Elm just south of US 380 and on a peninsula in the along the north shores of Lewisville Lake. The location is in eastern Denton County and approximately 30 miles northwest of Dallas in the DFW Metroplex. The area surrounding the subject property is primarily suburban and has been and is developing with large master-planned communities.

The subject property is located in the Valencia on the Lake residential subdivision and the Valencia PID No. 2 represents a total of approximately 189.257 acres which will be developed into 196 – 60' lots and 339 – 50' lots. Hundreds of other lots have been developed since the community began development in 2015. These previously developed lots are surrounding the lots under construction that are the subject on this appraisal report and share the same amenities for the Valencia on the Lake subdivision. Amenities which are developed or being developed in Valencia on the Lake include: a swimming complex with two pools, lakeside clubhouse with exercise room and ballroom, basketball/tennis court, beach volleyball courts, playgrounds, and a trail system along Lewisville Lake.

Valencia PID No. 2 will contain the following direct phase improvements:

IMPROVEMENT PLAN

The following general descriptions of the subject's characteristics are based on review of available maps and data sources, as well as our physical on-site observations. Please refer to copies of the maps, photographs, and renderings for a visual perspective of the subject's physical characteristics.

VALENCIA PID NO. 2 IMPROVEMENTS

The actual costs for the subject property are to be funded from the proceeds of the Valencia PID No. 2 bonds and from funds contributed by the Developer as described in the Service and Assessment Plan produced by MuniCap, Inc. A description of the improvements to the PID are as follows:

Roadway Improvements

The roadway improvements within the PID consist of the construction of roadway improvements, including related paving, excavation, drainage, curbs, gutters, sidewalks, retaining walls, signage, traffic control devices, and right-of-way which benefit the Assessed Property. All roadway projects will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Water Improvements

The water improvements within the PID consist of construction and installation of a looped water main network, which includes waterlines, valves, fire hydrants, and appurtenances, necessary for the water distribution system that will service the Assessed Property. The water improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Sanitary Sewer Improvements

Onsite:

The onsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, and appurtenances necessary to provide sanitary sewer service to Assessed Property. The onsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Valencia Public Improvement District No. 2

Offsite:

The offsite sanitary sewer improvements within the PID consist of construction and installation of various sized sanitary sewer pipes, service lines, manholes, encasements, appurtenances, and a lift station necessary to provide sanitary sewer service to Assessed Property. The offsite sanitary sewer improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and operated by the Town.

Storm Drainage Improvements

The storm drainage improvements within the PID consist of reinforced concrete pipes, reinforced concrete boxes, multi-reinforced box culverts, junction boxes, inlets, headwalls, and appurtenances which benefit the Assessed Property. The storm drainage collection system improvements will be designed and constructed in accordance with Town standards and specifications and will be owned and maintained by the Town.

Soft and Miscellaneous Costs

The soft and miscellaneous costs within the PID consist of engineering and surveying, project management fees, contingency, district formation, and other soft and miscellaneous costs.

The Preliminary Service & Assessment Plan (PSAP) published by MuniCap, Inc. reported the following budgeted costs for the improvements in the PID which were provided by the project engineer, Barraza Consulting Group, LLC.

Description	Total
Roadway improvements (including right-of-way)	\$6,692,479
Water improvements	\$1,673,302
Sanitary sewer improvements:	
Onsite sanitary sewer improvements	\$1,367,548
Offsite sanitary sewer improvements	\$891,510
Storm drainage improvements	\$1,420,022
Other soft and miscellaneous costs	\$2,286,596
Total Authorized Improvements	\$14,331,457

UTILITIES

Electricity to the property is maintained by CoServ. Natural gas will be provided by Atmos Energy. Water and sanitary sewer services will be provided by the Town of Little Elm. The subject property is served by the Little Elm Police Department and the Little Elm Fire Department for fire, and emergency medical services. Telephone, fiber-optic, and internet is available through a variety of providers such as AT&T, Spectrum, T-Mobile, Verizon, Optimum, EarthLink, and Nextlink.

EASEMENTS/ENCROACHMENTS

Based our physical site visit, and review of available maps of surrounding area it is reasonable to suspect that there are typical setbacks and easements that exist on the property which have been approved by the Town of Little Elm. The appraisers assume the property is free from any detrimental easements or encroachments and specifically reserves the right to alter the conclusion of this analysis should a survey be provided that indicates detrimental easements or encroachments.

STREETS & ACCESSIBILITY

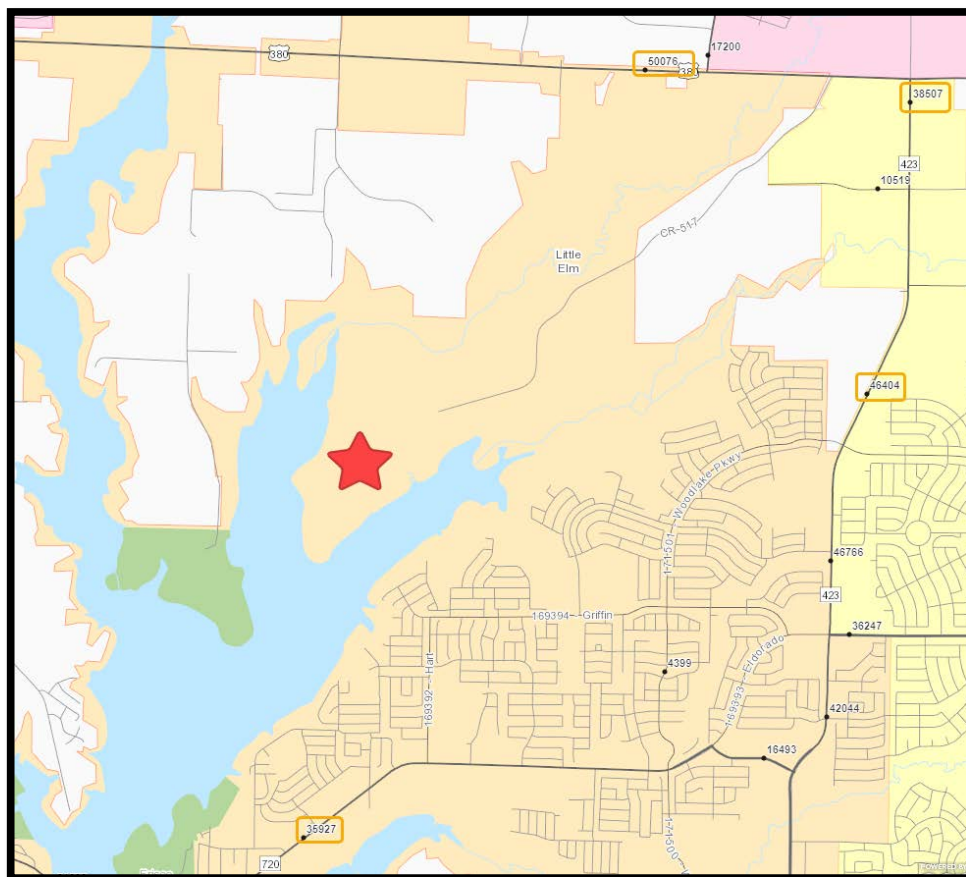
The subject property is accessed by Rockhill Pkwy. which is a 4-lane concrete-paved collector road with storm sewers and concrete curbs. Rockhill Pkwy. is median-divided with streetlights and median cuts. Rockhill Pkwy. extends onto the peninsula within Lewisville Lake that is primarily developed with the Valencia on the Lake residential subdivision. Overall, the subject property has average accessibility as it is within two miles of two arterial traffic carriers but approximately 5 miles from a freeway (Dallas North Tollway).

Rockhill Pkwy. extends to the east toward a signalized intersection with FM 423 which runs north/south. FM 423 is a 6-lane concrete-paved arterial road with concrete curbs and storm sewers. FM 423 has a grass median with streetlights and has dedicated left and right turn lanes as well as numerous signalized intersections.

North of the subject property, US Highway 380 (US 380) runs east/west and is another arterial traffic carrier in the area. Similarly to FM 423, US 380 is a 6-lane concrete-paved arterial road with concrete curbs and storm sewers. There is no median on US 380 and a center lane is utilized by traffic turning left.

A map below from TXDOT shows traffic counts from 2021 near the subject property. US 380 which is a major has over 50,000 average daily vehicles and FM 423 reports approximately 46,000 average daily vehicles. To the south closer to the center of Little Elm, Eldorado Pkwy. has over 35,000 average daily vehicles.

TXDOT Traffic Web Viewer



ZONING AND RESTRICTIONS

Development of the subject property is subject to the Town of Little Elm's subdivision regulations and uniform engineering design standards. The Town has passed a Development Agreement (initially approved in June 2006) for The Valencia PID No. 2 (Valencia on the Lake) and has zoned the site as a Planned Development (PD) for single-family uses with a base zoning for SF-4 Single-Family 4 District ("SF-4"). This zoning classification sets forth requirements and standards for residential development for the subject property. According to the Town of Little Elm Code of Ordinances (Sec. 106.03.02), the purpose of the SF-4 district is to allow single-family detached dwellings on lots of not less than 6,000 square feet. Notable development standards include:

- Maximum height – 35'
- Minimum front yard setback – 25'
- Minimum side yard setback – 6'
- Minimum rear yard setback – 20'
- Minimum lot area – 6,000-SF
- Minimum floor area – 1,200-SF

The proposed lot construction appears to be a conforming land use. An excerpt from the Town of Little Elm Zoning Map is shown below. The orange shaded area is the Valencia on the Lake residential subdivision.

TOWN OF LITTLE ELM ZONING MAP

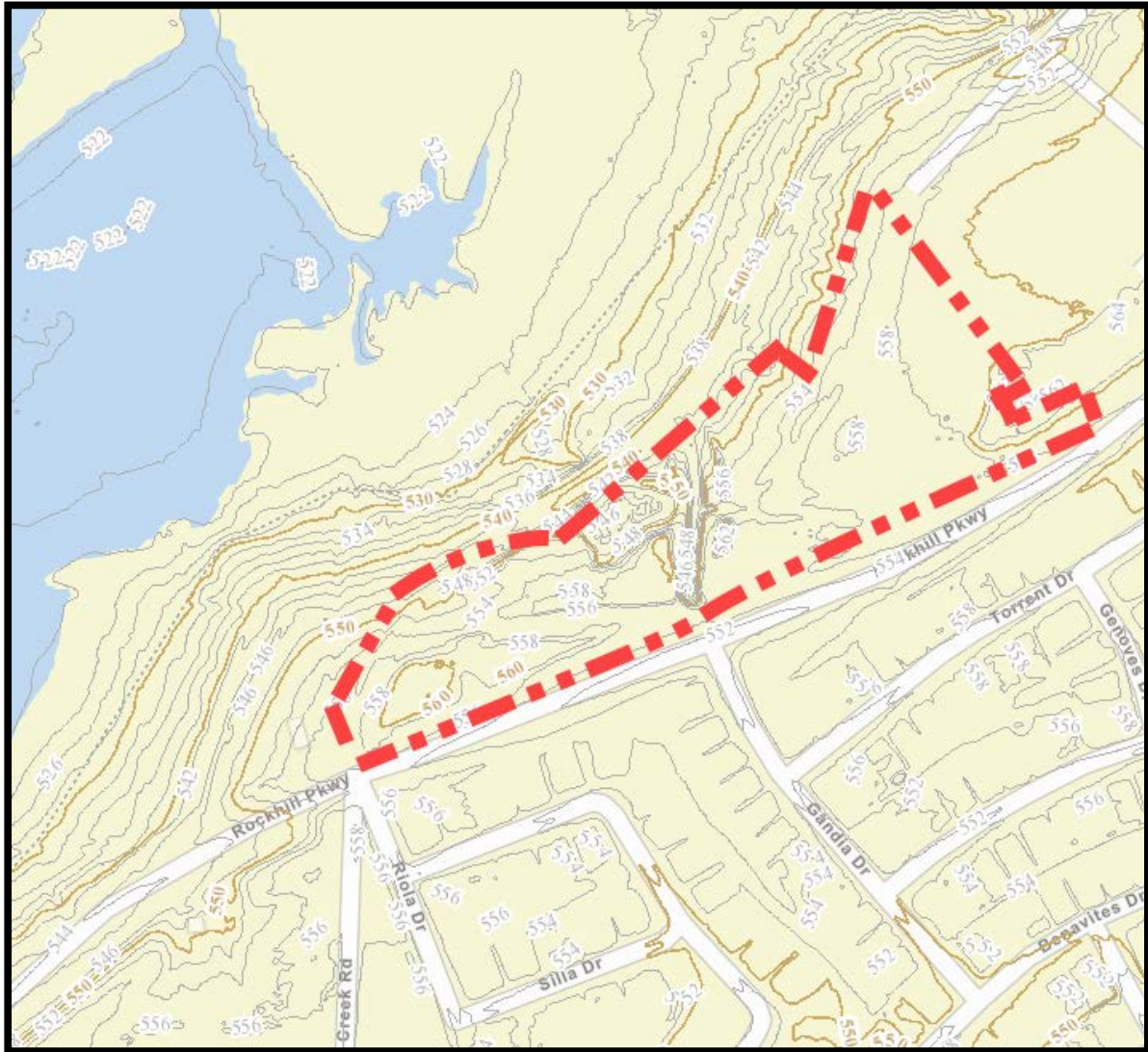


TOPOGRAPHY – PHASE 2B-2

The topography of Phase 2B-2 is now described as gently sloping and is currently fully cleared with retaining walls installed in where the improved lots sit above the floodplain created by Doe Branch and Lewisville Lake. As of the report date, Phase 2B-2 has substantially construction approval imminent. Thus, these topographic maps showing the contours are out-of-date as the site has been improved for single-family homes with streets, storm sewer, and utilities in place. Topographic information is provided by the DFWMaps.com.

TOPOGRAPHIC MAP

Contours At 2'; Bold at 10'

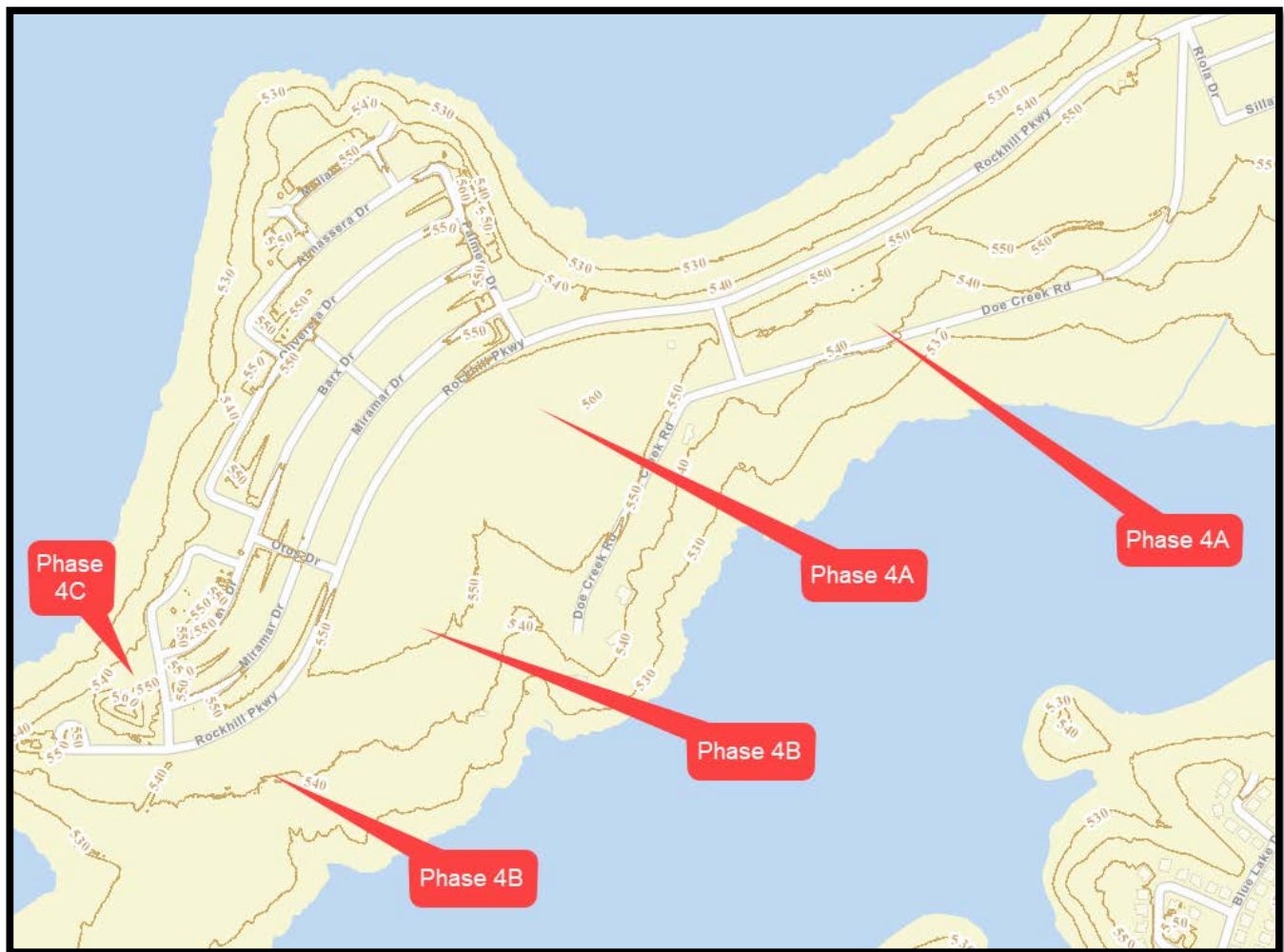


TOPOGRAPHY – PHASE 4

The topography of Phase 4 is also described as gently sloping and is currently fully cleared. Phase 4 is under construction with substantial construction completion expected in 4Q2022. Thus, these topographic maps showing the contours are out-of-date as the site has been improved for single-family homes with streets, storm sewer, and utilities in place. Topographic information is provided by the DFWMaps.com.

TOPOGRAPHIC MAP

Contours At 10'



SOIL AND SUB-SOIL CONDITIONS

No soil engineer's report was available to the appraisers and no recent soil tests are known to have been performed. We have assumed a stable soil condition that would ensure the structural integrity of any improvement which is nor or may be constructed. As of the report date the developer has excavation and earthwork underway. Our value conclusions are subject to revision should assumptions that land is stable prove incorrect. We caution and advise the user of this report to obtain engineering studies which may be required to ascertain any structural integrity.

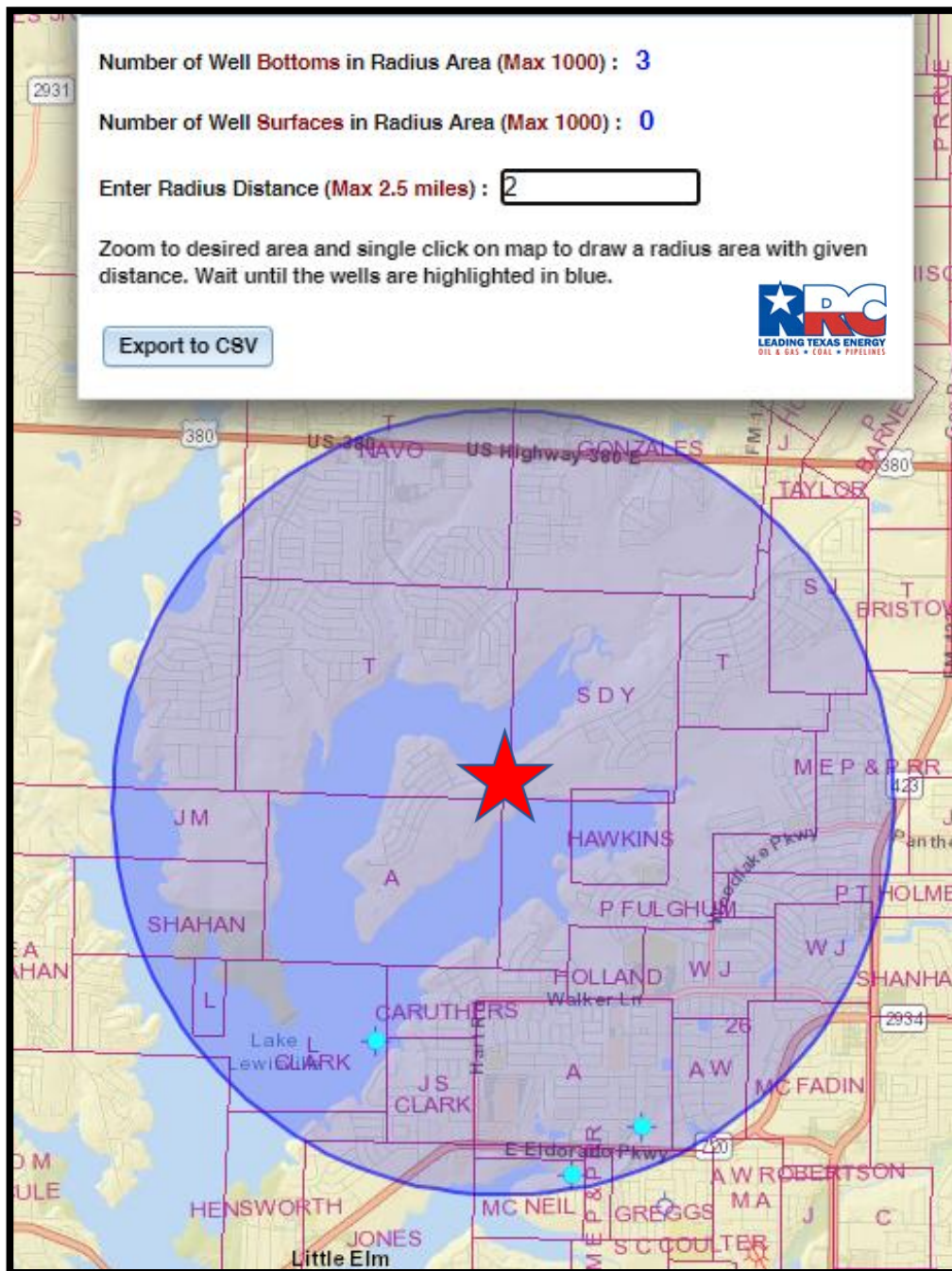
FEMA FLOOD ZONE

The Valencia PID No. 2 is entirely within FEMA Flood Zone X (minimal chance flood hazard) according to Map 48121C0410G, effective 4/18/2011. There does not appear to be a flood zone that would be detrimental to the development of the subject property. There is floodplain to the west of the development, but the developer has not placed improvements in the subject property.

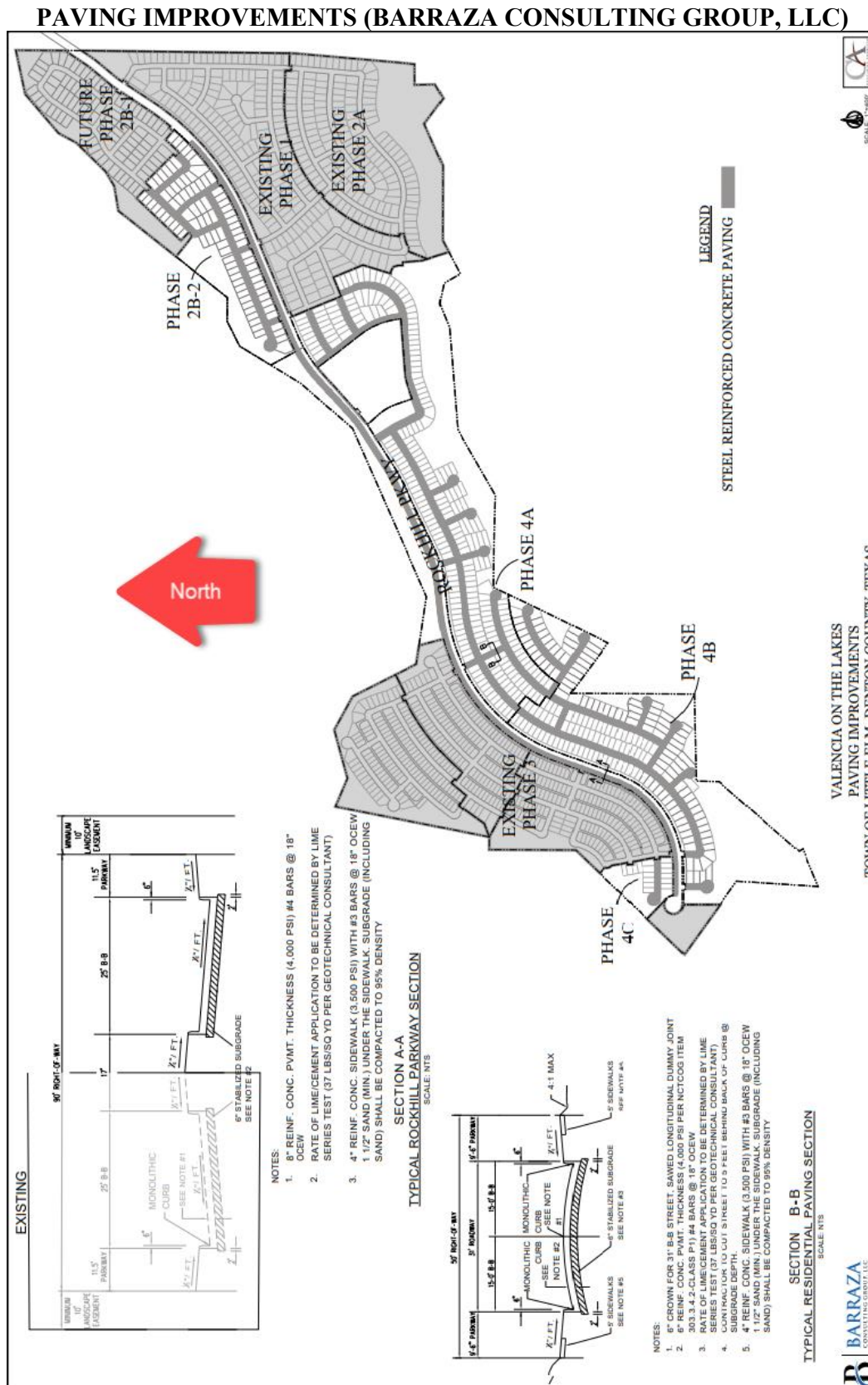
FLOODPLAIN MAP

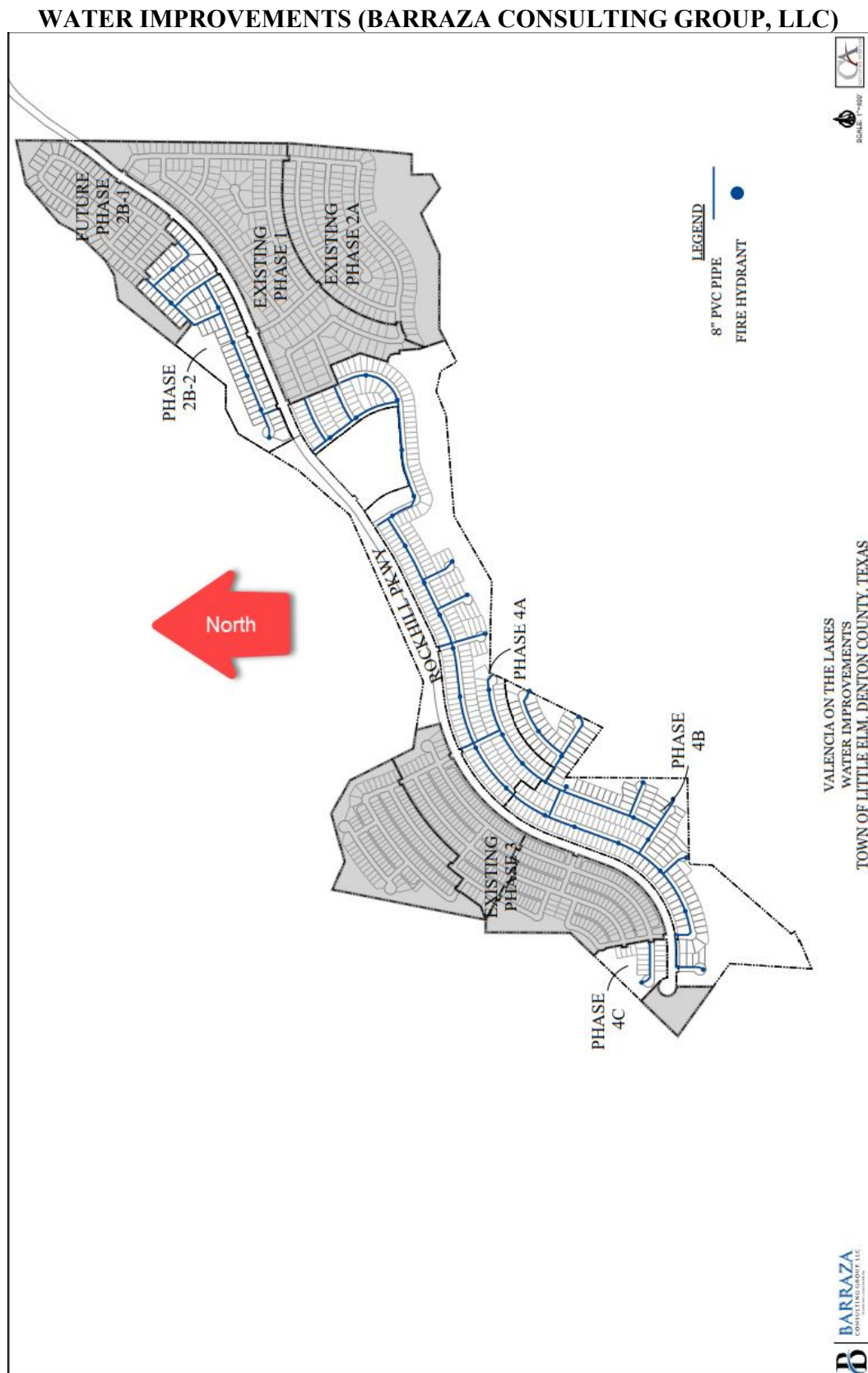


**OIL AND GAS WELLS
Texas Railroad Commission**

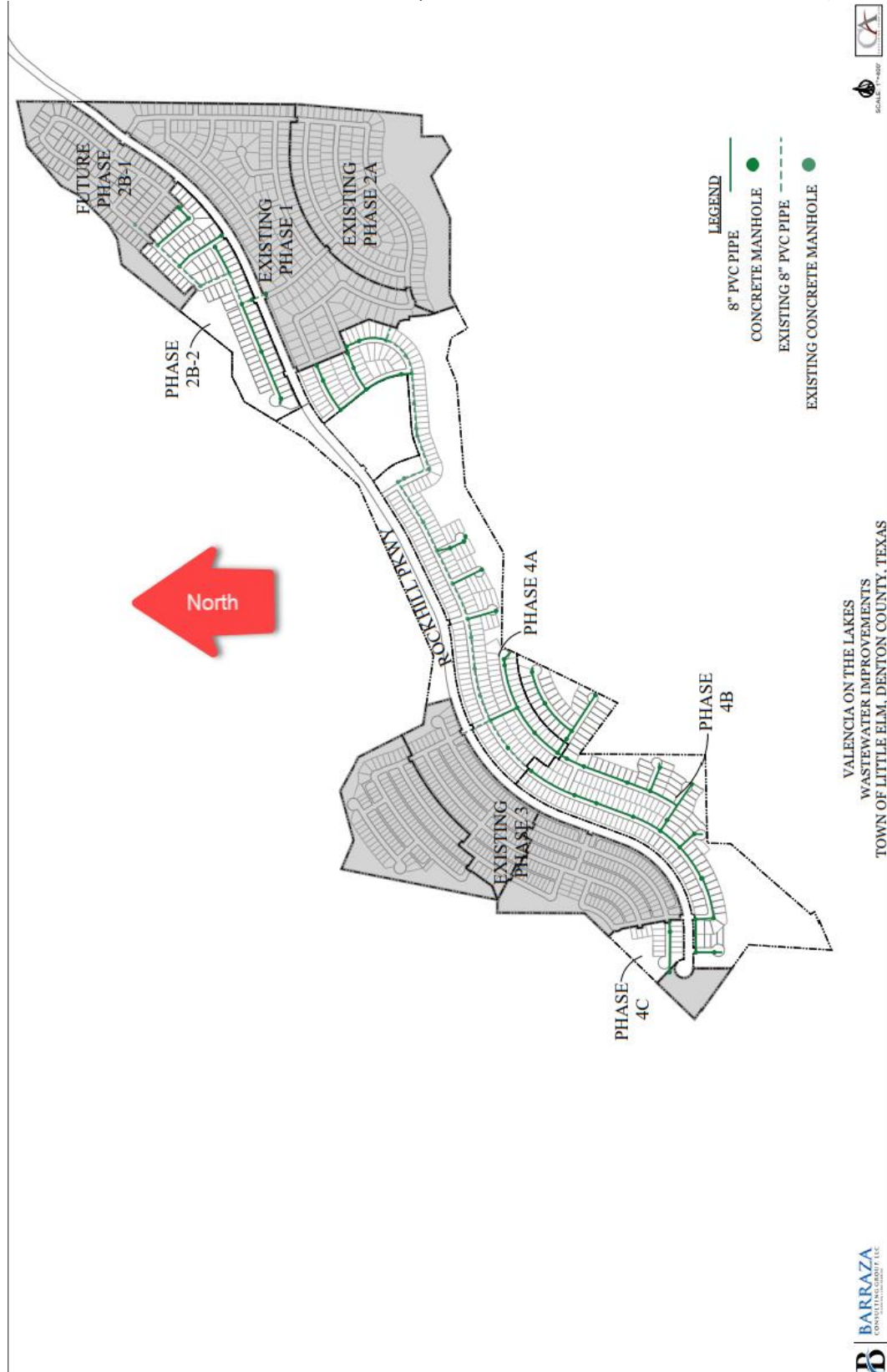


There are no well surface sites and three well bottom sites within 2 miles from the subject; however, this area of the Metroplex is not active with mineral extraction as each of the three well bottom sites are classified as Dry Holes. The subject site does not appear to be encumbered by any detrimental restrictions due to the proximity to surface or subsurface well locations.





WASTEWATER IMPROVEMENTS (BARRAZA CONSULTING GROUP, LLC)



PROPERTY PHOTOGRAPHS



Entrance to Valencia on the Lake



Phase 2B has Improved Lots Complete



Looking Northeast Along Home Above Doe Branch in Phase 2B



Existing Phase 1 in Background Behind Developed Lots in Phase 2B



Improved Lots in Phase 2B with Significant Fall Toward Doe Branch Below



ROW in Phase 2B



View Across Completed 60' Lots in Phase 2B which Back to Doe Branch



Improved Lots in Phase 2B with Significant Fall Toward Doe Branch Below



Improved Lots in Phase 2B with Significant Fall Toward Doe Branch on Right



Walled Entrance to Phase 2B



View Looking Southwest Along Rockhill Pkwy.



View Northeast Along Rockhill Pkwy. which is 4-lane Collector Street with Landscaped Median



Phase 4A Under Construction



Earthwork Underway in Phase 4



Entrance to Portion of Phase 4A Showing Privacy Walls are Installed



Future Roadway in Phase 4A



View From Phase 4A Toward Lewisville Lake



View Across Phase 4A Under Construction



Concrete Hike/Bike Trail Under Construction in Phase 4A



Lewisville Lake Beyond Concrete Hike/Bike Trail



Concrete Trail Under Construction Along Lewisville Lake



View From Future ROW in Phase 4A



View South Toward Lewisville Lake From Phase 4



View South Toward Lewisville Lake From Phase 4A



View East From Phase 4A Toward Phases 1 & 2A



View Looking Southwest Across Phase 4A



View of Phase 4C Under Construction



View of Phase 4B Under Construction Looking Toward
Lewisville Lake



Phase 4B Under Construction



Phase 4 on Right with Existing Phase 3 Under Construction



Phase 4B Under Construction on Right



View Southwest Along Rockhill Pkwy.



View Northeast Along Rockhill Pkwy. which is 4-lane Collector Street with Landscaped Median and Turn-Lanes



View East Along Rockhill Pkwy. Toward Existing Phase 1



Clubhouse near Westernmost Point on Peninsula



Clubhouse near Westernmost Point on Peninsula



Tennis Court at Amenity Center



Sand Volleyball Court at Amenity Center



Lap Pool at Amenity Center - 2 Pools at Amenity Center

HIGHEST AND BEST USE

The highest and best use may be defined as the most profitable or likely profitable legal use for which a property may be utilized. The opinion of such use may be based on the highest and most profitable continuous use to which the property is adapted and needed, or likely to be in demand in the reasonably near future. Also, that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, is found to be:

- | | |
|------------------------|-------------------------|
| a. Physically Possible | c. Financially Feasible |
| b. Legally Permissible | d. Maximally Productive |

The definition, immediately above, applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

There are two distinct types of highest and best use, that being the highest and best use as if the site were vacant, and the highest and best use as improved. Both use determinations require consideration of the physical, legal, financial feasibility and maximal productivity for the site and improvements.

Highest and Best Use Analysis

Highest and Best Use “As-Vacant”

Physically Possible

Considering the subject’s physical characteristics including jurisdiction, location, size, shape, and availability of utilities, the site is capable of numerous uses which are physically possible without being constrained by the property itself.

Legally Permissible

The subject property is within the Town of Little Elm within a Planned Development with a base zoning of SF-4 for detached single-family uses.

No private deed restrictions were uncovered during a normal investigation, which would further limit the potential uses of the subject site. No other legal restrictions or covenants were found to be imposed on the subject property at the time of the appraisal which would further restrict development.

Given surrounding land use patterns in the area, only detached single-family residential use is given further consideration in determining the highest and best use of the site as vacant.

Financially Feasible

In order to be economically feasible, the improvements should conform to the surrounding land uses. To meet the test of being financially feasible, the project must provide a net return over a reasonable period of time. The area surrounding the subject property is suburban and development of the surrounding area has accelerated considerably over the past decade as development north of Dallas and Fort Worth has quickened. Developers and home builders have moved further away from the center of the Metroplex and the areas surrounding the subject property are being developed with middle-to-upper class housing stock. Zonda reports the average base

price for a home in this vicinity has increased in the past year from \$547,223 to \$655,157, a 19.7% increase while the price per square foot of a home increased from \$198.42 to \$236.25, or 19.1%, in the past year. This was driven by strong demand due to relatively low interest rates and low supplies of housing stock.

Based on our analysis of the market, there is currently ample demand for single-family residential use in the subject's area. It appears that a newly developed single-family residential use on the site would have a value commensurate with its cost. Therefore, single-family residential use is considered to be financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the subject property that would generate a high residual land value than single-family residential use. Accordingly, it is our opinion that single-family residential use, developed to the normal market density allowed by the planned development is the maximally productive use of the property.

The resilient business climate in North Texas and the continual development of neighborhoods near US 380 has created increased demand for homes in the area. Coupled with increasing movement into DFW and Denton County in particular, it is our opinion that the highest and best use of the property "as vacant" would be for the development of single-family residential community. Thus, the highest and best use of the property "as-vacant" is for development of detached, single-family residential uses.

Highest and Best Use "As-Improved"

Development of the subject property, as proposed utilizing our extraordinary assumptions, is the only use that meets the four tests of highest and best use. Therefore, we conclude that the highest and best use of the property "as-improved" is similar to our conclusion "as-vacant" which is for detached, single-family residences.

We believe that the **most probable buyer** would be a developer or homebuilder of large single-family communities who is active in the DFW market.

VALUATION

Three approaches to value are typically considered when developing a market value opinion for real property. These are the Cost Approach, the Sales Comparison approach, and the Income (Capitalization) approach. Use of the approaches in this assignment is summarized as follows:

<i>Approach</i>	<i>Applicability to Subject</i>	<i>Use in Assignment</i>
Cost Approach	<i>Not Appropriate Since Much of the Valencia on the Lake Community is Built-Out</i>	<i>Not Utilized</i>
Income (Subdivision Development) Approach	<i>Appropriate in Determining Residential Subdivision Value</i>	<i>Utilized</i>
Sales Comparison Approach	<i>Aspects Used in Subdivision Valuation</i>	<i>Partially Utilized</i>

Residential Subdivision (535 Lots)

Cost Approach

The Cost Approach provides information that contrasts with information from the Income Capitalization and Sales Comparison Approaches. It allows the appraiser to address the feasibility and highest and best use issues inherent in new construction. This approach is most beneficial when appraising a proposed or recently built project and is typically used when units make up a substantial portion of the entire project. Since the subject property has had multiple phases developed in previous years and much of the major improvements are in-place, *the Cost Approach is not the most appropriate and thus was not utilized.*

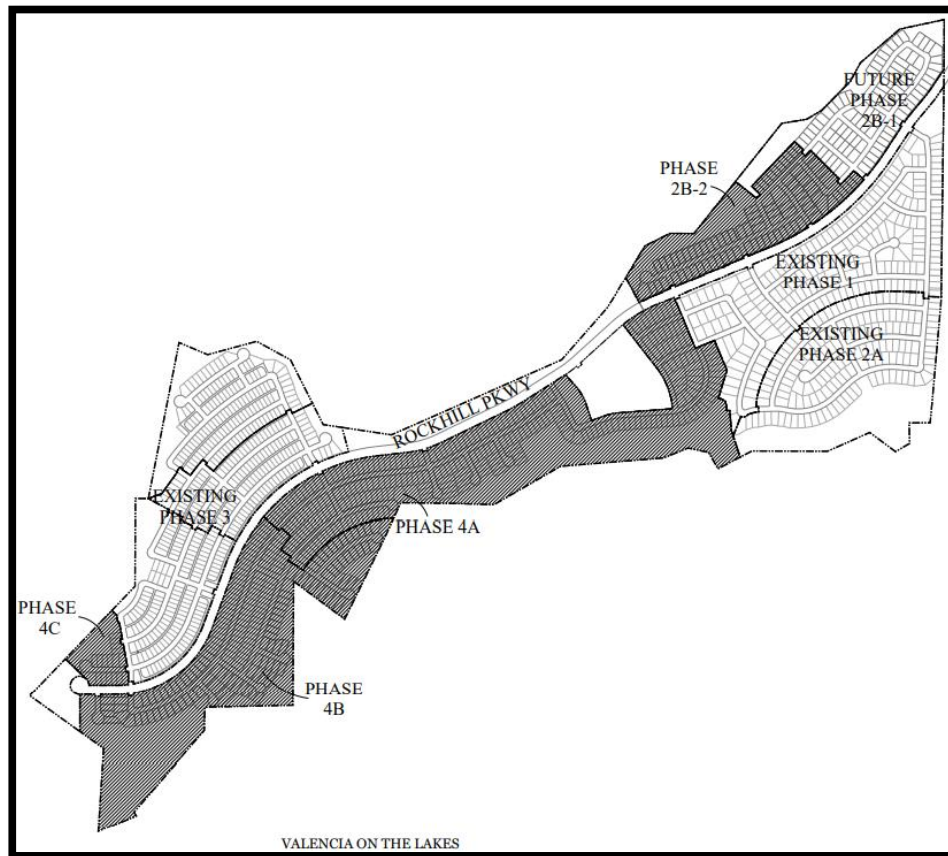
Income (Subdivision Development) Approach

The Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases a subdivision or large group of lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since the problem to be solved in this assignment is to determine the bulk sale value of 535 lots, as of two separate effective dates based on the construction completion date, *the Income (Subdivision Development) Approach is appropriate and was fully developed.*

Sales Comparison Approach

The Sales Comparison Approach involves comparing recent sales of entire subdivisions or a large group of lots that involved a single purchaser. The sales are then adjusted for value-related differences. Determining market values for the subdivision or the group of lots is the objective of the analysis, and that determination requires recent and relevant similar bulk sales for the comparison. Finding highly similar and recent sales of improved subdivisions to a single buyer in most markets can be difficult, perhaps impossible. Comparison requires comparable sales with about the same or similar remaining absorption period, a similar mix of lots or unit types, location, home price points, and other characteristics. As Texas is a non-disclosure state, sales data available is limited to sales confirmed by associated parties. Since data on highly similar bulk-sales to a single purchaser is difficult find and verify, *the Sales Comparison Approach was not developed by the appraisers.* Aspects of the Sales Comparison Approach were utilized to determine the retail value of the improved lots for analysis within the Income (Subdivision Development) Approach.

INCOME (SUBDIVISION DEVELOPMENT) APPROACH



Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. The income methodology applied in subdivision analysis has been adapted to simulate what occurs in a bulk sale where one buyer purchases a group of lots at a discount. It provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices.

In order to complete the analysis, the appraisers:

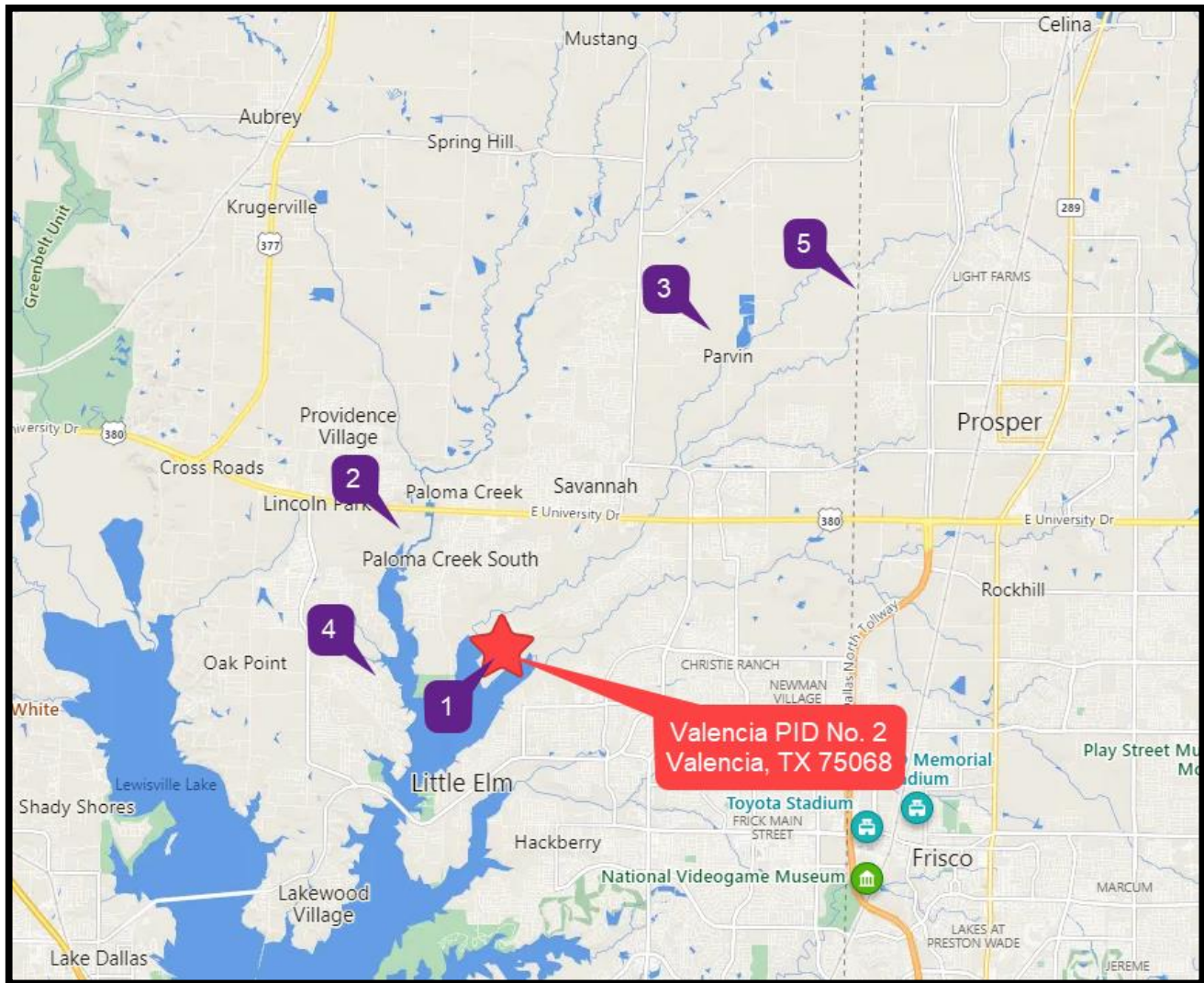
- Determined the value of the lots through aspects of the Sales Comparison Approach based on the concept plan provided by the developers
- Calculated the absorption period (earlier in the report) for the finished lots after construction is complete
- Analyzed the effect of appreciation, taxes, and sales costs over the absorption period
- Estimated the appropriate discount rate necessary to undertake the risks associate with the project
- Utilized discount cash flow (DCF) analysis to determine the present value of future cash flows realized by selling the lots at market prices over time

We utilized the following unit of comparison which is the measure most commonly found in the market:

Sales Price Per Front Foot – Obtained by dividing sale price by the front footage of the lot

We will first analyze the 60-FF lots in Phases 2B-2 and 4 and will then analyze the 50-FF lots in Phase 4.

MAP OF COMPARABLE LOT SALES – VALENCIA PID NO. 2 (60’ LOTS)


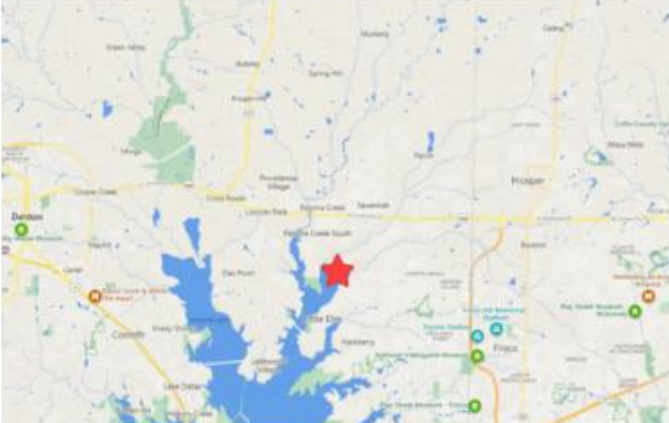


Subject: Valencia PID No. 2 (60-FF Lots), Little Elm, TX 75068

SUMMARY OF LOT SALES - 60' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Valencia on the Lake	Little Elm	Little Elm/Denton	Oct. 2020	Contract	\$81,000	60	\$ 1,350
2	Spiritas Ranch	Little Elm	Denton	Aug. 2020	Contract	\$84,000	60	\$ 1,400
3	Sutton Fields East	Celina	Prosper	Sep-2021	Contract	\$84,750	60	\$ 1,413
4	Wildridge	Oak Point	Denton	Mar-2021	Contract	\$84,000	60	\$ 1,400
5	Creeks of Legacy West	Celina	Prosper	Aug-2020	Aug-2020	\$78,000	60	\$ 1,300
Subject	Valencia on the Lake PID No. 2	Little Elm	Little Elm/Denton	-	-	-	60	-

SALE COMPARABLE 1 – VALENCIA PID NO. 2 (60' LOTS)

Property Sale Write-Up for Valencia on the Lake 60's


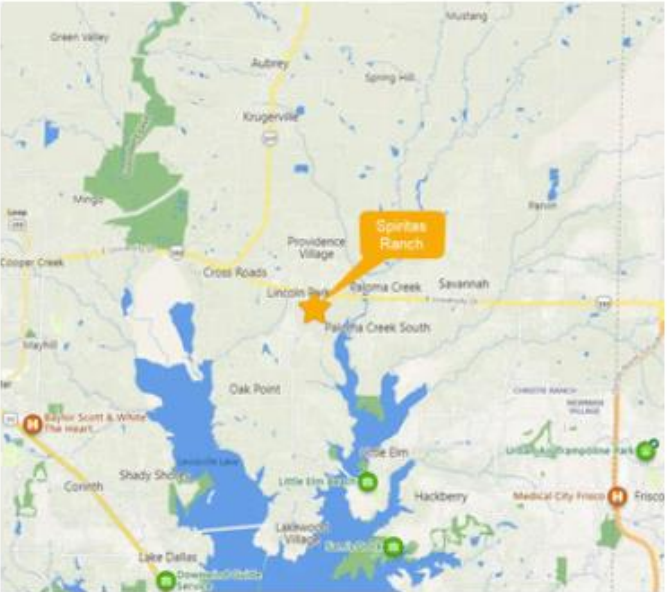
Valencia on the Lake Site Plan

Property Information	
Property Name	Valencia on the Lake 60's
Property Class	Land
Address	Valencia on the Lake, Little Elm, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	7,200
Land Acres	0.17
Zoning Code	PD/SF-4 - Single-Family 4 District
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Sewer, and Water
Transaction Information	
Sale Status	In-Contract
Sale Date	10/12/2020
Seller	Valencia on the Lake, LP
Buyer	New Synergy, LLC (Now Mattamy Homes)
Sale Price	\$81,000
Analysis Sale Price	\$81,000
Price per SF Land	\$11.25

\$1,350/FF

SALE COMPARABLE 2 – VALENCIA PID NO. 2 (60' LOTS)

Property Sale Write-Up for Spiritas Ranch 60's

Spiritas Ranch 60's

Map

Property Information	
Property Name	Spiritas Ranch 60's
Property Class	Land
Address	Spiritas Ranch, Little Elm, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	7,200
Land Acres	0.17
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Gently Sloping
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	In-Contract
Sale Date	08/03/2020
Seller	Spiritas Ranch Enterprises
Buyer	First Texas Homes, Inc
Sale Price	\$84,000
Analysis Sale Price	\$84,000
Price per SF Land	\$11.67

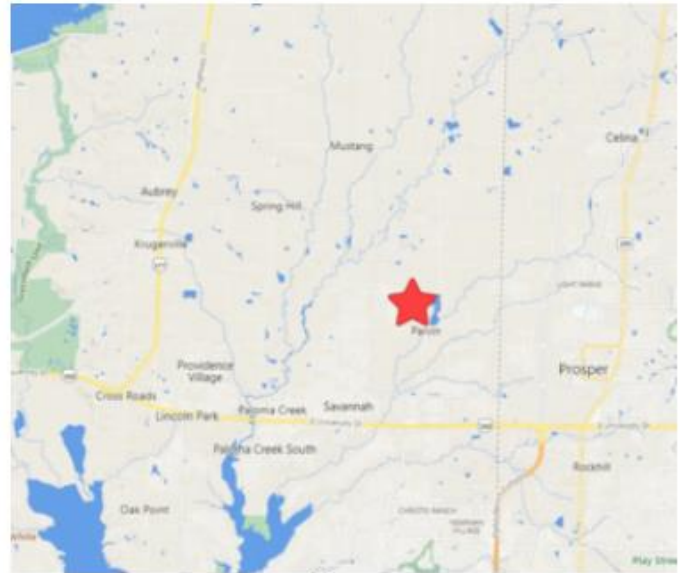
\$1,400/FF

SALE COMPARABLE 3 – VALENCIA PID NO. 2 (60' LOTS)

Property Sale Write-Up for Sutton Fields East 60's



Sutton Fields East



Map

Property Information

Property Name	Sutton Fields East 60's
Property Class	Land
Address	Sutton Fields East, Celina, TX 75009
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	6,900
Land Acres	0.16
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer

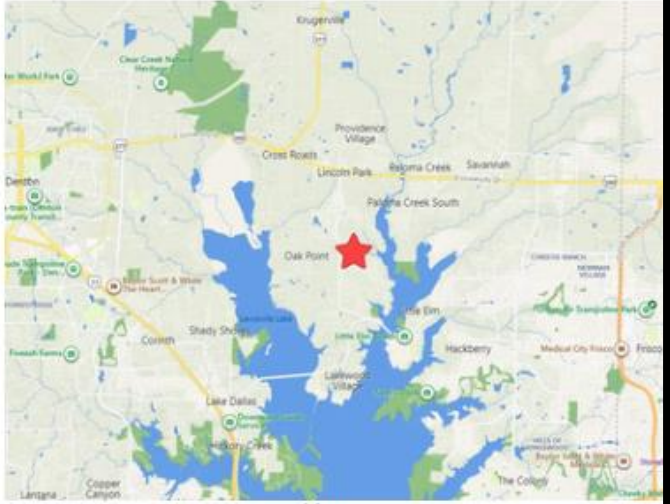

Transaction Information

Sale Status	In-Contract
Sale Date	09/23/2021
Seller	MM Sutton Fields East, LLC
Buyer	First Texas Homes
Sale Price	\$84,750
Analysis Sale Price	\$84,750
Price per SF Land	\$12.28

\$1,413/FF

SALE COMPARABLE 4 – VALENCIA PID NO. 2 (60' LOTS)

Property Sale Write-Up for Wildridge Phase 60's



Wildridge Phase 6B (60' FF)

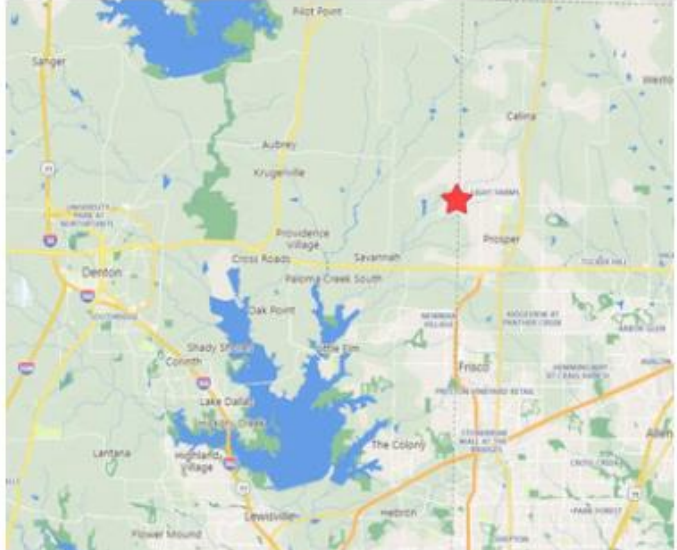

Map

Property Information	
Property Name	Wildridge Phase 60's
Property Class	Land
Address	Wildridge Blvd., Oak Point, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	7,200
Land Acres	0.17
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	In-Contract
Sale Date	03/23/2021
Seller	LH Wildridge, LLC
Buyer	Chesmar Homes, LLC
Sale Price	\$84,000
Analysis Sale Price	\$84,000
Price per SF Land	\$11.67

\$1,400/FF

SALE COMPARABLE 5 – VALENCIA PID NO. 2 (60' LOTS)

Property Sale Write-Up for Creeks of Legacy West 60's



Creeks of Legacy Concept Plan

Map

Property Information	
Property Name	Creeks of Legacy West 60's
Property Class	Land
Address	Creeks of Legacy, Celina, TX 75078
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	7,200
Land Acres	0.17
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	08/18/2020
Seller	CADG Creeks of Legacy, LLC & Stonegate, LLC
Buyer	Trendmaker Homes DFW
Sale Price	\$78,000
Analysis Sale Price	\$78,000
Price per SF Land	\$10.83

\$1,300/FF

SALES ADJUSTMENT COMPARISON GRID – VALENCIA PID NO. 2 (60-FF LOTS)

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
	<u>Valencia on the Lake</u>	Valencia on the Lake	Spiritas Ranch	Sutton Fields East	Wildridge	Creeks of Legacy West
	<u>PID No. 2</u>					
	<u>Little Elm</u>	Little Elm	Little Elm	Celina	Oak Point	Celina
<i>Transactional Adjustments</i>						
Sales Price/FF		\$1,350	\$1,400	\$1,413	\$1,400	\$1,300
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$1,350	\$1,400	\$1,413	\$1,400	\$1,300
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$1,350	\$1,400	\$1,413	\$1,400	\$1,300
Conditions of Sale		0%	0%	0%	0%	0%
Sales Price/FF		\$1,350	\$1,400	\$1,413	\$1,400	\$1,300
Expenditures After Purchase		3.9%	10.6%	6.5%	6.1%	7.7%
Sales Price/FF		\$1,402	\$1,548	\$1,504	\$1,486	\$1,400
Market Conditions		20%	21%	10%	14%	21%
ADJUSTED Price/FF:		\$1,682	\$1,873	\$1,654	\$1,694	\$1,694
<i>Physical Adjustments</i>						
Location	Little Elm on Lewisville Lake	0%	0%	5%	0%	0%
Amenities	Amenity Center w/ Pool, Clubhouse, Courts, Walking Trails	0%	0%	3%	0%	3%
Size	60' FF (>7,200-SF)	0%	0%	0%	0%	0%
Topography	Graded and Level	0%	0%	0%	0%	0%
Zoning	PD for Single-Family	0%	0%	0%	0%	0%
<i>Total Net Physical Adjustment</i>		0%	0%	8%	0%	3%
ADJUSTED Price/FF:		\$1,682	\$1,873	\$1,787	\$1,694	\$1,745
SUMMARY OF COMPARABLE VALUES						
Value Range/FF	\$1,682 to \$1,873					
Average Value/FF	\$1,756					
Median Value/FF	\$1,745					
Subject (Land) Value/FF	\$1,750					
Value Indication	\$105,000					

ANALYSIS OF ADJUSTMENTS – VALENCIA PID NO. 2 (60' LOTS)

Our research of sales comparables leads us to the determination that there are ample comparable sales within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,300- to \$1,413 per front foot with each being 60-foot front (FF) lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms, and Conditions of Sales

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, no adjustments are made for these three factors.

Expenditures After Purchase

We are valuing the retail lot value of the 60' lots which will include sewer and water connection fees to the Town of Little Elm for \$3,136 (\$1,578 for water connection and \$1,558 for sewer connection) in total according to the Development Agreement. Thus, Sale 1 – which is a contract for the subject property – is adjusted by \$3,136 (\$52/FF, or 3.9%) for this expense.

Sales 2, 3, and 4 are in the Mustang SUD while Sale 5 is connected to utilities provided by the City of Celina. Sales 2 has an agreement with Mustang SUD with connection fees totaling \$8,900. Thus, Sale 2 is increased by \$8,900, or (\$148/FF, or 10.6%). Sale 3 has an older agreement with Mustang SUD with connection fees totaling \$5,500 which amounts to a 6.5% increase (\$91/FF). Sale 4 also has an older agreement with Mustang SUD and their water and sewer connection fees amount to \$5,150; thus, we have adjusted Sale 4 by \$5,150 which amounts to a 6.1% increase (\$86/FF). Sale 5 is in the City of Celina and is connected through their water and sewer facilities. The connection fees for Celina are \$6,000 so we have adjusted Sale 5 positively 7.7% (\$100/FF).

Time/Market Conditions

The residential real estate market increased significantly in 2020 and 2021 but now appears to be cooling slightly. These increases occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Considering the residential market data, notable price increases for recent lot sales, and increased development costs throughout the Metroplex and specifically along the 380 Corridor, we believe a market conditions adjustment of 0.75% monthly increase throughout 2020 and 1% monthly increase for 2021 and the first few months in 2022 is warranted and supported. Due to interest rates increases by the Federal Reserve which began in Spring 2022, we do not believe the market has significantly increased so we have not made adjustments for the most recent few months. Based on the preceding, each of the comparable lot sales have been adjusted positively between 10% and 21% for market conditions depending on the agreement date.

We have utilized Contract Date rather than Sale Date as the Contract Date is more indicative of the market for vacant developed lots. Residential lot development typically takes at least one year and often upwards of two years for developed lots to be delivered to homebuilders upon substantial completion. Since the market can – and

Valencia Public Improvement District No. 2

has – changed significantly in two years, Contract Date is considered the more useful date in comparing lot sales as the market may have changed significantly during the time the lots are under contract.

Physical Adjustments

Location/Access

The subject property is in Little Elm and near a quickly developing area of North Texas known as the 380 Corridor. The immediate area of the subject property is primarily single-family detached residential developments for middle-class to upper middle-class residents. The price point of the homes in surrounding developments is approximately mid-400's to mid-700's with some higher-end homes priced over \$1 million.

The lots in the subject property benefit from a desirable location as they are on a peninsula in Lake Lewisville that is surrounded by water on three sides. The school systems (Denton and Little Elm ISD) where the subject property is located are average but surrounding ISDs such as Prosper, Celina, Frisco, and Aubrey are more desirable for young families who are a targeted demographic in most new master-planned communities. The access of the subject property is also average as the benefit of being located on a peninsula also reduces the connectivity of the subject property to the Metroplex. Access is limited to a single road along Rockhill Pkwy.

We have made the following adjustments for Location/Access:

- Sale 1: Similar; Subject property with the same characteristics; No Adjustment
- Sale 2: Similar; Also located on the north shore of Lewisville Lake and within Denton ISD; No adjustment
- Sale 3: Inferior; Located off FM 1385 with inferior access and without the benefit of being on the lake but with a superior ISD; Adjusted positively 5%
- Sale 4: Similar; Also located on the shores of Lewisville Lake and within Denton ISD ; No adjustment
- Sale 5: Similar; Removed from Lewisville Lake but has superior access near the Dallas North Tollway, also closer to rapidly growing Celina and in Prosper ISD which is superior; No adjustment

Amenities

The subject property's amenities consist of a swimming complex with two pools, large clubhouse, tennis/basketball and sand volleyball courts. A large playground, primary school, and a trail system are under construction or will be soon. Coupled with the location on Lewisville Lake which has shoreline owned and maintained by the Army Corps of Engineers, the amenities at Valencia on the Lake are desirable and above average for a master planned community. We have made the following adjustments for Amenities:

- Sale 1: Similar; Subject property with the same characteristics; No Adjustment
- Sale 2: Similar; Plans for similar amenities with multiple pools, open spaces, primary schools, and trails along Lewisville Lake; No adjustment
- Sale 3: Inferior; Similar swimming pools, clubhouse, and sports courts in Sutton Fields but without a trail system along the lake; Adjusted positively 3%
- Sale 4: Similar; Also located on Lake Lewisville with similar lake amenities and swimming area with clubhouse; No adjustment
- Sale 5: Inferior; Similar swimming pools and clubhouse access in Creeks of Legacy but without a trail system along the lake; Adjusted positively 3%

Size

Each of the comparable sales are also 60' lots that can accommodate the same building pad so not adjustment is made for size.

Topography

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so not adjustment is needed for topography.

Zoning

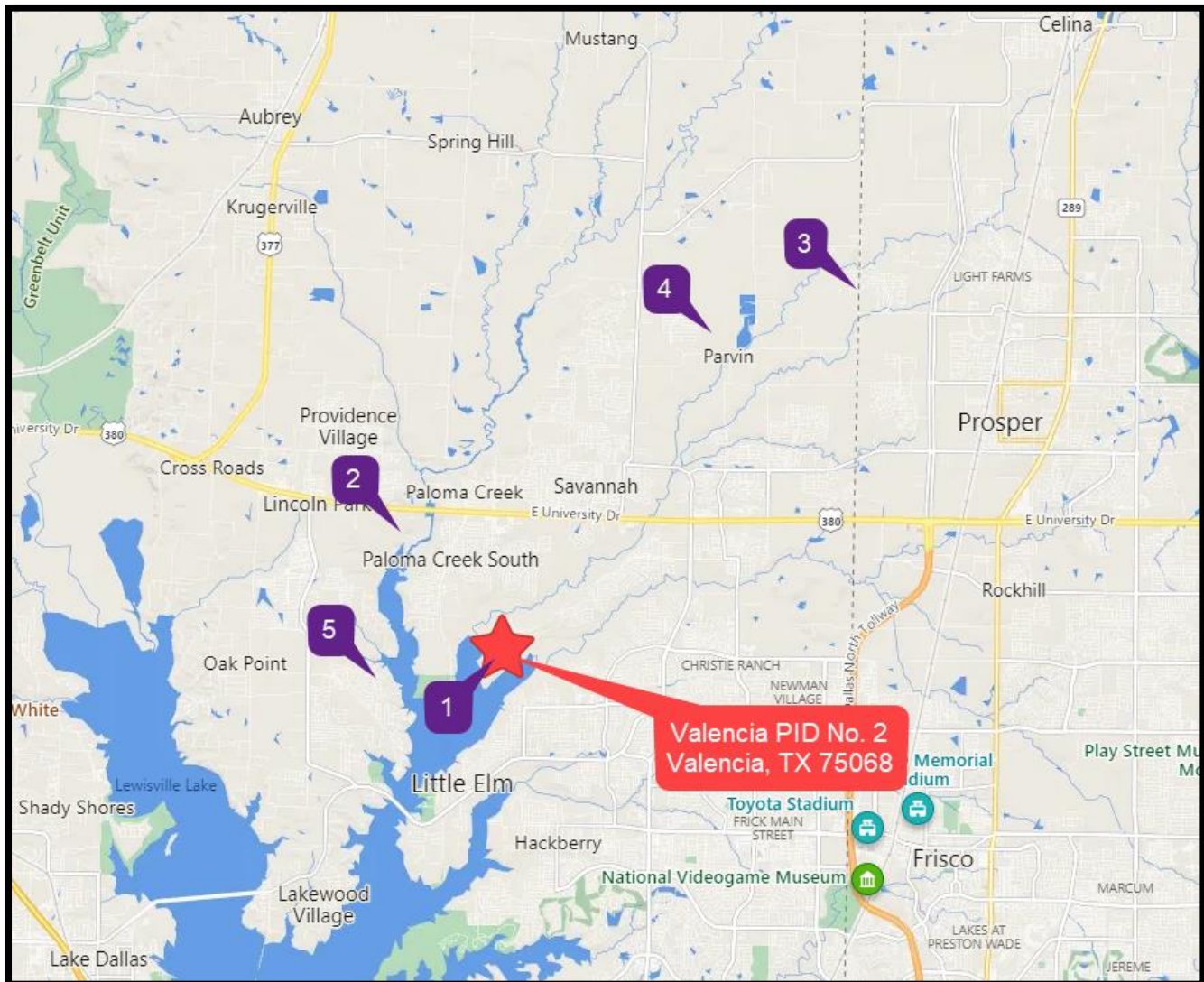
The subject and each of the comparable sales are in planned developments and residential subzoning for similar sized residential lots; thus, no adjustment is made for zoning.

Conclusion for 60' Lots – The 60' Lot Sales have an adjusted range of \$1,682- to \$1,873/FF with an average of \$1,756 and a median of \$1,745. We placed similar emphasis on the average and median since these were 5 highly sales within approximately 7 miles of the subject and conclude the **retail market value of the improved 60' lots is \$1,750/FF, or \$105,000/Lot.** These are the current retail market value for 60' lots in Phase 2B-2 and Phase 4.

Note: These retail market values have considered amenity, marketing, capital recovery, and impact fees in the analysis.

Next, we will examine the 50' Lots in Phase 4.

MAP OF COMPARABLE LOT SALES – VALENCIA PID NO. 2 (50-FF LOTS)

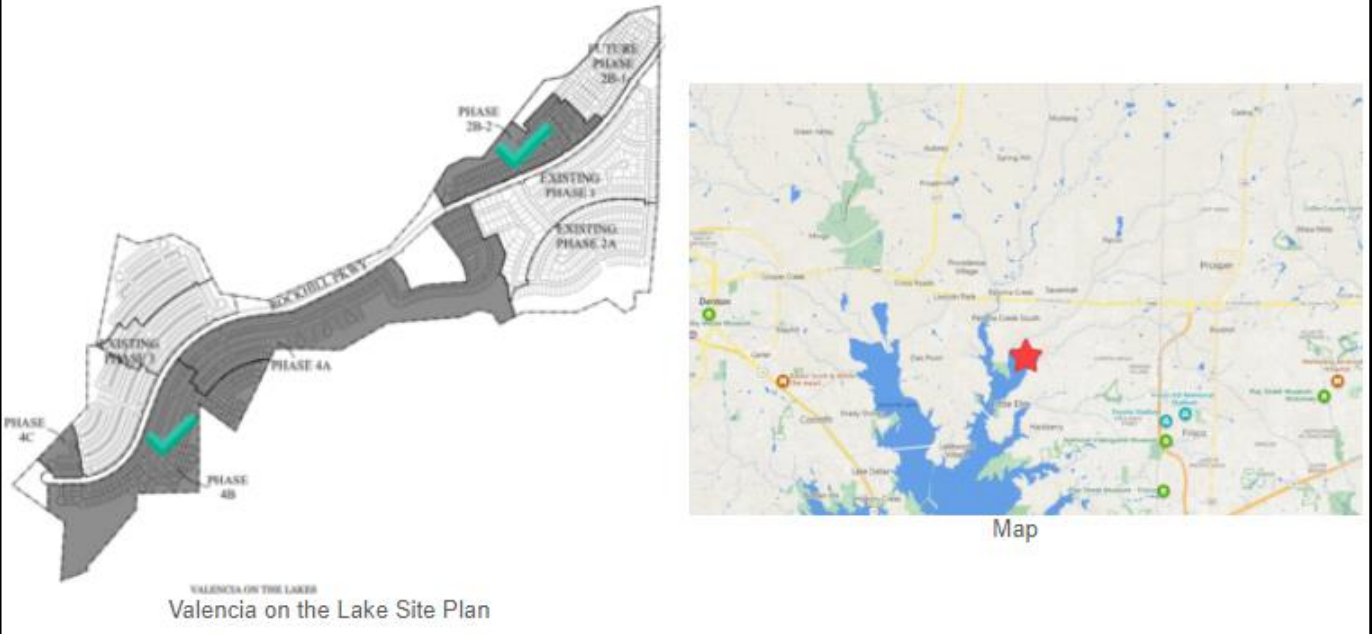


Subject: Valencia PID No. 2 (50-FF Lots), Little Elm, TX 75068

SUMMARY OF LOT SALES - 50' LOTS								
Sale	Subdivision	City	ISD	Contract Date	Sale Date	Base Lot Price	Front Feet (FF)	\$/FF
1	Valencia on the Lake	Little Elm	Little Elm/ Denton	Oct. 2020	Contract	\$70,000	50	\$ 1,400
2	Spritas Ranch	Little Elm	Denton	Aug-2020	Contract	\$70,000	50	\$ 1,400
3	Creeks of Legacy West	Celina	Prosper	Aug. 2020	Aug. 2020	\$70,000	50	\$ 1,400
4	Sutton Fields East	Prosper	Prosper	Aug-2021	Contract	\$70,750	50	\$ 1,415
5	Wildridge	Oak Point	Denton	Mar-2021	Contract	\$70,000	50	\$ 1,400
Subject	Valencia on the Lake	Little Elm	Little Elm/ Denton	-	-	-	50	-

SALE COMPARABLE 1 – VALENCIA PID NO. 2 (50-FF LOTS)

Property Sale Write-Up for Valencia on the Lake 50's



The site plan on the left shows various phases of the development, including PHASE 2B-2, PHASE 2B-1, EXISTING PHASE 1, EXISTING PHASE 2A, PHASE 4A, PHASE 4C, and PHASE 4B. A green checkmark is placed on PHASE 4B. The map on the right shows the location of the property in Little Elm, Texas, near Lake Little Elm, with a red star marking the specific site.

Valencia on the Lake Site Plan


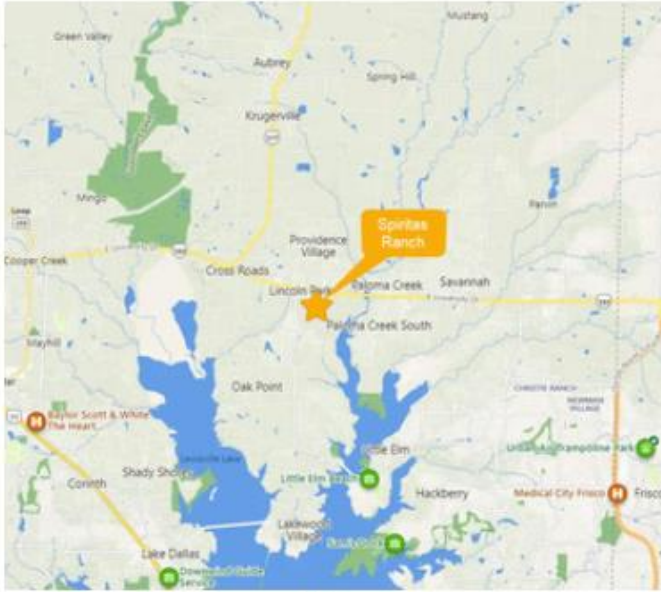
Map

Property Information	
Property Name	Valencia on the Lake 50's
Property Class	Land
Address	Valencia on the Lake, Little Elm, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	5,500
Land Acres	0.13
Zoning Code	PD/SF-4 - Single-Family 4 District
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Sewer, and Water
Transaction Information	
Sale Status	In-Contract
Sale Date	03/24/2021
Seller	Valencia on the Lake, LP
Buyer	First Texas Homes, Inc
Sale Price	\$70,000
Analysis Sale Price	\$70,000
Price per SF Land	\$12.73

\$1,400/FF

SALE COMPARABLE 2 – VALENCIA PID NO. 2 (50-FF LOTS)

Property Sale Write-Up for Spiritas Ranch 50's

Spiritas Ranch 50's


Map

Property Information	
Property Name	Spiritas Ranch 50's
Property Class	Land
Address	Spiritas Ranch, Little Elm, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	5,750
Land Acres	0.13
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Gently Sloping
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	In-Contract
Sale Date	08/03/2020
Seller	Spiritas Ranch Enterprises
Buyer	Beazer Homes.
Sale Price	\$70,000
Analysis Sale Price	\$70,000
Price per SF Land	\$12.17

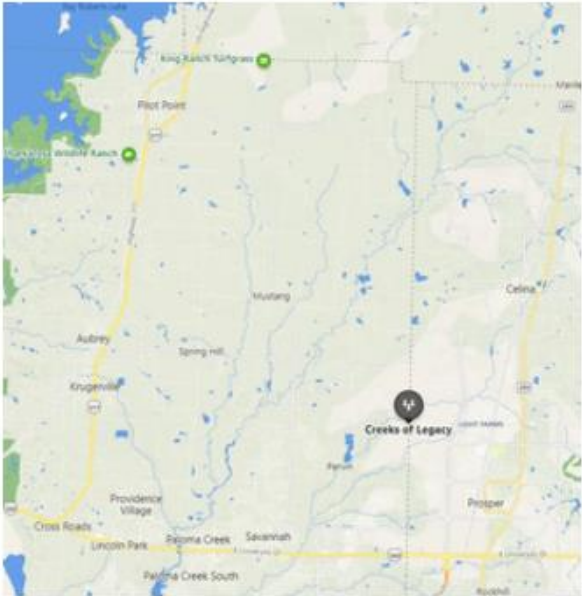
\$1,400/FF

SALE COMPARABLE 3 – VALENCIA PID NO. 2 (50-FF LOTS)

Property Sale Write-Up for Creeks of Legacy West 50's



Creeks of Legacy Concept Plan



Map

Property Information	
Property Name	Creeks of Legacy West 50's
Property Class	Land
Address	Creeks of Legacy, Celina, TX 75078
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	Closed
Sale Date	08/21/2020
Seller	CADG Creeks of Legacy, LLC & Stonegate, LLC
Buyer	KB Home Lone Star, Inc.
Sale Price	\$70,000
Analysis Sale Price	\$70,000
Price per SF Land	\$11.67

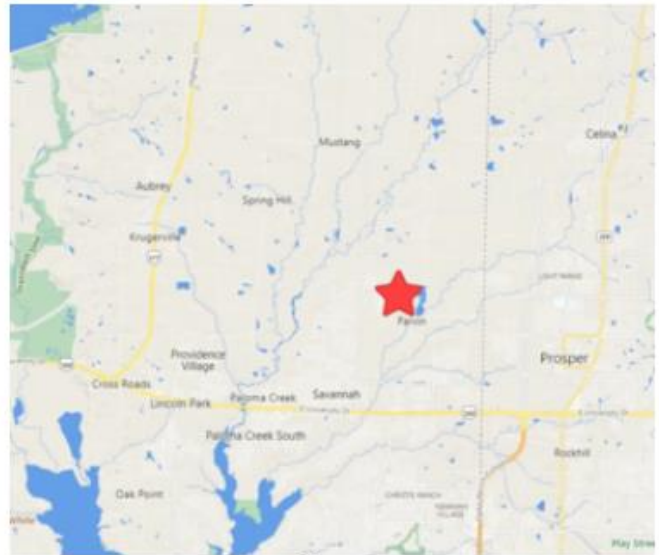
\$1,400/FF

SALE COMPARABLE 4 – VALENCIA PID NO. 2 (50-FF LOTS)

Property Sale Write-Up for Sutton Fields East 50's



Sutton Fields East



Map

Property Information

Property Name	Sutton Fields East 50's
Property Class	Land
Address	Sutton Fields, Celina, TX 75009
County	Denton
Property Type & Sub-Type	Housing / Multiple Units

Site Information - Land

Land SF	5,750
Land Acres	0.13
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer


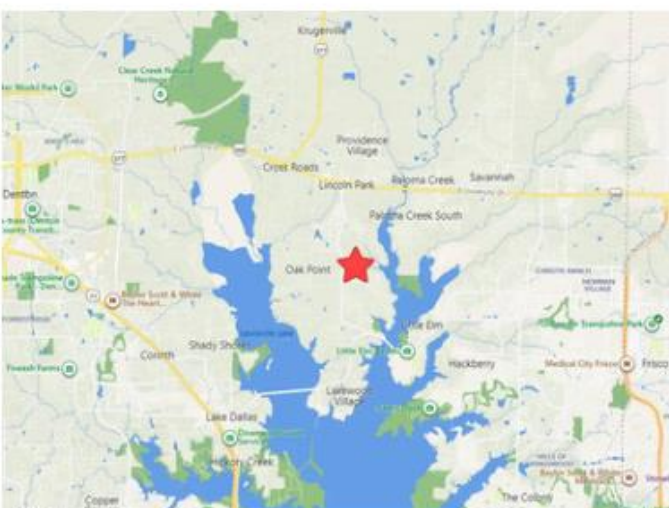
Transaction Information

Sale Status	In-Contract
Sale Date	09/23/2021
Seller	MM Sutton Fields East, LLC
Buyer	First Texas Homes
Sale Price	\$70,750
Analysis Sale Price	\$70,750
Price per SF Land	\$12.30

\$1,415/FF

SALE COMPARABLE 5 – 50-FF LOTS

Property Sale Write-Up for Wildridge 50's

Wildridge Phase 6A (50' FF)

Property Information	
Property Name	Wildridge 50's
Property Class	Land
Address	Wildridge Blvd., Oak Point, TX 75068
County	Denton
Property Type & Sub-Type	Housing / Multiple Units
Site Information - Land	
Land SF	6,000
Land Acres	0.14
Zoning Code	PD - Planned Development
Shape	Rectangular
Topography	Basically Level
Available Utilities	Electricity, Gas, Water, and Sewer
Transaction Information	
Sale Status	In-Contract
Sale Date	03/09/2021
Seller	LH Wildridge, LLC
Buyer	Highland Homes
Sale Price	\$70,000
Analysis Sale Price	\$70,000
Price per SF Land	\$11.67

\$1,400/FF

SALES ADJUSTMENT COMPARISON GRID – VALENCIA PID NO. 2 (50-FF LOTS)

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
	Valencia on the Lake	Valencia on the Lake	Spritas Ranch	Creeks of Legacy West	Sutton Fields East	Wildridge
	PID No. 2					
	Little Elm	Little Elm	Little Elm	Celina	Prosper	Oak Point
Transactional Adjustments						
Sales Price/FF		\$1,400	\$1,400	\$1,400	\$1,415	\$1,400
Rights Conveyed		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,400	\$1,400	\$1,415	\$1,400
Financing Terms		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,400	\$1,400	\$1,415	\$1,400
Conditions of Sale		0%	0%	0%	0%	0%
Sales Price/FF		\$1,400	\$1,400	\$1,400	\$1,415	\$1,400
Expenditures After Purchase		4.5%	12.7%	8.6%	7.8%	7.4%
Sales Price/FF		\$1,463	\$1,578	\$1,520	\$1,525	\$1,503
Market Conditions		14%	21%	21%	10%	14%
ADJUSTED Price/FF:		\$1,668	\$1,909	\$1,839	\$1,678	\$1,713
Physical Adjustments						
Location/Access	Little Elm ISD on Lewisville Lake	0%	0%	0%	5%	0%
Amenities	Amenity Center w/ Pool, Clubhouse, Courts, Walking Trails	0%	0%	3%	3%	0%
Size	50' FF (>6,000-SF)	0%	0%	0%	0%	0%
Topography	Graded and Level	0%	0%	0%	0%	0%
Zoning	PD for Single-Family	0%	0%	0%	0%	0%
Total Net Physical Adjustment		0%	0%	3%	8%	0%
ADJUSTED Price/FF:		\$1,668	\$1,909	\$1,894	\$1,812	\$1,713
SUMMARY OF COMPARABLE VALUES						
Value Range/FF	\$1,668 to \$1,909					
Average Value/FF	\$1,799					
Median Value/FF	\$1,812					
Subject (Land) Value/FF	\$1,800					
Value Indication	\$90,000					

ANALYSIS OF ADJUSTMENTS – VALENCIA PID NO. 2 (50-FF LOTS)

Our research of sales comparables leads us to the determination that there are ample comparable sales within the last few years involving similar properties within the subject's general competing area that could reliably and reasonably be verified through our due diligence. The comparable sales for the subject property had unadjusted contracted base prices ranging from \$1,400- to \$1,415 per front foot with each being 50' lot types.

Data on each of the sales, including sales price, was confirmed with sources considered reliable. Based on analysis of this data and other pertinent information obtained in our research, the following pages are a discussion of the factors which were found to exhibit significant influence on property values in this market.

Factors to be Considered and Summary of Adjustments

Transactional Adjustments

Property Rights, Financing Terms, and Conditions of Sales

Each of the comparable sales were sold as fee simple interests, sales were transferred in cash equivalency, and under typical sale conditions; thus, no adjustments are made for these three factors.

Expenditures After Purchase

We are valuing the retail lot value of the 50' lots which will include sewer and water connection fees to the Town of Little Elm for \$3,136 (\$1,578 for water connection and \$1,558 for sewer connection) in total according to the Development Agreement. Thus, Sale 1 – which is a contract for the subject property – is adjusted by \$3,136 (\$63/FF, or 4.5%) for this expense.

Sales 2, 4, and 5 are in the Mustang SUD while Sale 3 is connected to utilities provided by the City of Celina. Sales 2 has an agreement with Mustang SUD with connection fees totaling \$8,900. Thus, Sale 2 is increased by \$8,900, or (\$178/FF, or 12.7%). Sale 4 has an older agreement with Mustang SUD with connection fees totaling \$5,500 which amounts to a 7.8% increase (\$110/FF). Sale 5 also has an older agreement with Mustang SUD and their water and sewer connection fees amount to \$5,150; thus, we have adjusted Sale 5 by \$5,150 which amounts to a 7.4% increase (\$103/FF). Sale 3 is in the City of Celina and is connected through their water and sewer facilities. The connection fees for Celina are \$6,000 so we have adjusted Sale 3 positively 8.6% (\$120/FF).

Time/Market Conditions

The residential real estate market increased significantly in 2020 and 2021 but now appears to be cooling slightly. These increases occurred in improved residential homes as well as in vacant developed lots as there was strong demand for lots and new homes. Considering the residential market data, notable price increases for recent lot sales, and increased development costs throughout the Metroplex and specifically along the 380 Corridor, we believe a market conditions adjustment of 0.75% monthly increase throughout 2020 and 1% monthly increase for 2021 and the first few months in 2022 is warranted and supported. Due to interest rates increases by the Federal Reserve which began in Spring 2022, we do not believe the market has significantly increased so we have not made adjustments for the most recent few months. Based on the preceding, each of the comparable lot sales have been adjusted positively between 10% and 21% for market conditions depending on the agreement date.

We have utilized Contract Date rather than Sale Date as the Contract Date is more indicative of the market for vacant developed lots. Residential lot development typically takes at least one year and often upwards of two years for developed lots to be delivered to homebuilders upon substantial completion. Since the market can – and

Valencia Public Improvement District No. 2

has – changed significantly in two years, Contract Date is considered the more useful date in comparing lot sales as the market may have changed significantly during the time the lots are under contract.

Physical Adjustments

Location/Access

The subject property is in Little Elm and near a quickly developing area of North Texas known as the 380 Corridor. The immediate area of the subject property is primarily single-family detached residential developments for middle-class to upper middle-class residents. The price point of the homes in surrounding developments is approximately mid-400's to mid-700's with some higher-end homes priced over \$1 million.

The lots in the subject property benefit from a desirable location as they are on a peninsula in Lake Lewisville that is surrounded by water on three sides. The school systems (Denton and Little Elm ISD) where the subject property is located are average but surrounding ISDs such as Prosper, Celina, Frisco, and Aubrey are more desirable for young families who are a targeted demographic in most new master-planned communities. The access of the subject property is also average as the benefit of being located on a peninsula also reduces the connectivity of the subject property to the Metroplex. Access is limited to a single road along Rockhill Pkwy.

We have made the following adjustments for Location/Access:

- Sale 1: Similar; Subject property with the same characteristics; No Adjustment
- Sale 2: Similar; Also located on the north shore of Lewisville Lake and within Denton ISD; No adjustment
- Sale 3: Similar; Removed from Lewisville Lake but has superior access near the Dallas North Tollway, also closer to rapidly growing Celina and in Prosper ISD which is superior; No adjustment
- Sale 4: Inferior; Located off FM 1385 with inferior access and without the benefit of being on the lake but with a superior ISD; Adjusted positively 5%
- Sale 5: Similar; Also located on the shores of Lewisville Lake and within Denton ISD ; No adjustment

Amenities

The subject property's amenities consist of a swimming complex with two pools, large clubhouse, tennis/basketball and sand volleyball courts. A large playground, primary school, and a trail system are under construction or will be soon. Coupled with the location on Lewisville Lake which has shoreline owned and maintained by the Army Corps of Engineers, the amenities at Valencia on the Lake are desirable and above average for a master planned community. We have made the following adjustments for Amenities:

- Sale 1: Similar; Subject property with the same characteristics; No Adjustment
- Sale 2: Similar; Plans for similar amenities with multiple pools, open spaces, primary schools, and trails along Lewisville Lake; No adjustment
- Sale 3: Inferior; Similar swimming pools and clubhouse access in Creeks of Legacy but without a trail system along the lake; Adjusted positively 3%
- Sale 4: Inferior; Similar swimming pools, clubhouse, and sports courts in Sutton Fields but without a trail system along the lake; Adjusted positively 3%
- Sale 5: Similar; Also located on Lake Lewisville with similar lake amenities and swimming area with clubhouse; No adjustment

Size

Each of the comparable sales are also 50' lots that can accommodate the same building pad so not adjustment is made for size.

Topography

The subject and the comparable sales will each be located on graded and improved land tracts that have been optimized for layout, drainage, and utility access so not adjustment is needed for topography.

Zoning

The subject and each of the comparable sales are in planned developments and residential subzoning for similar sized residential lots; thus, no adjustment is made for zoning.

Conclusion for 50' Lots – The 50' Lot Sales have an adjusted range of \$1,668- to \$1,909/FF with an average of \$1,799 and a median of \$1,812. The average and median are similar and seem to indicate the market value of the 50' lots is approximately \$1,800/FF so we conclude the **retail market value of the improved 50' lots is \$1,800/FF, or \$90,000/Lot.**

Note: These retail market values have considered amenity, marketing, capital recovery, and impact fees in the analysis.

CUMULATIVE RETAIL LOT VALUE

We believe a current lot market value of \$1,750/FF for 60' Lots and \$1,800/FF for 50' Lots is accurate and well-supported. Not only do our compiled recent comparable lot sales indicate that price but numerous conversations with market participants – land developers and homebuilders – regarding current prices of lots along the 380 Corridor indicate \$1,600/FF-\$2,000/FF is the current retail price for lots similar to the subject property. Market participants noted that prices for lots rose significantly in the past late 2020 and throughout 2021 which followed a hot residential housing market in DFW that contributed to a scarcity of vacant developed lots for homebuilders. Rising land and development costs are contributing to keep lot prices much higher than when the initial contracts for the subject property were signed in 2016, 2020, and early 2021.

As of the current report date, the residential lot prices for the subject property are shown below:

Phase	Lot Type	Concluded Retail Value 8/24/2022	Lot Count	Total Value
2B-2	60' Detached Lot	\$105,000	90	\$9,450,000
4	60' Detached Lot	\$105,000	106	\$11,130,000
4	50' Detached Lot	\$90,000	339	\$30,510,000
			535	\$51,090,000

DISCOUNT CASH FLOW ANALYSIS

Having completed the retail lot value conclusions using aspects of the Sales Comparison Approach, we will develop an opinion of the market value of the property to a single purchaser, as of the construction completion date. This value will include a provision for compensating the developer, i.e., profit for risk and expenditure of time. This value contemplates that the developer of the subject property would sell the subject to another developer who would in turn sell the developed lots on a retail basis. This value represents the concept of market value to a single purchaser as of the completed construction date, wherein a portion of the overall real property rights or physical asset would typically be sold to its ultimate users over some future period. Valuations involving such properties must fully reflect all appropriate deductions and discounts as well as the anticipated cash flows to be derived from the disposition of the asset over time. Appropriate deductions and discounts are those which reflect all expenses associated with the disposition of the property as well as the cost of capital and entrepreneurial profit. **This latter item of entrepreneurial profit is accounted for herein as part of the discount rate.**

The various assumptions necessary to complete our Discounted Cash Flow (DCF) analysis for the developed subject subdivision are discussed in detail in the following paragraphs.

Absorption

As discussed in detail in the “Absorption Analysis” section of the report, our quarterly absorption projections are summarized as follows for the subject:

THE VALENCIA PID NO. 2

Phase 2B-2

Projected Quarterly Absorption Summary - Phase 2B-2 (90 Lots)						
<i>Lot Type</i>	<i>Sep-2022</i>	<i>Oct-2022</i>	<i>Jan-2023</i>	<i>Apr-2023</i>	<i>Jul-2023</i>	TOTAL
60' Lots	7	21	21	21	20	90
Total	7	21	21	21	20	90

Note: Typically, quarters start in January, April, October, and December so we have used those baselines in our analysis. Since the substantial completion date is September 1, 2022, we will analyze September and then go to quarterly analyses in October, January, and April.

Phase 4

Projected Quarterly Absorption Summary - Phase 4 (445 Lots)						
<i>Lot Type</i>	<i>Jan-2023</i>	<i>Apr-2023</i>	<i>Jul-2023</i>	<i>Oct-2023</i>	<i>Jan-2024</i>	<i>Apr-2024</i>
50' Lots	33	33	33	33	33	33
60' Lots	21	21	21	21	21	1
Total	54	54	54	54	54	34

►►

<i>Jul-2024</i>	<i>Oct-2024</i>	<i>Jan-2025</i>	<i>Apr-2025</i>	<i>Jul-2025</i>	TOTAL
33	33	33	33	9	339
-	-	-	-	-	106
33	33	33	33	9	445

Value Increases During Sellout Period

Historically, in the sales contracts of volume lot sales in the marketplace, the lot prices are typically adjusted upward at rates ranging from the Wall Street Journal prime rate (5.50% as of late-August 2022), plus one percent (annually) up to 8.0%. Contracts between land developers and homebuilders typically have a 6% escalation which is consistent with recent improved lot appreciations over many years. Thus, for valuation purposes moving forward, we have estimated an annual appreciation on the subject lots at 6% per year which is also consistent with residential real estate appreciation over the past decade. This is also considered reasonable given the lack of available lot and housing supply in the area and the historical realization of interest carry/appreciation by developers within DFW and surrounding market areas.

EXPENSES

Taxes are paid by the developer annually. The estimation of taxes paid per period is based upon the principle that taxes are prorated at closing and are paid in arrears. Therefore, we have deducted taxes based upon the estimated retail market value of the unsold lots. The taxes are prorated in each calendar year based upon the projected sales in each period. The current tax rate for the subject property in Phase 2B-2 is **0.02239034 per \$100 assessed – 2.239034%** for the purpose of our analysis – with taxes due to the Town of Little Elm, Denton County, and Denton ISD. The current tax rate for the subject property in Phase 4 is **0.02307334 per \$100 assessed – 2.307334%** for the purpose of our analysis – with taxes due to the Town of Little Elm, Denton County, and Little Elm ISD.

Based upon our experience as property tax consultants and information gathered from builders/ developers, we do not believe the vacant lots will be assessed for their full market value once substantial completion is achieved. We believe the builders will have their lots assessed at approximately 70% of the market value, i.e., if a lot has a retail value of \$100,000 then the assessed value will be for \$70,000. We believe this 30% discount is justified as taxing districts do not typically have access to cost data and assessments typically lag the market. In addition, many taxing districts allow for a 20% builder's inventory reduction.

Cost of Sales has been estimated at 1.5% of gross sales proceeds for various closing costs, surveys, and title policies.

Marketing expense is not included as there is a shortage of vacant developed lots on the market and we would expect these lots to be absorbed by volume builders. This is confirmed by the contracts the developer has where the lots are presold to homebuilders.

Discount Rate

The discount rate utilized herein is essentially an anticipated Internal Rate of Return (IRR) for the subject property, as estimated from investment performance realized by market participants. The discount rate used for the subject should be less than the typical land development project because the value we are determining is for a fully entitled project in a town-approved Planned Development which will have less risk exposure than that of a raw land development. Therefore, it is appropriate to utilize a discount rate adjusted for this risk. The appraisers have included a recent discount rate survey published by Realty Rates that considers the market conditions, risk, entrepreneurial profit, and liquidity inherent in a project such as the subject that developers of similar properties would consider.

RealtyRates.com DEVELOPER SURVEY - 3rd Quarter 2022*						
Texas - Subdivisions & PUDs						
	Actual Rates			Pro-Forma Rates		
	Min	Max	Avg	Min	Max	Avg
Site-Built Residential	14.26%	32.17%	21.52%	13.69%	30.88%	20.66%
-100 Units	14.26%	27.73%	20.57%	13.69%	26.62%	19.75%
100-500 Units	14.61%	30.50%	21.65%	14.03%	29.28%	20.79%
500+ Units	14.97%	31.89%	22.02%	14.37%	30.61%	21.14%
Mixed Use	15.32%	32.17%	21.85%	14.71%	30.88%	20.97%
Manufactured Housing	14.57%	35.02%	22.99%	13.99%	33.62%	22.07%
-100 Units	14.57%	30.45%	22.06%	13.99%	29.23%	21.18%
100-500 Units	14.94%	33.49%	23.25%	14.34%	32.15%	22.32%
500+ Units	15.30%	35.02%	23.65%	14.69%	33.62%	22.70%
Business Parks	14.53%	32.49%	21.83%	13.95%	31.19%	20.95%
-100 Acres	14.53%	28.26%	20.97%	13.95%	27.13%	20.13%
100-500 Acres	14.90%	31.08%	22.07%	14.30%	29.84%	21.19%
500+ Acres	15.26%	32.49%	22.45%	14.65%	31.19%	21.55%
Industrial Parks	14.62%	28.04%	19.86%	14.04%	26.92%	19.07%
-100 Acres	14.62%	24.39%	19.11%	14.04%	23.41%	18.35%
100-500 Acres	14.99%	26.83%	20.07%	14.39%	25.75%	19.27%
500+ Acres	15.35%	28.04%	20.40%	14.74%	26.92%	19.58%
*2nd Quarter 2022 Data			Copyright 2022 RealtyRates.com™			

As shown, the minimum actual rates in Texas range from 14.26% for less than 100 units; 14.61% for 100 to 500+ units; and 14.97% for 500+ units with minimum pro-forma rates ranging from 13.69% to 14.37%. These rates have been consistently low for about the past year, but actual and pro-forma rates rose in this most recent quarter across the board approximately 60-70 basis points (bps) compared to the prior quarter. These rate Developer Survey rate increases were likely due to rising borrowing costs and worries of a greater market slowdown.

The 7th Edition of the Dictionary of Real Estate Appraisal defines this term as “a discount rate that is adjusted to offset one or more risk factors, i.e., when a future downswing in the business cycle is likely. Such discount rates include all of the elements of risk associated with an income stream for a specified period adjusted to offset additional term risk. We believe that a potential purchaser would expect to receive a much lower return on his investment for a project similar to the subject which has substantial completion imminent, which has numerous purchasers of the end product relative to that of a vacant tract of land awaiting eventual development, i.e., higher risk of escalating costs to site development and of the eventual timing of completion).

Based upon the preceding, an IRR that is lower than the minimum rates provided by the RealtyRates “Developer Survey” for Texas of 14.97% for 500+ units; and 14.37% for likewise minimum pro-forma rates ranging is considered reasonable for the subject. Hence, taking into consideration the supply and demand levels within the subject’s submarket area, we have selected a discount rate of **12.0% for Phase 2B-2** (with substantial completion expected Sep. 1, 2022) and a discount rate of **13.0% for Phase 4** (with substantial completion expected in 4Q2022) which takes into consideration the degree of risk, developer profit, and the liquidity inherent in a project such as the subject (assisted by involvement of the PID), as well as the current market conditions. To be consistent with the timing of the cash flows, the income stream is discounted quarterly and an annual DCF also included. With each of the required elements in place, we will analyze the subject in DCF analyses on the following pages.

PHASE 2B-2 – DISCOUNT CASH FLOW (DCF) ANALYSIS

The following assumptions are made in our analysis which are supported by other research and analysis found earlier in this report:

- Construction is complete and awaiting approval by Little Elm, which is expected September 1, 2022
- Retail lot values: \$105,000 for 60's
- 6% Appreciation/Year (1.5%/Quarter)
- 60' Lots absorbed at 21/Quarter
- Discount Rate 12% (3.00%/Quarter)
- Subject is in Denton ISD so tax expense on inventory is 2.239034%/Year, 0.559759%/Quarter, but is discounted 30% from retail value
- Sales and Marketing Expense (Totals 1.5% of Revenue)

As substantial construction on the lots is expected to be complete by September 1, 2022, we do not expect the lots to appreciate significantly following our report date which is within one month of substantial completion. Thus, **the retail lot value for 60' lots is \$105,000 with total cumulative value "Upon Completion" (September 1, 2022) is \$9,450,000.** A table is shown below:

VALENCIA PID No. 2 - PHASES 2B-2 & 4					
Phase	Total Lots	Feet Frontage (FF)	Retail Price/Lot on Sep. 1, 2022	Price/FF (\$/FF)	Total Retail Value (\$)
2B-2	90	60	\$105,000	\$1750/FF	\$9,450,000
					\$9,450,000

Discount cash flow analysis was completed on a quarterly and annual basis as a check for reasonableness. The annual DCF is a more rudimentary calculation, and we consider the quarterly analysis to be more accurate. When applying the DCF on a quarterly basis, the discount rate is divided by 4 and a discount rate of 3.00% is applied to each period. Typically, quarters start in January, April, October, and December so we have used those baselines in our analysis. Since the substantial completion date is September 1, 2022, we will analyze September and then go to quarterly analyses in October, January, and April.

DISCOUNT CASH FLOW DATA – PHASE 2B-2 LOTS (QUARTERLY)

	Sep. 2022			Oct. 2022		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	90	\$ 105,000	7	83	\$ 105,525	21
Revenue	90	\$735,000			\$2,216,025	
Expenses						
<i>Tax Expense</i>		\$ 12,343			\$ 34,319	
<i>Sales Expense</i>		\$ 11,025			\$ 33,240	
Net Income		\$711,632			\$2,148,466	
Factor		0.990600			0.976666	
Income Net Present Value (NPV)		\$704,943			\$2,098,334	



	Jan. 2023			Apr. 2023		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	62	\$ 107,108	21	41	\$ 108,714	21
Revenue		\$2,249,265			\$2,283,004	
Expenses						
<i>Tax Expense</i>		\$ 26,020			\$ 17,465	
<i>Sales Expense</i>		\$ 33,739			\$ 34,245	
Net Income		\$2,189,506			\$2,231,294	
Factor		0.949384			0.922863	
Income Net Present Value (NPV)		\$2,078,681			\$2,059,179	



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	Jul. 2023		
Lot Type	Units Available	Lot Price	Sales
60' Lot	20	\$ 110,345	20
Revenue		\$2,206,904	
Expenses			
<i>Tax Expense</i>		\$ 8,647	
<i>Sales Expense</i>		\$ 33,104	
Net Income		\$2,165,153	
Factor		0.894786	
Income Net Present Value (NPV)		\$1,942,323	

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<i>Total Net Revenue Over ~4 Quarters</i>	\$ 9,446,052
<u>Net Present Value (at completion) at 12% Discount Rate</u>	\$ 8,883,460
<u>Rounded</u>	\$ 8,900,000

Note: Quarterly discount calculations are averaged to the middle of the quarter

DISCOUNT CASH FLOW DATA – PHASE 2B-2 LOTS (ANNUAL)

		2022		2023		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	90	\$ 106,050	28	62	\$ 109,232	62
Revenue	90	\$ 2,969,400			\$ 6,772,353	
Expenses						
<i>Tax Expense</i>		\$ 49,864			\$ 53,072	
<i>Sales Expense</i>		\$ 44,541			\$ 101,585	
Net Income		\$ 2,874,995			\$ 6,617,695	
Factor		0.981289			0.918515	
Income Net Present Value (NPV)		\$ 2,821,201			\$ 6,078,456	



<i>Total Net Income Over ~1 Year</i>	\$ 9,492,690
Net Present Value (at completion) at 12% Discount Rate	\$ 8,899,657
Rounded	\$ 8,900,000

Note: Annual discount and appreciation calculations are averaged to the middle of the period

Phase 2B-2 DCF Conclusion (90 Improved 60' Lots)

Using the Discount Cash Flow analysis on both a quarterly and annual basis suggests the market value for Phase 2 of the Valencia PID No. 2 in a bulk sale transaction would be between \$8,883,460 and \$8,899,657 which are less than 0.2% different. Both annual and quarterly DCF analyses have relevance and are a check of reasonable on each other. When rounded, both indicated the market value of Phase 2B-2 of the Valencia PID No. 2 is **\$8,900,000 (\$98,889/Lot).**8,8000 Thus, we have determined that the **market value for Phase 2 (90 lots) “Upon Completion”** with an effective date of September 1, 2022, is **\$8,900,000 (\$98,889/Lot).**

PHASE 4 – DISCOUNT CASH FLOW (DCF) ANALYSIS

The following assumptions are made in our analysis which are supported by other research and analysis found earlier in this report:

- Construction expected to be complete January 1, 2023
- Retail lot values: \$105,000 for 60's; \$90,000 for 50's
- 6% Appreciation/Year (1.5%/Quarter)
- 60' Lots absorbed at 21/Quarter; 50' Lots absorbed at 33/Quarter
- Discount Rate 13% (3.25%/Quarter)
- Subject is in Little Elm ISD so tax expense on inventory is 2.307334%/Year, 0.576834%/Quarter, but is discounted 30% from retail value
- Sales and Marketing Expense (Totals 1.5% of Revenue)

As substantial construction on the lots is expected to be complete in the fourth quarter of 2022, we have set the effective date of January 1, 2023, which is the first full month following substantial completion. As of January 1, 2023, we expect the lots to appreciate 2% following our report date. Thus, **the retail lot value for 60' lots is \$107,100 and the retail lot value for 50' lots is \$91,800 with a total cumulative value "Upon Completion" (January 1, 2023) of \$42,472,800.** A table is shown below:

VALENCIA PID No. 2 - PHASES 2B-2 & 4					
Phase	Total Lots	Feet Frontage (FF)	Retail Price/Lot on Jan. 1, 2023	Price/FF (\$/FF)	Total Retail Value (\$)
4	106	60	\$107,100	\$1785/FF	\$11,352,600
4	339	50	\$91,800	\$1836/FF	\$31,120,200
	535				\$42,472,800

Discount cash flow analysis was completed on a quarterly and annual basis as a check for reasonableness. When applying the DCF on a quarterly basis, the discount rate is divided by 4 and a discount rate of 3.25% is applied to each period.

DISCOUNT CASH FLOW DATA – PHASE 4 LOTS (QUARTERLY)

	Jan. 2023			Apr. 2023		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	106	\$ 107,888	21	85	\$ 109,506	21
50' Lot	339	\$ 91,800	33	306	\$ 93,177	33
Revenue	445	\$5,295,038			\$5,374,463	
Expenses						
<i>Tax Expense</i>		\$ 171,835			\$ 152,712	
<i>Sales Expense</i>		\$ 79,426			\$ 80,617	
Net Income		\$5,043,777			\$5,141,134	
Factor		0.984839			0.955203	
Income Net Present Value (NPV)		\$4,967,307			\$4,910,826	



	Jul. 2023			Oct. 2023		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	64	\$ 111,148	21	43	\$ 112,816	21
50' Lot	273	\$ 94,575	33	240	\$ 95,993	33
Revenue		\$5,455,080			\$5,536,906	
Expenses						
<i>Tax Expense</i>		\$ 132,284			\$ 112,613	
<i>Sales Expense</i>		\$ 81,826			\$ 83,054	
Net Income		\$5,240,970			\$5,341,240	
Factor		0.926459			0.898579	
Income Net Present Value (NPV)		\$4,855,541			\$4,799,527	





	Jan. 2024			Apr. 2024		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	22	\$ 114,508	21	1	\$ 116,225	1
50' Lot	207	\$ 97,433	33	174	\$ 98,895	33
Revenue		\$5,619,960			\$3,379,750	
Expenses						
<i>Tax Expense</i>		\$ 91,610			\$ 69,951	
<i>Sales Expense</i>		\$ 84,299			\$ 50,696	
Net Income		\$5,444,051			\$3,259,102	
Factor		0.871539			0.845312	
Income Net Present Value (NPV)		\$4,744,702			\$2,754,959	



	Jul. 2024			Oct. 2024		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	0	-	-	0	-	-
50' Lot	141	\$ 100,378	33	108	\$ 101,884	33
Revenue		\$3,312,477			\$3,362,164	
Expenses						
<i>Tax Expense</i>		\$ 57,149			\$ 44,430	
<i>Sales Expense</i>		\$ 49,687			\$ 50,432	
Net Income		\$3,205,641			\$3,267,302	
Factor		0.819875			0.795203	
Income Net Present Value (NPV)		\$2,628,224			\$2,598,167	



	Jan. 2025			Apr. 2025		
Lot Type	Units Available	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	0	-	-	0	-	-
50' Lot	75	\$ 103,412	33	42	\$ 104,963	33
Revenue		\$3,412,597			\$3,463,786	
Expenses						
<i>Tax Expense</i>		\$ 31,317			\$ 17,801	
<i>Sales Expense</i>		\$ 51,189			\$ 51,957	
Net Income		\$3,330,091			\$3,394,028	
Factor		0.771273			0.748064	
Income Net Present Value (NPV)		\$2,568,410			\$2,538,950	

	Jul. 2025		
Lot Type	Units Available	Lot Price	Sales
60' Lot	0	-	-
50' Lot	9	\$ 106,538	9
Revenue		\$ 958,839	
Expenses			
<i>Tax Expense</i>		\$ 3,872	
<i>Sales Expense</i>		\$ 14,383	
Net Income		\$ 940,585	
Factor		0.725553	
Income Net Present Value (NPV)		\$ 682,444	

Total Net Revenue Over ~12 Quarters	\$ 43,607,919
Net Present Value (at completion) at 13% Discount Rate	\$ 38,049,057
<u>Rounded</u>	\$ 38,050,000

Note: Quarterly discount calculations are averaged to the middle of the quarter

DISCOUNT CASH FLOW DATA – PHASE 2B-2 LOTS (ANNUAL)

		2023		2024		
Lot Type	Starting Units	Lot Price	Sales	Units Available	Lot Price	Sales
60' Lot	106	\$ 110,250	84	22	\$ 115,211	22
50' Lot	339	\$ 94,500	132	207	\$ 100,170	132
Revenue	445	\$ 21,735,000			\$ 15,757,088	
Expenses						
<i>Tax Expense</i>		\$ 470,313			\$ 375,839	
<i>Sales Expense</i>		\$ 326,025			\$ 236,356	
Net Income		\$ 20,938,662			\$ 15,144,892	
Factor		0.940721			0.832496	
Income Net Present Value (NPV)		\$ 19,697,436			\$ 12,608,067	



2025			
Lot Type	Units Available	Lot Price	Sales
60' Lot	0	-	-
50' Lot	75	\$ 105,179	75
Revenue		\$ 7,888,388	
Expenses			
<i>Tax Expense</i>		\$ 53,087	
<i>Sales Expense</i>		\$ 118,326	
Net Income		\$ 7,716,975	
Factor		0.751883	
Income Net Present Value (NPV)		\$ 5,802,263	



<i>Total Net Income Over ~3 Years</i>	\$ 43,800,529
<i>Net Present Value (at completion) at 13% Discount Rate</i>	\$ 38,107,766
<u>Rounded</u>	\$ 38,100,000

Note: Annual discount and appreciation calculations are averaged to the middle of the period

Phase 4 DCF Conclusion (Improved 50' and 60' Lots)

Using the Discount Cash Flow analysis on both a quarterly and annual basis suggests the market value for Phase 4 in the Valencia PID No. 2 in a bulk sale transaction would be between \$38,049,057 and \$38,107,766 which are less than 0.2% different. Both annual and quarterly DCF analyses have relevance and are a check of reasonable on each other, but we consider the quarterly analysis to be the more accurate and precise calculation. Thus, we have determined that the **market value for Phase 4 (445 lots) "Upon Completion" with an effective date of September 1, 2022, is \$38,050,000 (\$85,506/Lot).**

INCOME (SUBDIVISION DEVELOPMENT) APPROACH CONCLUSIONS

Using the Discount Cash Flow Analysis to determine the net present value as of the expected construction completion date for Phase 2B-2 (September 1, 2022) and Phase 4 (January 1, 2023), we have determined the following values for Valencia PID No. 2 as shown in the table below:

INCOME APPROACH VALUE INDICATION	
<i>Fee Simple Interest, Complete September 1, 2022</i>	
Valencia PID No. 2 - Phase 2B-2 <i>90 Improved Lots</i>	<i>\$8,900,000 (\$98,889/Lot)</i>
<i>Fee Simple Interest, Complete January 1, 2023</i>	
Valencia PID No. 2 - Phase 4 <i>445 Improved Lots</i>	<i>\$38,050,000 (\$85,506/Lot)</i>

RECONCILIATION AND FINAL VALUE CONCLUSION

The Appraisal of Real Estate, Fourteenth Edition, copyright 2013, pages 641-642, published by the Appraisal Institute states,

“Resolving the differences among various value indications is called reconciliation.... The final value opinion is not the average of the different value indications derived. No mechanical formula is used to select one indication over the others...Final reconciliation relies on proper application of appraisal techniques and the appraiser’s judgment.”

Three approaches to value are recognized in the appraisal profession (Sales Comparison Approach, Cost Approach, and Income Approach). All three approaches were analyzed and developed as part of the scope of work of this assignment. A summary of each approach follows:

Cost Approach

Since the subject property’s residential subdivision has been constructed in phases over several years and we are only appraising a portion of the development, *the Cost Approach is not appropriate and thus was not utilized.* This approach is most beneficial when appraising a proposed or recently built project and is typically used when units make up a substantial portion of the entire project.

Income (Subdivision Development) Approach

For the improved lots, the Income (Subdivision Development) Approach applied in subdivision analysis simulates what occurs in a bulk sale where one buyer purchases the bulk of the lots at a discount. Income capitalization is the primary method used in subdivision valuation because value is determined by future sales over time. Along with discounted cash flow analysis, income capitalization directly measures differences in present value based on future cash flow projections. This approach provides a direct measure of the market value or wholesale value of a group of lots or units, which is different from the sum of the retail lot prices. Since our assignment is to determine the bulk sale value of 535 improved residential lots in Valencia PID No. 2, as of the construction completion dates, the Income Approach is appropriate and was developed. **Through Discounted Cash Flow Analysis, we determined the value of the improved lots “Upon Completion” in Phase 2B-2 of the Valencia PID No. 2, as of September 1, 2022, is \$8,900,000 (\$98,889/Lot). Through Discounted Cash Flow Analysis, we determined the value of the 445 improved lots “Upon Completion” in Phase 4 of the Valencia PID No. 2, as of January 1, 2023, is \$38,050,000 (\$85,506/Lot).**

Sales Comparison Approach

For the improved lots, the Sales Comparison Approach was not fully developed because finding highly similar and recent sales of improved groups of lots or subdivisions is not available in the market. Aspects of the Sales Comparison Approach were utilized in concluding the retail lot market values for use in the Income Approach for the improved lots.

Final Value Conclusion Summary

As a result of our investigations, studies and analysis of the sale, cost, income, and expense data, interpreted within the context of all the factors in the marketplace which effect value, our reconciliation of the indicated values between the utilized approaches to value are listed in the table below. We utilized the Income (Subdivision Development) Approach to value the 535 improved residential lots. Our final value conclusion for the retail lot value and the cumulative value of the lots is shown below:

VALENCIA PID No. 2 - PHASES 2B-2 & 4						
Phase	Total Lots	Feet Frontage (FF)	Retail Price/Lot on Sep. 1, 2022	Retail Price/Lot on Jan. 1, 2023	Price/FF (\$/FF)	Total Retail Value (\$)
2B-2	90	60	\$105,000	-	\$1750/FF	\$9,450,000
4	106	60	-	\$107,100	\$1785/FF	\$11,352,600
4	339	50	-	\$91,800	\$1836/FF	\$31,120,200
	535					\$51,922,800

After considering discount cash flow, our final value conclusion "Upon Completion" is shown below:

FINAL MARKET VALUE CONCLUSION	
<i>Fee Simple Interest, Complete September 1, 2022</i>	
Valencia PID No. 2 - Phase 2B-2 90 Improved Lots	\$8,900,000 (\$98,889/Lot)
<i>Fee Simple Interest, Complete January 1, 2023</i>	
Valencia PID No. 2 - Phase 4 445 Improved Lots	\$38,050,000 (\$85,506/Lot)

Exposure Time

Assuming adequate exposure and normal marketing efforts, the estimated exposure time (i.e. the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded to in this analysis as of the date of this valuation) would have been at least 6-12 months; the estimated marketing time (i.e. the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of this valuation) is estimated to be between 6-12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Market conditions are presently strong, and we expect no significant changes in the near term. It is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 6-12 months.

ADDENDA

LEGAL DESCRIPTION

**VALENCIA ON THE LAKE
VALENCIA PID NO. 2
189.257 ACRES**

BEING that certain tract of land situated in the Santiago Guarrara Survey, Abstract No. 456, the Alexander Cooper Survey, Abstract No. 250, the Pierce Fulghum Survey, Abstract No. 427, and the Teodoro Rodriguez Survey, Abstract No. 1068, in the Town of Little Elm, Denton County, Texas, and being all of that certain called 13.874 acre tract of land described as Tract I (Part of Phase 2B2), all of that certain called 139.705 acre tract of land described as Tract II (Phases 4A and 4B), and all of that certain called 6.097 acre tract of land described as Tract III (Phase 4C) in Deed to Valencia on the Lake 2B2 and 4, LLC recorded in Document Number 2021-157901, of the Real Property Records of Denton County, Texas (RPRDCT), all of that certain called 15.145 acre tract of land described in Deed to Valencia on the Lake 2B2 and 4, LLC recorded in Document Number 2021-157902, RPRDCT, all of that certain called 12.332 acre tract of land described in Deed to The Board of Trustees of the Little Elm Independent School District recorded in Document No. 2018-121058, RPRDCT, and part of that certain tract of land described in deed to the Town of Little Elm (Rockhill Parkway - called 90 foot right-of-way) recorded in Document No. 2014-31379, RPRDCT, and including an 0.026 acre portion of the called 50-foot right-of-way of Barx Drive, dedicated according to Valencia on the Lake Phase 3C, an addition to The Town of Little Elm according to Final Plat recorded in Document Number 2017-419 RPRDCT, and being more particularly described as follows:

BEGINNING at a 5/8-inch iron rod with cap stamped "BCG 10194538" found at the most westerly corner of Valencia on the Lake Phase 2B-1, an Addition to the Town of Little Elm Texas according to Final Plat recorded in Document No. 2021-324, of the Plat Records of Denton County, Texas (PRDCT), said iron rod also being located on the southerly line of the "Take Line" of Lake Lewisville;

THENCE leaving said "Take Line", and with the southwesterly line of said Valencia on the Lake Phase 2B-1, the following courses to 5/8-inch iron rods with cap stamped "BCG 10194538" found for corner:

South 51°26'27" East, a distance of 257.14 feet to the beginning of a non-tangent curve to the right;

Northeasterly, with said curve which has a central angle of 43°47'33", a radius of 60.00 feet, a chord which bears North 55°24'53" East, a chord distance of 44.75 feet, and an arc distance of 45.86 feet to the end of said curve;

North 43°45'14" East, a distance of 7.48 feet;

North 46°14'46" West, a distance of 120.00 feet;

North 43°45'14" East, a distance of 600.00 feet;

South 46°14'46" East, a distance of 120.00 feet;

South 43°45'14" West, a distance of 30.00 feet;

South 46°14'46" East, a distance of 50.00 feet;

North 43°45'14" East, a distance of 74.94 feet;

South 45°03'06" East, a distance of 390.52 feet to the beginning of a non-tangent curve to the right;

Southwesterly, with said curve which has a central angle of 00°45'33", a radius of 2264.00 feet, a chord which bears South 45°19'41" West, a chord distance of 30.00 feet, and an arc distance of 30.00 feet to the end of said curve;

South 44°17'32" East, a distance of 50.00 feet to being the beginning of a non-tangent curve to the left;

Valencia Public Improvement District No. 2

And northeasterly, with said curve which has a central angle of $04^{\circ}35'30''$, a radius of 2314.00 feet, a chord which bears North $43^{\circ}24'43''$ East, a chord distance of 185.39 feet, and an arc distance of 185.44 feet to the end of said curve;

THENCE South $49^{\circ}30'11''$ East, passing at a distance of 111.01 feet a 5/8-inch iron rod with cap stamped "BCG 10194538" found at a southwest corner of said Valencia on the Lake Phase 2B-1, and continuing with a southwest line of said Rockhill Parkway, in all, a total distance of 131.01 feet to a point for corner located at the beginning of a non-tangent curve to the right;

THENCE with the northerly right-of-way line of said Rockhill Parkway, the following courses to 5/8-inch iron rods with cap stamped "BCG 10194538" found for corner:

Southwesterly, with said curve which has a central angle of $15^{\circ}31'47''$, a radius of 2445.00 feet, a chord which bears South $48^{\circ}50'51''$ West, a chord distance of 660.67 feet, and an arc distance of 662.70 feet to the end of said curve;

North $33^{\circ}30'17''$ West, a distance of 20.00 feet;

South $57^{\circ}12'14''$ West, a distance of 50.00 feet;

South $33^{\circ}30'17''$ East, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the right;

Southwesterly, with said curve which has a central angle of $09^{\circ}37'40''$, a radius of 2445.00 feet, a chord which bears South $62^{\circ}35'53''$ West, a chord distance of 410.37 feet, and an arc distance of 410.85 feet to the end of said curve;

South $67^{\circ}24'44''$ West, a distance of 231.77 feet;

North $22^{\circ}35'16''$ West, a distance of 20.00 feet;

South $67^{\circ}24'44''$ West, a distance of 50.00 feet;

South $22^{\circ}35'16''$ East, a distance of 20.00 feet;

South $67^{\circ}24'44''$ West, a distance of 714.21 feet;

North $22^{\circ}35'16''$ West, a distance of 20.00 feet;

And South $67^{\circ}24'44''$ West, a distance of 50.00 feet;

THENCE South $22^{\circ}35'16''$ East, passing at a distance of 20.00 feet a 5/8-inch iron rod with cap stamped "BCG 10194538" found on said northerly right-of-way line of Rockhill Parkway, continuing over and across said Rockhill Parkway, passing at a distance of 110.00 feet an "X" cut in concrete found at the northeast corner of said called 139.705 acre tract of land described as Tract II (Phases 4A and 4B), passing at a distance of 140.00 feet a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found at the most westerly northwest corner of Valencia on the Lake Phase 1, an Addition to the Town of Little Elm Texas according to Final Plat recorded in Document No. 2015-245, PRDCT, continuing with the southwesterly line of said Valencia on the Lake Phase 1, in all, a total distance of 645.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE with said southwesterly line of Valencia on the Lake Phase 1, the following courses to 5/8-inch iron rods with cap stamped "PETITT-RPLS 4087" found for corner:

North $67^{\circ}24'44''$ East, a distance of 200.32 feet;

South $22^{\circ}35'16''$ East, a distance of 312.29 feet;

South 17°05'19" West, a distance of 283.91 feet;

South 85°49'57" East, a distance of 23.24 feet;

South 60°11'21" East, a distance of 50.30 feet;

South 14°40'15" East, a distance of 50.96 feet;

South 00°02'26" West, a distance of 39.41 feet;

South 83°27'48" East, a distance of 31.28 feet;

South 04°48'46" East, a distance of 195.51 feet;

THENCE South 18°25'34" East, passing at a distance of 51.10 feet the southwest corner of said Valencia on the Lake Phase 1, and continuing with the westerly line of Valencia on the Lake Phase 2A, an Addition to the Town of Little Elm, Texas according to Final Plat recorded in Document Number 2018-62, PRDCT, in all, a total distance of 267.83 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the southwest corner of said Valencia on the Lake Phase 2A, and being located on the northerly "Take Line" of said Lake Lewisville;

THENCE with said northerly "Take Line" of Lake Lewisville, the following courses:

South 62°23'06" West, a distance of 242.31 feet to a U.S.A.C.O.E. Fence Post Marked JP-5E found for corner;

North 30°02'10" West, a distance of 182.02 feet to a U.S.A.C.O.E. Fence Post Marked JP-5F found for corner;

North 77°58'31" West, a distance of 203.63 feet to a U.S.A.C.O.E. Fence Post Marked JP-5G found for corner;

South 67°53'16" West, a distance of 253.98 feet to a U.S.A.C.O.E. Monument Marked J-809-2-3 found for corner;

South 85°20'52" West, a distance of 1000.03 feet to a U.S.A.C.O.E. Monument Marked J-809-2-2 found for corner;

South 60°04'23" West, a distance of 742.15 feet to a U.S.A.C.O.E. Monument Marked J-809-2-1 found for corner;

And North 88°13'22" West, a distance of 373.76 feet to a U.S.A.C.O.E. Monument (disturbed) found for the northeast corner of that certain tract of land described in deed to Clifford E. Burgent and Norma J. Burgent recorded in Volume 603, Page 591, RPRDCT;

THENCE North 89°11'54" West, with a northerly line of said Burgent tract, a distance of 526.42 feet to a 1/2-inch iron rod found for corner;

THENCE South 25°56'18" West, with a westerly line of said Burgent tract, a distance of 1242.12 feet to a 1-inch iron rod found at an "ell" corner of said Burgent tract;

THENCE North 53°26'05" West, with a northerly line of said Burgent tract, a distance of 613.52 feet to a 1-inch iron rod found at the most northerly corner of said Burgent tract;

THENCE South 00°18'45" West, with the west line of said Burgent tract, a distance of 1203.50 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found on said northerly "Take Line" of Lake Lewisville;

THENCE with the northerly "Take Line" of Lake Lewisville, the following courses:

South 88°44'53" West, a distance of 850.88 feet to a U.S.A.C.O.E. Monument Marked H-723-A found for corner;

South 01°32'31" West, a distance of 224.05 feet to a 1/2-inch iron rod found for corner;

South 41°00'56" West, a distance of 1035.32 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

South 31°43'14" East, a distance of 42.77 feet to a U.S.A.C.O.E. Monument Marked H-725-6 found for corner;

South 67°02'07" West, a distance of 399.58 feet to a U.S.A.C.O.E. Monument Marked H-725-5 found for corner;

North 03°41'18" East, a distance of 799.83 feet to a U.S.A.C.O.E. Monument Marked H-725-4 found for corner;

And North 54°23'26" West, a distance of 281.39 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner at the south corner of Valencia on the lake Amenity Center, an addition to the Town of Little Elm according to Final Plat recorded in Document No. 2022-110, PRDCT;

THENCE North 00°00'03" East, leaving said "Take Line" of Lake Lewisville, and with the east line of said Valencia on the lake Amenity Center, a distance of 361.61 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner on the southerly right-of-way line of said Rockhill Parkway;

THENCE North 89°59'57" West, with said southerly right-of-way line of Rockhill Parkway, a distance of 1.93 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

THENCE northeasterly, with the westerly right-of-way line of Rockhill Parkway, and with said curve which has a central angle of 223°52'46", a radius of 90.00 feet, a chord which bears North 21°56'26" East, a chord distance of 166.96 feet, and an arc distance of 351.67 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the most easterly corner of said Valencia on the Lake Amenity Center;

THENCE North 46°07'09" West, with the northeast line of said Valencia on the Lake Amenity Center, a distance of 278.39 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner on the southeasterly line of said "Take Line" of Lake Lewisville;

THENCE North 43°52'51" East, with said southeasterly "Take Line" of Lake Lewisville, a distance of 647.02 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the most westerly corner of Valencia on the Lake Phase 3C, an Addition to The Town of Little Elm according to Final Plat recorded in Document Number 2017-419 RPRDCT;

THENCE with the southwesterly line of said Valencia on the Lake Phase 3C, the following courses:

South 46°07'09" East, a distance of 74.59 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a non-tangent curve to the left;

And southeasterly, with said curve which has a central angle of 68°20'56", a radius of 65.00 feet, a chord which bears South 15°58'22" East, a distance of 73.02 feet, and an arc distance of 77.54 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE South 10°25'55" East, continuing with the southwesterly line of said Valencia on the Lake Phase 3C, and over and across said right-of-way of Barx Drive, dedicated according to Valencia on the Lake Phase 3C, a distance of 423.55 feet to an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the right;

THENCE with said southwesterly line of Valencia on the Lake Phase 3C, the following courses:

Southwesterly, with said curve which has a central angle of $01^{\circ}35'54''$, a radius of 717.00 feet, a chord which bears South $82^{\circ}21'55''$ West, a distance of 20.00 feet, and an arc distance of 20.00 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

South $06^{\circ}50'08''$ East, a distance of 50.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of $01^{\circ}39'45''$, a radius of 767.00 feet, a chord which bears North $82^{\circ}19'59''$ East, a distance of 22.26 feet, and an arc distance of 22.26 feet to the end of said curve, an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the right;

And southeasterly, with said curve which has a central angle of $05^{\circ}21'24''$, a radius of 225.00 feet, a chord which bears South $02^{\circ}40'39''$ East, a distance of 21.03 feet, and an arc distance of 21.04 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

THENCE South $00^{\circ}00'03''$ West, passing at a distance of 108.08 feet a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found at the southeast corner of said Tract III (Phase 4C), located on the northerly right-of-way line of Rockhill Parkway, continuing over and across said Rockhill Parkway, in all, a total distance of 219.51 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner on said southerly right-of-way line of Rockhill Parkway;

THENCE with said southerly right-of-way line of Rockhill Parkway, the following courses:

South $89^{\circ}59'57''$ East, a distance of 50.00 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

North $00^{\circ}00'03''$ East, a distance of 27.91 feet to an "X" cut in concrete found for corner at the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of $60^{\circ}07'30''$, a radius of 985.00 feet, a chord which bears North $50^{\circ}20'02''$ East, a distance of 986.86 feet, and an arc distance of 1033.64 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner;

North $20^{\circ}16'17''$ East, a distance of 616.39 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

Northeasterly, with said curve which has a central angle of $42^{\circ}44'37''$, a radius of 1665.00 feet, a chord which bears North $41^{\circ}38'36''$ East, a distance of 1213.51 feet, and an arc distance of 1242.12 feet to the end of said curve, a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner;

South $26^{\circ}05'42''$ East, a distance of 20.00 feet;

North $63^{\circ}52'30''$ East, a distance of 50.00 feet;

North $26^{\circ}05'42''$ West, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the right;

Northeasterly, with said curve which has a central angle of $18^{\circ}47'50''$, a radius of 1665.00 feet, a chord which bears North $74^{\circ}08'04''$ East, a distance of 543.80 feet, and an arc distance of 546.25 feet to the end of said curve;

North $83^{\circ}31'59''$ East, a distance of 302.69 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of $08^{\circ}12'08''$, a radius of 995.00 feet, a chord which bears North $79^{\circ}25'55''$ East, a distance of 142.32 feet, and an arc distance of 142.44 feet to the end of said curve;

South 16°06'32" East, a distance of 20.00 feet;

North 73°53'28" East, a distance of 50.00 feet;

North 16°06'32" West, a distance of 20.00 feet, said iron rod being the beginning of a non-tangent curve to the left;

Northeasterly, with said curve which has a central angle of 08°16'25", a radius of 995.00 feet, a chord which bears North 68°18'52" East, a distance of 143.55 feet, and an arc distance of 143.68 feet to the end of said curve;

North 64°10'40" East, a distance of 689.07 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of 06°36'01", a radius of 1845.00 feet, a chord which bears North 60°52'40" East, a distance of 212.42 feet, and an arc distance of 212.54 feet to the end of said curve;

North 57°34'39" East, a distance of 457.24 feet, said iron rod being the beginning of a tangent curve to the left;

Northeasterly, with said curve which has a central angle of 08°14'55", a radius of 1045.00 feet, a chord which bears North 53°27'12" East, a chord distance of 150.32 feet, and an arc distance of 150.44 feet to the end of said curve,

South 42°02'31" East, a distance of 20.00 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner;

North 48°16'01" East, a distance of 50.00 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner;

North 42°02'31" West, a distance of 20.00 feet to an "X" cut in concrete found for corner;

North 47°53'19" East, a distance of 478.67 feet to a 5/8-inch iron rod with cap marked "PETITT-RPLS 4087" found for corner at the beginning of a tangent curve to the right;

And northeasterly, with said curve which has a central angle of 12°29'10", a radius of 1355.00 feet, a chord which bears North 54°07'54" East, a chord distance of 294.70 feet, and an arc distance of 295.29 feet to the end of said curve;

THENCE North 29°37'33" West, over and across said right-of-way of Rockhill Parkway, passing at a distance of 90.00 feet the southwest corner of said called 13.874 acre tract of land described as Tract I (Part of Phase 2B2), continuing with the southwest line of said Tract I, in all, a total distance of 349.79 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner on said southerly "Take Line" of Lake Lewisville, from which a U.S.A.C.O.E. monument marked J-809-1/3 found bears South 31°22'51" West, a distance of 313.07 feet;

THENCE with said southerly "Take Line", the following courses:

North 31°22'51" East, a distance of 387.22 feet to a U.S.A.C.O.E. monument marked J-809-2 found for corner;

North 63°24'03" East, a distance of 273.15 feet to a U.S.A.C.O.E. monument marked J-840-1 found for corner;

South 89°29'32" East, a distance of 230.56 feet to a 5/8-inch iron rod with cap stamped "BCG 10194538" found for corner;

And North 38°33'33" East, a distance of 642.80 feet to the POINT OF BEGINNING and containing an area of 189.257 acres of land.

PROJECT COSTS (ENGINEERING REPORT – BARRAZA CONSULTING GROUP)



COMMUNITY NAME: Valencia on the Lake

PHASE: 2B2 & 4

CITY OR TOWN: Town of Little Elm, Denton County, Texas

ACREAGE: 174.774

TOTAL LOTS: 535

CREATED: 07/26/22

COST SUMMARY - FUTURE PHASE 2B2 AND PHASE 4 BONDS

DIRECT COSTS	PER LOT COST	ITEM COST
GRADING - RIGHT OF WAY	\$739	\$395,401.86
WATER IMPROVEMENTS	\$3,128	\$1,673,301.50
SANITARY SEWER IMPROVEMENTS	\$2,556	\$1,367,548.30
STORM DRAINAGE IMPROVEMENTS	\$2,654	\$1,420,022.20
PAVING IMPROVEMENTS	\$11,770	\$6,297,077.00
OFFSITE UTILITY IMPROVEMENTS	\$1,666	\$891,510.00
SOFT COST IMPROVEMENTS	\$2,956	\$1,581,595.83
DISTRICT FORMATION	\$1,318	\$705,000.00
TOTAL DIRECT COST	\$26,788	\$14,331,456.69

DENTON CAD ACCOUNTS
Valencia on the Lake 2B2 & 4 LLC – ID: 38646

Denton CAD			
Property Search Results > 38646 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022 Tax Year: 2022			
Property			
Account			
Property ID:	38646	Legal Description:	A0456A J. GUERRARA, TR 2,3,4,5(PT), 4.78 ACRES, OLD DCAD TR #2,2A
Geographic ID:	A0456A-000-0002-0000	Zoning:	Residential Development
Type:	Real	Agent Code:	
Property Use Code:			
Property Use Description:			
Location			
Address:	LITTLE ELM, TX 75068	Map ID:	DS01
Neighborhood:	E4 AND D1 PROPS DENTON ISD		
Neighborhood CD:	DS05PASTUR		
Owner			
Name:	VALENCIA ON THE LAKE 2B2 & 4 LLC	Owner ID:	1767684
Mailing Address:	1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945	% Ownership:	100.0000000000%
		Exemptions:	
Values			
(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$0	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$576,414	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
<hr/>			
(=) Market Value:	=	\$576,414	
(-) Ag or Timber Use Value Reduction:	-	\$0	
<hr/>			
(=) Appraised Value:	=	\$576,414	
(-) HS Cap:	-	\$0	
<hr/>			
(=) Assessed Value:	=	\$576,414	
Taxing Jurisdiction			
Owner:	VALENCIA ON THE LAKE 2B2 & 4 LLC		
% Ownership:	100.0000000000%		
Total Value:	\$576,414		

Valencia Public Improvement District No. 2

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
C13	LITTLE ELM TOWN OF	0.643948	\$576,414	\$576,414	\$3,711.81
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$576,414	\$576,414	\$0.00
G01	DENTON COUNTY	0.233086	\$576,414	\$576,414	\$1,343.54
PID10	VALENCIA ON THE LAKE PID	0.000000	\$576,414	\$576,414	\$0.00
S05	DENTON ISD	1.362000	\$576,414	\$576,414	\$7,850.76
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$576,414	\$576,414	\$0.00
Total Tax Rate:		2.239034			
Taxes w/Current Exemptions:					\$12,906.11
Taxes w/o Exemptions:					\$12,906.11

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PN 3	NATIVE PASTURE III	4.7800	208216.80	0.00	0.00	\$576,414	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$576,414	0	576,414	\$0	\$576,414
2021	\$0	\$2,325,777	1,819	1,819	\$0	\$1,819
2020	\$0	\$2,325,777	1,977	1,977	\$0	\$1,977
2019	\$0	\$2,325,777	1,978	1,978	\$0	\$1,978
2018	\$0	\$2,325,777	1,978	1,978	\$0	\$1,978
2017	\$0	\$2,325,777	1,978	1,978	\$0	\$1,978
2016	\$0	\$2,325,777	2,175	2,175	\$0	\$2,175
2015	\$0	\$3,795,927	2,175	1,472,325	\$0	\$1,472,325
2014	\$0	\$3,795,927	8,899	1,479,049	\$0	\$1,479,049
2013	\$0	\$4,118,184	14,006	14,006	\$0	\$14,006
2012	\$0	\$4,118,184	14,356	14,356	\$0	\$14,356
2011	\$0	\$4,118,184	14,356	14,356	\$0	\$14,356
2010	\$0	\$2,717,514	14,356	14,356	\$0	\$14,356
2009	\$0	\$3,221,380	16,107	16,107	\$0	\$16,107
2008	\$0	\$1,645,705	16,457	16,457	\$0	\$16,457

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	MM VALENCIA 2BFC LLC	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901
2	7/2/2020	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	MM VALENCIA 2BFC LLC			2020-97027
3	4/2/2007	SW	SPECIAL WD	VALENCIA ON THE LAKE, LP AND SASSANID	VALENCIA ON THE LAKE, LP			2007-41359

Valencia on the Lake 2B2 & 4 LLC – ID: 584981

Denton CAD

**Property Search Results > 584981 VALENCIA ON THE LAKE
2B2 & 4 LLC for Year 2022**

Tax Year: 2022

Property

Account

Property ID:	584981	Legal Description:	A0250A A. COOPER, TR 10A, 10.00 ACRES, OLD DCAD TR #4,5,6,9A
Geographic ID:	A0250A-000-0010-0000	Zoning:	
Type:	Real	Agent Code:	
Property Use Code:			
Property Use Description:			

Location

Address:		Mapsco:	
Neighborhood:	E4 AND D1 PROPS LITTLE ELM ISD	Map ID:	LE01
Neighborhood CD:	DS10PASTUR		

Owner

Name:	VALENCIA ON THE LAKE 2B2 & 4 LLC	Owner ID:	1767684
Mailing Address:	1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945	% Ownership:	100.0000000000%
		Exemptions:	

Values

(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$0	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$369,742	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
<hr/>			
(=) Market Value:	=	\$369,742	
(-) Ag or Timber Use Value Reduction:	-	\$0	
<hr/>			
(=) Appraised Value:	=	\$369,742	
(-) HS Cap:	-	\$0	
<hr/>			
(=) Assessed Value:	=	\$369,742	

Taxing Jurisdiction

Owner:	VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership:	100.0000000000%
Total Value:	\$369,742

Valencia Public Improvement District No. 2

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
C13	LITTLE ELM TOWN OF	0.643948	\$369,742	\$369,742	\$2,380.95
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$369,742	\$369,742	\$0.00
G01	DENTON COUNTY	0.233086	\$369,742	\$369,742	\$861.81
PID10	VALENCIA ON THE LAKE PID	0.000000	\$369,742	\$369,742	\$0.00
S10	LITTLE ELM ISD	1.430300	\$369,742	\$369,742	\$5,288.42
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$369,742	\$369,742	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$8,531.18
				Taxes w/o Exemptions:	\$8,531.18

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	8	RESIDENT LOT	10.0000	435600.00	0.00	0.00	\$369,742	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$369,742	0	369,742	\$0	\$369,742
2021	\$0	\$352,836	0	352,836	\$0	\$352,836
2020	\$0	\$352,836	0	352,836	\$0	\$352,836
2019	\$0	\$352,836	0	352,836	\$0	\$352,836
2018	\$0	\$352,836	0	352,836	\$0	\$352,836
2017	\$0	\$365,000	0	365,000	\$0	\$365,000
2016	\$0	\$365,000	0	365,000	\$0	\$365,000
2015	\$0	\$365,000	0	365,000	\$0	\$365,000
2014	\$0	\$365,000	0	365,000	\$0	\$365,000
2013	\$0	\$365,000	0	365,000	\$0	\$365,000
2012	\$0	\$365,000	0	365,000	\$0	\$365,000
2011	\$0	\$365,000	0	365,000	\$0	\$365,000
2010	\$0	\$365,000	0	365,000	\$0	\$365,000
2009	\$0	\$365,000	0	365,000	\$0	\$365,000
2008	\$0	\$310,000	1,700	1,700	\$0	\$1,700

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901
2	1/13/2014	SW	SPECIAL WD	MCKIM, WENDY ETAL	VALENCIA ON THE LAKE, LP			2014-5801

Valencia on the Lake 2B2 & 4 LLC – ID: 958385

Denton CAD

Property Search Results > 958385 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022

Tax Year: 2022

Property

Account

Property ID: 958385

Legal Description: A0456A J. GUERRARA, TR 6,7,8,9(B)(PT), 9.00 ACRES

Geographic ID: A0456A-000-0006-000B

Zoning: Acreage Residential

Type: Real

Agent Code:

Property Use Code:

Property Use Description:

Location

Address:

Mapsco:

Neighborhood: E4 AND D1 PROPS LITTLE ELM ISD

Map ID: LE01

Neighborhood CD: DS10PASTUR

Owner

Name: VALENCIA ON THE LAKE 2B2 & 4 LLC

Owner ID: 1767684

Mailing Address: 1800 VALLEY VIEW LN STE 300

% Ownership: 100.00000000000%

FARMERS BRANCH, TX 75234-8945

Exemptions:

Values

(+) Improvement Homesite Value: + \$0

(+) Improvement Non-Homesite Value: + \$0

(+) Land Homesite Value: + \$0

(+) Land Non-Homesite Value: + \$554,612 Ag / Timber Use Value

(+) Agricultural Market Valuation: + \$0 \$0

(+) Timber Market Valuation: + \$0 \$0

(=) Market Value: = \$554,612

(-) Ag or Timber Use Value Reduction: - \$0

(=) Appraised Value: = \$554,612

(-) HS Cap: - \$0

(=) Assessed Value: = \$554,612

Taxing Jurisdiction

Owner: VALENCIA ON THE LAKE 2B2 & 4 LLC

% Ownership: 100.00000000000%

Total Value: \$554,612

Valencia Public Improvement District No. 2

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
C13	LITTLE ELM TOWN OF	0.643948	\$554,612	\$554,612	\$3,571.41
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$554,612	\$554,612	\$0.00
G01	DENTON COUNTY	0.233086	\$554,612	\$554,612	\$1,292.72
PID10	VALENCIA ON THE LAKE PID	0.000000	\$554,612	\$554,612	\$0.00
S10	LITTLE ELM ISD	1.430300	\$554,612	\$554,612	\$7,932.62
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$554,612	\$554,612	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$12,796.75
				Taxes w/o Exemptions:	\$12,796.75

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 1	IMPROVED PASTURE I	9.0000	392040.00	7814006.00	1.00	\$554,612	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$554,612	0	554,612	\$0	\$554,612
2021	\$0	\$1,659,449	0	1,659,449	\$0	\$1,659,449

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	MM VALENCIA 2BFC LLC	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901
2	7/2/2020	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	MM VALENCIA 2BFC LLC			2020-97027

Valencia on the Lake 2B2 & 4 LLC – ID: 986670

Denton CAD

Property Search Results > 986670 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022
Tax Year: **2022**

Property

Account

Property ID:	986670	Legal Description:	A0456A J. GUERRARA, TR 2-5A, 14.72 ACRES
Geographic ID:	A0456A-000-002A-0000	Zoning:	Residential Development
Type:	Real	Agent Code:	
Property Use Code:			
Property Use Description:			

Location

Address:		Mapscot:	
Neighborhood:	E4 AND D1 PROPS DENTON ISD	Map ID:	DS01
Neighborhood CD:	DS05PASTUR		

Owner

Name:	VALENCIA ON THE LAKE 2B2 & 4 LLC	Owner ID:	1767684
Mailing Address:	1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945	% Ownership:	100.0000000000%
		Exemptions:	

Values

(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$0	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$907,099	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
<hr/>			
(=) Market Value:	=	\$907,099	
(-) Ag or Timber Use Value Reduction:	-	\$0	
<hr/>			
(=) Appraised Value:	=	\$907,099	
(-) HS Cap:	-	\$0	
<hr/>			
(=) Assessed Value:	=	\$907,099	

Taxing Jurisdiction

Owner:	VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership:	100.0000000000%
Total Value:	\$907,099

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
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Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$907,099	\$907,099	\$5,841.25
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$907,099	\$907,099	\$0.00
G01	DENTON COUNTY	0.233086	\$907,099	\$907,099	\$2,114.32
PID10	VALENCIA ON THE LAKE PID	0.000000	\$907,099	\$907,099	\$0.00
S05	DENTON ISD	1.362000	\$907,099	\$907,099	\$12,354.69
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$907,099	\$907,099	\$0.00
Total Tax Rate:		2.239034			
				Taxes w/Current Exemptions:	\$20,310.26
				Taxes w/o Exemptions:	\$20,310.26

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PN 3	NATIVE PASTURE III	14.7200	641203.20	0.00	0.00	\$907,099	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$907,099	0	907,099	\$0	\$907,099

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	MM VALENCIA 2BFC LLC	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157902

Valencia on the Lake 2B2 & 4 LLC – ID: 986671

Denton CAD

Property Search Results > 986671 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022
Tax Year: 2022

Property

Account

Property ID: 986671
Legal Description: A0456A J. GUERRARA, TR 6-9B(1), 0.425 ACRES
Geographic ID: A0456A-000-0006-00B1
Zoning: Acreage Residential
Type: Real
Agent Code:
Property Use Code:
Property Use Description:

Location

Address:
Neighborhood: E4 AND D1 PROPS LITTLE ELM ISD
Neighborhood CD: DS10PASTUR
Map ID: LE01

Owner

Name: VALENCIA ON THE LAKE 2B2 & 4 LLC
Owner ID: 1767684
Mailing Address: 1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945
% Ownership: 100.000000000000%
Exemptions:

Values

(+) Improvement Homesite Value: + \$0

(+) Improvement Non-Homesite Value: + \$0

(+) Land Homesite Value: + \$0

(+) Land Non-Homesite Value: + \$26,190 Ag / Timber Use Value

(+) Agricultural Market Valuation: + \$0 \$0

(+) Timber Market Valuation: + \$0 \$0

(=) Market Value: = \$26,190

(–) Ag or Timber Use Value Reduction: – \$0

(=) Appraised Value: = \$26,190

(–) HS Cap: – \$0

(=) Assessed Value: = \$26,190

Taxing Jurisdiction

Owner: VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership: 100.000000000000%
Total Value: \$26,190

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
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Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$26,190	\$26,190	\$168.65
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$26,190	\$26,190	\$0.00
G01	DENTON COUNTY	0.233086	\$26,190	\$26,190	\$61.04
PID10	VALENCIA ON THE LAKE PID	0.000000	\$26,190	\$26,190	\$0.00
S10	LITTLE ELM ISD	1.430300	\$26,190	\$26,190	\$374.59
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$26,190	\$26,190	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$604.28
				Taxes w/o Exemptions:	\$604.28

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 1	IMPROVED PASTURE I	0.4250	18513.00	7814006.00	1.00	\$26,190	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$26,190	0	26,190	\$0	\$26,190

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	MM VALENCIA 2BFC LLC	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157902

Valencia on the Lake 2B2 & 4 LLC – ID: 986672

Denton CAD

Property Search Results > 986672 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022
Tax Year: 2022

Property

Account

Property ID: 986672 Legal Description: A0456A J. GUERRARA, TR 6-9C(PT), 48.955 ACRES
Geographic ID: A0456A-000-006C-0000 Zoning: Acreage Residential
Type: Real Agent Code:
Property Use Code:
Property Use Description:

Location

Address:
Neighborhood: E4 AND D1 PROPS LITTLE ELM ISD Mapsco:
Neighborhood CD: DS10PASTUR Map ID: LE01

Owner

Name: VALENCIA ON THE LAKE 2B2 & 4 LLC Owner ID: 1767684
Mailing Address: 1800 VALLEY VIEW LN STE 300 % Ownership: 100.0000000000%
FARMERS BRANCH, TX 75234-8945
Exemptions:

Values

(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$0	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$3,016,781	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
<hr/>			
(=) Market Value:	=	\$3,016,781	
(-) Ag or Timber Use Value Reduction:	-	\$0	
<hr/>			
(=) Appraised Value:	=	\$3,016,781	
(-) HS Cap:	-	\$0	
<hr/>			
(=) Assessed Value:	=	\$3,016,781	

Taxing Jurisdiction

Owner: VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership: 100.0000000000%
Total Value: \$3,016,781

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
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Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$3,016,781	\$3,016,781	\$19,426.50
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$3,016,781	\$3,016,781	\$0.00
G01	DENTON COUNTY	0.233086	\$3,016,781	\$3,016,781	\$7,031.69
PID10	VALENCIA ON THE LAKE PID	0.000000	\$3,016,781	\$3,016,781	\$0.00
S10	LITTLE ELM ISD	1.430300	\$3,016,781	\$3,016,781	\$43,149.02
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$3,016,781	\$3,016,781	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$69,607.21
				Taxes w/o Exemptions:	\$69,607.21

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 1	IMPROVED PASTURE I	48.9550	2132479.80	7814006.00	1.00	\$3,016,781	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$3,016,781	0	3,016,781	\$0	\$3,016,781

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901

Valencia on the Lake 2B2 & 4 LLC – ID: 986673

Denton CAD				
Property Search Results > 986673 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022				Tax Year: 2022
Property				
Account				
Property ID:	986673	Legal Description:	A1068A T. RODRIQUEZ, TR 9-17A, 16.4 ACRES	
Geographic ID:	A1068A-000-0009-017A	Zoning:	Acreage Residential	
Type:	Real	Agent Code:		
Property Use Code:				
Property Use Description:				
Location				
Address:		Mapscot:		
Neighborhood:	E4 AND D1 PROPS LITTLE ELM ISD	Map ID:	LE01	
Neighborhood CD:	DS10PASTUR			
Owner				
Name:	VALENCIA ON THE LAKE 2B2 & 4 LLC	Owner ID:	1767684	
Mailing Address:	1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945	% Ownership:	100.000000000000%	
Exemptions:				
Values				
(+) Improvement Homesite Value:	+	\$0		
(+) Improvement Non-Homesite Value:	+	\$0		
(+) Land Homesite Value:	+	\$0		
(+) Land Non-Homesite Value:	+	\$1,010,626	Ag / Timber Use Value	
(+) Agricultural Market Valuation:	+	\$0	\$0	
(+) Timber Market Valuation:	+	\$0	\$0	
		<hr/>		
(=) Market Value:	=	\$1,010,626		
(-) Ag or Timber Use Value Reduction:	-	\$0		
		<hr/>		
(=) Appraised Value:	=	\$1,010,626		
(-) HS Cap:	-	\$0		
		<hr/>		
(=) Assessed Value:	=	\$1,010,626		
Taxing Jurisdiction				
Owner:	VALENCIA ON THE LAKE 2B2 & 4 LLC			
% Ownership:	100.000000000000%			
Total Value:	\$1,010,626			
Entity	Description	Tax Rate	Appraised Value	Taxable Value
				Estimated Tax

Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$1,010,626	\$1,010,626	\$6,507.90
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$1,010,626	\$1,010,626	\$0.00
G01	DENTON COUNTY	0.233086	\$1,010,626	\$1,010,626	\$2,355.63
PID10	VALENCIA ON THE LAKE PID	0.000000	\$1,010,626	\$1,010,626	\$0.00
S10	LITTLE ELM ISD	1.430300	\$1,010,626	\$1,010,626	\$14,454.98
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$1,010,626	\$1,010,626	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$23,318.51
				Taxes w/o Exemptions:	\$23,318.51

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 3	IMPROVED PASTURE III	16.4000	714384.00	0.00	0.00	\$1,010,626	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$1,010,626	0	1,010,626	\$0	\$1,010,626

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901

Valencia on the Lake 2B2 & 4 LLC – ID: 986674

Denton CAD

Property Search Results > 986674 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022 Tax Year: 2022

Property

Account

Property ID:	986674	Legal Description:	A0250A A. COOPER, TR 7-11A, 64.35 ACRES
Geographic ID:	A0250A-000-007A-0000	Zoning:	Acreage Residential
Type:	Real	Agent Code:	
Property Use Code:			
Property Use Description:			

Location

Address:		Mapsc0:	
Neighborhood:	E4 AND D1 PROPS LITTLE ELM ISD	Map ID:	LE01
Neighborhood CD:	DS10PASTUR		

Owner

Name:	VALENCIA ON THE LAKE 2B2 & 4 LLC	Owner ID:	1767684
Mailing Address:	1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945	% Ownership:	100.000000000000%
		Exemptions:	

Values

(+) Improvement Homesite Value:	+	\$0	
(+) Improvement Non-Homesite Value:	+	\$0	
(+) Land Homesite Value:	+	\$0	
(+) Land Non-Homesite Value:	+	\$3,965,475	Ag / Timber Use Value
(+) Agricultural Market Valuation:	+	\$0	\$0
(+) Timber Market Valuation:	+	\$0	\$0
<hr/>			
(=) Market Value:	=	\$3,965,475	
(-) Ag or Timber Use Value Reduction:	-	\$0	
<hr/>			
(=) Appraised Value:	=	\$3,965,475	
(-) HS Cap:	-	\$0	
<hr/>			
(=) Assessed Value:	=	\$3,965,475	

Taxing Jurisdiction

Owner:	VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership:	100.000000000000%
Total Value:	\$3,965,475

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax
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Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$3,965,475	\$3,965,475	\$25,535.60
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$3,965,475	\$3,965,475	\$0.00
G01	DENTON COUNTY	0.233086	\$3,965,475	\$3,965,475	\$9,242.97
PID10	VALENCIA ON THE LAKE PID	0.000000	\$3,965,475	\$3,965,475	\$0.00
S10	LITTLE ELM ISD	1.430300	\$3,965,475	\$3,965,475	\$56,718.19
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$3,965,475	\$3,965,475	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$91,496.76
				Taxes w/o Exemptions:	\$91,496.76

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 3	IMPROVED PASTURE III	64.3500	2803086.00	0.00	0.00	\$3,965,475	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$3,965,475	0	3,965,475	\$0	\$3,965,475

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901

Valencia on the Lake 2B2 & 4 LLC – ID: 986675

Denton CAD

Property Search Results > 986675 VALENCIA ON THE LAKE 2B2 & 4 LLC for Year 2022
Tax Year: 2022

Property

Account

Property ID: 986675
Geographic ID: A0250A-000-007B-0000
Type: Real
Property Use Code:
Property Use Description:
Legal Description: A0250A A. COOPER, TR 7-11B, 6.097 ACRES
Zoning: Acreage Residential
Agent Code:

Location

Address:
Neighborhood: E4 AND D1 PROPS LITTLE ELM ISD
Neighborhood CD: DS10PASTUR
Map ID: LE01

Owner

Name: VALENCIA ON THE LAKE 2B2 & 4 LLC
Mailing Address: 1800 VALLEY VIEW LN STE 300 FARMERS BRANCH, TX 75234-8945
Owner ID: 1767684
% Ownership: 100.0000000000%
Exemptions:

Values

(+) Improvement Homesite Value: + \$0

(+) Improvement Non-Homesite Value: + \$0

(+) Land Homesite Value: + \$0

(+) Land Non-Homesite Value: + \$375,719 Ag / Timber Use Value

(+) Agricultural Market Valuation: + \$0 \$0

(+) Timber Market Valuation: + \$0 \$0

(=) Market Value: = \$375,719

(–) Ag or Timber Use Value Reduction: – \$0

(=) Appraised Value: = \$375,719

(–) HS Cap: – \$0

(=) Assessed Value: = \$375,719

Taxing Jurisdiction

Owner: VALENCIA ON THE LAKE 2B2 & 4 LLC
% Ownership: 100.0000000000%
Total Value: \$375,719

Entity	Description	Tax Rate	Appraised Value	Taxable Value	Estimated Tax

Valencia Public Improvement District No. 2

C13	LITTLE ELM TOWN OF	0.643948	\$375,719	\$375,719	\$2,419.44
CAD	DENTON CENTRAL APPRAISAL DISTRICT	0.000000	\$375,719	\$375,719	\$0.00
G01	DENTON COUNTY	0.233086	\$375,719	\$375,719	\$875.74
PID10	VALENCIA ON THE LAKE PID	0.000000	\$375,719	\$375,719	\$0.00
S10	LITTLE ELM ISD	1.430300	\$375,719	\$375,719	\$5,373.91
TIF10	VALENCIA ON THE LAKE TIRZ NO 4	0.000000	\$375,719	\$375,719	\$0.00
Total Tax Rate:		2.307334			
				Taxes w/Current Exemptions:	\$8,669.09
				Taxes w/o Exemptions:	\$8,669.09

Improvement / Building

No improvements exist for this property.

Land

#	Type	Description	Acres	Sqft	Eff Front	Eff Depth	Market Value	Prod. Value
1	PI 3	IMPROVED PASTURE III	6.0970	265585.32	0.00	0.00	\$375,719	\$0

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2022	\$0	\$375,719	0	375,719	\$0	\$375,719

Deed History - (Last 3 Deed Transactions)

#	Deed Date	Type	Description	Grantor	Grantee	Volume	Page	Deed Number
1	8/24/2021	SWD	SPECIAL WD WITH VENDOR'S LIEN	VALENCIA ON THE LAKE, LP	VALENCIA ON THE LAKE 2B2 & 4 LLC			2021-157901

ASSUMPTIONS AND LIMITING CONDITIONS

This report is subject to the following assumptions and limiting conditions:

- 1) The value is based on the assumption of responsible ownership and competent management. The subject property is assumed to be free and clear of all liens, except as may be otherwise herein described. No responsibility is assumed by the appraiser for matters legal in character, nor is any opinion on the title rendered, which is assumed to be good and marketable.
- 2) The information contained herein has been gathered from sources deemed to be reliable, but the appraiser assumes no responsibility for its accuracy. Correctness of estimates, opinions, dimensions, sketches, and other exhibits that have been furnished and have been used in this report are not guaranteed.
- 3) The value rendered herein is based on preliminary analyses of the subject and market area. The market value is expressed in terms of the current purchasing power of the dollar.
- 4) Any leases, agreements or other written or verbal representations and/or communications and information received by the appraiser has been reasonably relied upon in good faith but have not been analyzed for their legal implications. We urge and caution the user of this report to obtain legal counsel of his/her own choice to review the legal and factual matters, and to verify and analyze the underlying facts and merits of any investment decision in a reasonably prudent manner.
- 5) Appraisers assume no responsibility for any hidden agreements known as "side reports", which may or may not exist relative to this property, which have not been made known to us, unless specifically acknowledged within this report.
- 6) This report is to be used in whole, and not in part. Any separate valuation for land and improvements shall not be used in conjunction with any other valuation and is invalid if so used. Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any purpose by anyone but the client without the previous written consent of the appraiser, and in any event, only in its entirety.
- 7) The appraiser, by reason of this report, are not required to give testimony in court with reference to the property unless notice and proper arrangements have been previously made, therefore.
- 8) Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without prior written consent and approval of the author.
- 9) No subsoil data or analysis based on engineering core borings or other tests were furnished to us. We have assumed that there are no subsoil defects present that would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for engineering, which might be required to discover such factors.
- 10) Any construction and physical condition of the improvements described herein are based on the building construction plans and specifications and construction budgets if provided. No liability is assumed by the appraiser for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition or adequacy of mechanical equipment, plumbing or electrical components. No

responsibility is assumed for engineering, which might be required to discover such factors. We urge the user of this report to retain an expert in this field as this is any considered “to-be-built” improvements.

- 11) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present in or on the property, or other environmental conditions were not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser site visit. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, are not qualified to test such substances or conditions. If the presence of such substances as asbestos, urea formaldehyde, foam insulation or other hazardous substance or environmental conditions may affect the value of the property, the value is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto as to cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to detect or discover them. We urge the user of this report to retain an expert in the field of environmental impacts on real estate if so desired.
- 12) We have made no survey of the property and assume no responsibility in connected with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
- 13) We accept no responsibility for issues requiring expertise in other fields. Such factors include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic items such as soils and seismic stability; civil, mechanical, electrical, structural and other engineering and environmental matters. Such issues may also include determinations of compliance with zoning and other federal, state, and local laws, regulations, and codes.
- 14) The projections of income, expenses, terminal values or future sales prices are not predictions of the future; rather, they are the best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly changing. It is not the task of the appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future, and upon what assumptions of the future investment decisions are based.
- 15) The client or user of this report agrees to notify the appraiser of any error, omission or inaccurate data contained in the report within 15 days of receipt and return the report and all copies thereof to the appraiser for correction prior to any use.
- 16) The acceptance of this report, and its subsequent use by the client or any other party in any manner whatsoever for any purpose, is acknowledgment by the user that the report has been read and understood, and specifically agrees that the data and analyses, to their knowledge, are correct and acceptable.
- 17) We have assumed no extreme fluctuations in the economic cycles will occur over the dates analyzed herein
- 18) The appraisal report and value conclusions assume the satisfactory development proceeds in a workmanlike manner

- 19) The conclusions in this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, existing trends, interviews with parties knowledgeable and experienced in the market, data obtained from public records, and research conducted by third parties. Such data is not always completely reliable. The appraisers are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. In addition, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we hold the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will be achieved, as they are forecasts and subject to risk and uncertainty. Additionally, we assume competent and effective management and market for the duration of the projected holding period of this property.
- 20) Prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to risk and uncertainty. Many events could occur that may substantially alter the outcome of our estimates such as changes in the economy, interest rates, capitalization rates, the behavior of consumers, investors, and lenders, and changes in title or conveyances of easements and deed restrictions. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
- 21) This assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan. However, it is based on a hypothetical assumption that access to the south tract is achievable in accordance with all applicable regulations, and any building is to be constructed according to the approved plans and specifications provided by a licensed general contractor.
- 22) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more requirements of the act. If so, this fact could have a negative impact upon the value of the property. However, since we have no direct evidence relating to the issue of compliance, we did not consider possible noncompliance with requirements of ADA in forming an opinion of the value of the property.
- 23) In addition to the preceding assumptions and limiting conditions, this appraisal is subject to the following extraordinary assumptions and/or hypothetical conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following **extraordinary assumptions** that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions. Extraordinary assumptions are used in this assignment because the improved residential lots to be delivered by the dates utilized in this report are currently incomplete as of the report date.

- Our opinions of prospective market value at completion assumes that the proposed improvements are completed in accordance with plans and specifications provided by the Preliminary Service and Assessment Plan (PSAP) published by MuniCap, Inc. and the engineering plans published by Barraza Consulting Group, LLC as of September 1, 2022, for 90 improved residential lots in Phase 2B-2 of the Valencia PID No. 2 and as of January 1, 2023, for 445 improved residential lots in Phase 4 of the Valencia PID No. 2.
- All information relative to the property located within the Valencia PID No. 2 including land areas, lot totals, lot sizes, and other pertinent data that was provided by FMSbonds, Valencia on the Lake 2B2 & 4 LLC (owner – affiliate of Centurion American Development Group), Landmark Interests (developer), Barraza Consulting Group, LLC (professional engineers), the Town of Little Elm, Denton County, and the Denton Central Appraisal District is assumed to be correct.
- The subject is proposed residential lot construction with an expected completion date of September 1, 2022, for Phase 2B-2 and the fourth quarter of 2022 for Phase 4; therefore, this report contains a prospective opinion of value. Considering this, we have assumed that the market conditions as discussed and considered within this report will be similar on the prospective valuation dates. Further, we cannot be held responsible for unforeseeable global events that alter market conditions prior to the prospective effective dates.

The use of these extraordinary assumptions has affected assignment results.

In addition to the Extraordinary Assumptions, the value conclusions are based on the following **hypothetical conditions** that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

- No Hypothetical Conditions are used in this report.

ENVIRONMENTAL ASSUMPTIONS

This report is subject to the following environmental assumptions:

- 1) There is a safe, lead-free, adequate supply of drinking water.
- 2) The subject property is free of soil contamination.
- 3) There is no uncontained friable asbestos or other hazardous asbestos material on the property. The appraiser is not qualified to detect such substances.
- 4) There are no uncontained PCB's on or near the property.
- 5) The radon level is at or below EPA recommended levels.
- 6) Any functioning underground storage tanks (UST's) are not leaking and are properly registered; any abandoned UST's are free from contamination and were properly drained, filled and sealed.
- 7) There are no hazardous waste sites on or near the subject property that negatively affect the value and/or safety of the property.
- 8) There is no significant urea formaldehyde (UFFI) insulation or other urea formaldehyde material on the property.
- 9) There is no flaking or peeling of lead-based paint on the property.
- 10) The property is free of air pollution.
- 11) There are no wetlands/flood plains on the subject property (unless otherwise stated in the report).
- 12) There are no other miscellaneous hazardous substances and/or detrimental environmental conditions on or in the area of the site (excess noise, radiation, light pollution, magnetic radiation, acid mine drainage, agricultural pollution, waste heat, miscellaneous chemical, infectious medical wastes, pesticides, herbicides, and the like).

DEFINITIONS

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Market Value

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The value conclusions expressed within this report are in terms of cash (\$US).

Extraordinary assumptions are assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Hypothetical condition a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective

date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Prospective Market Value “As Completed” and “As Stabilized”

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the Appraisal Report. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value—as completed - reflects the property’s market value as of the time that development is expected to be completed. The prospective market value - as stabilized - reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (See USPAP Statement 4* and Advisory Opinion 17.) (Interagency Appraisal and Evaluation Guidelines)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”

Neighborhood

- (1) A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.
- (2) A developed residential superpad within a master-planned community usually having a distinguishing name and entrance.

Depreciation

1. In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset’s life; calculated using a variety of standard techniques.

The three major types of accrued depreciation are:

Physical Deterioration

Physical deterioration is loss in value from actual physical causes and measured either as curable or incurable. The curable items are measured by the actual cost to replace or repair the component parts. The incurable portion is estimated by virtue of an observed condition or ascertaining the used portion by the best estimate of the appraiser. Curable physical deterioration, also referred to as deferred maintenance, is caused by normal wear and tear that should be corrected immediately or is necessary to keep rents at market levels. The cost of curing the condition and bringing the property to a satisfactory and functioning condition, is generally the measure of deferred maintenance.

Functional Obsolescence

Functional obsolescence is loss in value from conditions existing within the property which make the property inadequate or less desirable to the typical prudent purchaser. It, too, may be curable or incurable. Incurable obsolescence is normally measured by the loss in income which may accrue to the property by reason thereof.

External Obsolescence

According to the Dictionary of Real Estate Appraisal, Sixth Edition, external obsolescence is “*A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent.*”

Paper Lot

Consists of a portion of land with the necessary legal (zoning and platting) and engineering entitlements (site plan approvals) in place but lacking the necessary direct improvements (such as earthwork, erosion control, drainage, retaining walls, and landscaping in addition to lacking direct access from a paved street and utilities) to develop a lot with a residence. The paper lots have access to utilities stubbed nearby and have a status between raw ground and a fully developed lot upon which home construction can begin.

Definition Sources:

- Office of the Comptroller of the Currency (12 CFR Part 34)
- Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Sixth Edition, copyright 2015.
- The Appraisal Foundation: USPAP (Uniform Standards of Professional Appraisal Practice) 2018-2019 edition

Valencia Public Improvement District No. 2

JAMES L. MAIBACH, CPM

Certified Property Manager and State Certified General Real Estate Appraiser

EDUCATION:

Graduate North Quincy High School, Quincy, Massachusetts, 1976
Bachelor of Science in Business Administration (with Honors)
Northeastern University, Boston Massachusetts, 1981
Major: Accounting Minor: Marketing

TECHNICAL TRAINING:

Institute of Real Estate Management Courses:

#303 - Leasing and Management of Shopping Center and Retail Space
#400 - Managing Real Estate as an Investment
#500 - Problem-Solving & Decision-Making for the Property Manager
#800 - Ethics in Real Estate Management

University of Texas at Arlington: Real Estate Courses:

RE 001 Real Estate Finance; RE 004 Real Estate Mathematics ;
RE 101 Principles of Real Estate; RE 301 Texas Real Estate Law: Contracts;
RE 501 Texas Real Estate Law; RE 701 Property Management

East Texas Baptist University:

Uniform Standards of Professional Appraisers and Code of Ethics. The Appraisal Foundation:
USPAP Update

Texas Association of Property Tax Professionals, Inc.:

Principles of Property Tax Consulting; A Survey of Texas Property Tax Law

Other: USPAP-97 Instructor's Workshop, USPAP Instructor 1997

TREC Licensed Instructor – Commercial Investment Course, CEI 1998

Continuing Education Institute:

Deceptive Trade Practices Act; Let's Talk-Not Fight; Property Taxes: Rights, Remedies and Responsibilities; USPAP Update

Institute for Real Estate Professionals, Inc.

Preparing & Presenting an Ethical Ad Valorem Property Tax Valuation; Texas Property Tax Law 2007

Texas Association of Realtors:

Tarrant County Appraisal Review Board Determinations

PROFESSIONAL AFFILIATIONS:

Texas Appraiser Licensing and Certification Board - State Certified General Real Estate Appraiser No. TX-1323658-G

Institute of Real Estate Management (IREM)- Certified Property Manager, CPM Designation No. 14942

Texas Real Estate Broker's License, No. 375882

Texas Dept. of Licensing & Regulations - Licensed Property Tax Consultant, License #1360

Texas Property Tax Arbitrator #32020394139

Tarrant Appraisal Review Board Member 1991-1992 Appointment

City of Arlington - Planning and Zoning – Commissioner 1997-2003 (Appointed by Mayor and City Council)

American Planning Association – Member 1997 to 2003

Arlington Chamber of Commerce - Board of Directors 1995 to 2001 – Reappointed 2003 to 2006 – Reappointed 2007 to present

City of Arlington Parks & Recreation – Board of Directors, Appointed 2003 to 2007

EXPERIENCE:

Active field appraiser, property manager, developer, broker, and tax consultant of all types of real property since June, 1986.

Appeared in Texas State Court as an expert witness on real estate values on numerous occasions. A property manager and developer for nineteen years at Peyco Properties, Inc. and twenty-one years through Peyco Southwest Realty, Inc. (formerly Southwest Real Estate Services, Inc.), involved in real estate development, leasing, management, rent analysis and consulting services through the DFW metroplex and Colorado. President and founder of Peyco Southwest Realty, Inc. (Southwest Real Estate Services, Inc.), a full-service brokerage company, real estate appraisal, and ad valorem property tax representation firm.



Certified General Real Estate Appraiser

Appraiser: James Lawrence Maibach

License #: TX 1323658 G

License Expires: 09/30/2022

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at www.talcb.texas.gov.

**Chelsea Buchholtz
Commissioner**

SHERIDAN ENGEL
Appraiser Trainee

EDUCATION:

Graduate, 2002 - Brookville High School, Lynchburg, VA

Bachelor of Science in Biochemistry, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA

Bachelor of Science in Psychology, 2007 - Virginia Polytechnic Institute & State University, Blacksburg, VA

TECHNICAL TRAINING:

McKissock Learning Appraisal Courses

- Basic Appraisal Principles (30 hours)
- Basic Appraisal Procedures (30 hours)
- 2018-2019 National USPAP Course (15 hours)
- Supervisor-Trainee Course for Texas (4 hours)
- Residential Appraiser Site Valuation and Cost Approach (15 hours)
- Residential Sales Comparison and Income Approaches (30 hours)
- Residential Market Analysis and Best Use (15 hours)
- Residential Report Writing and Case Studies (15 hours)
- Advanced Residential Applications and Case Studies (15 hours)
- Finance, Modeling, and Statistics (15 hours)
- General Appraiser-Highest and Best Use (30 hours)
- General Report Writing & Case Studies (30 hours)
- General Sales Comparison Approach (30 hours)
- General Cost Approach (30 hours)
- General Income Approach (60 hours)
- Expert Witness for Commercial Appraisers (15 hours)
- Commercial Appraisal Review (15 hours)
- Appraisal Subject Matter Electives (20 hours)
- Appraisal Institute: Subdivision Valuation (7 hours)

EXPERIENCE:

October 2020-Present

Appraiser Trainee with Peyco Southwest Realty, Arlington, TX

- Written Reports on Commercial Industrial, Commercial Office, Vacant Land, Residential Appraisals
- Served as Liaison between clients, banks, and supervisor, James L. Maibach, CPM
- Texas Appraiser Trainee - #1342474

April 2009-October 2020

Field Calibration Technician with Bio-Tek Services, Inc., Dallas, TX

- Serviced laboratory instruments for university research, government, hospital, and biotech laboratories
- Top earning service/sales representative from 2011-2020; sales on average 3 times higher than the mean sales rep
- Worked remotely (main office based in Richmond, VA) and rarely needed oversight from operations managers
- Organized an extremely busy schedule (along with 75% overnight travel) to maintain customer compliance
- Developed and maintained strong relationships with clients over the course of a decade
- Followed ISO 17025 guidelines to keep client labs compliant with regulatory standards



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APPENDIX H

PHOTOGRAPHS OF DEVELOPMENT WITHIN THE DEVELOPMENT

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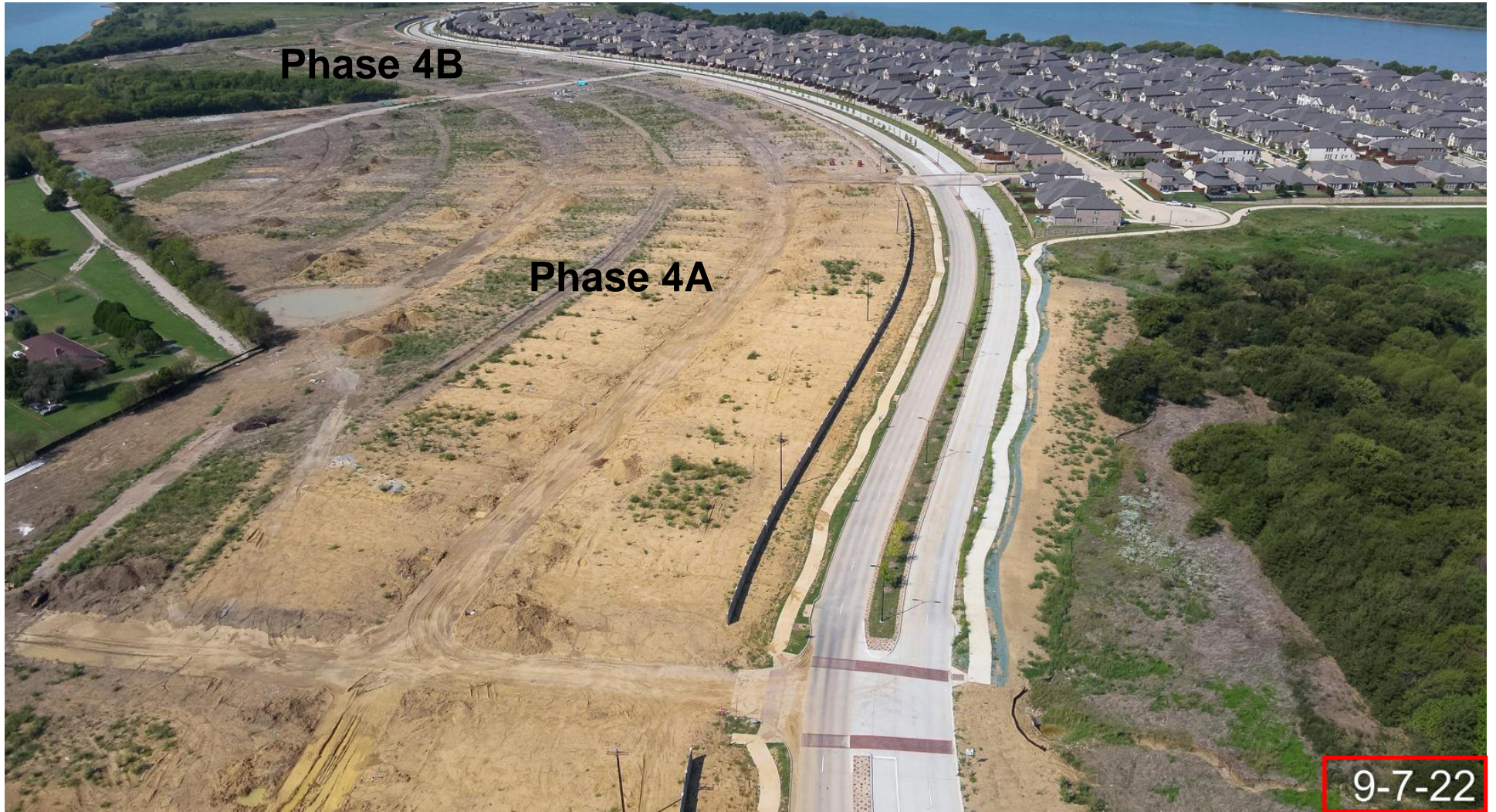
VALENCIA ON THE LAKE - LITTLE ELM, TX

PHASES 2B2, 4A, 4B, 4C
AERIALS DATED SEPT. 7, 2022







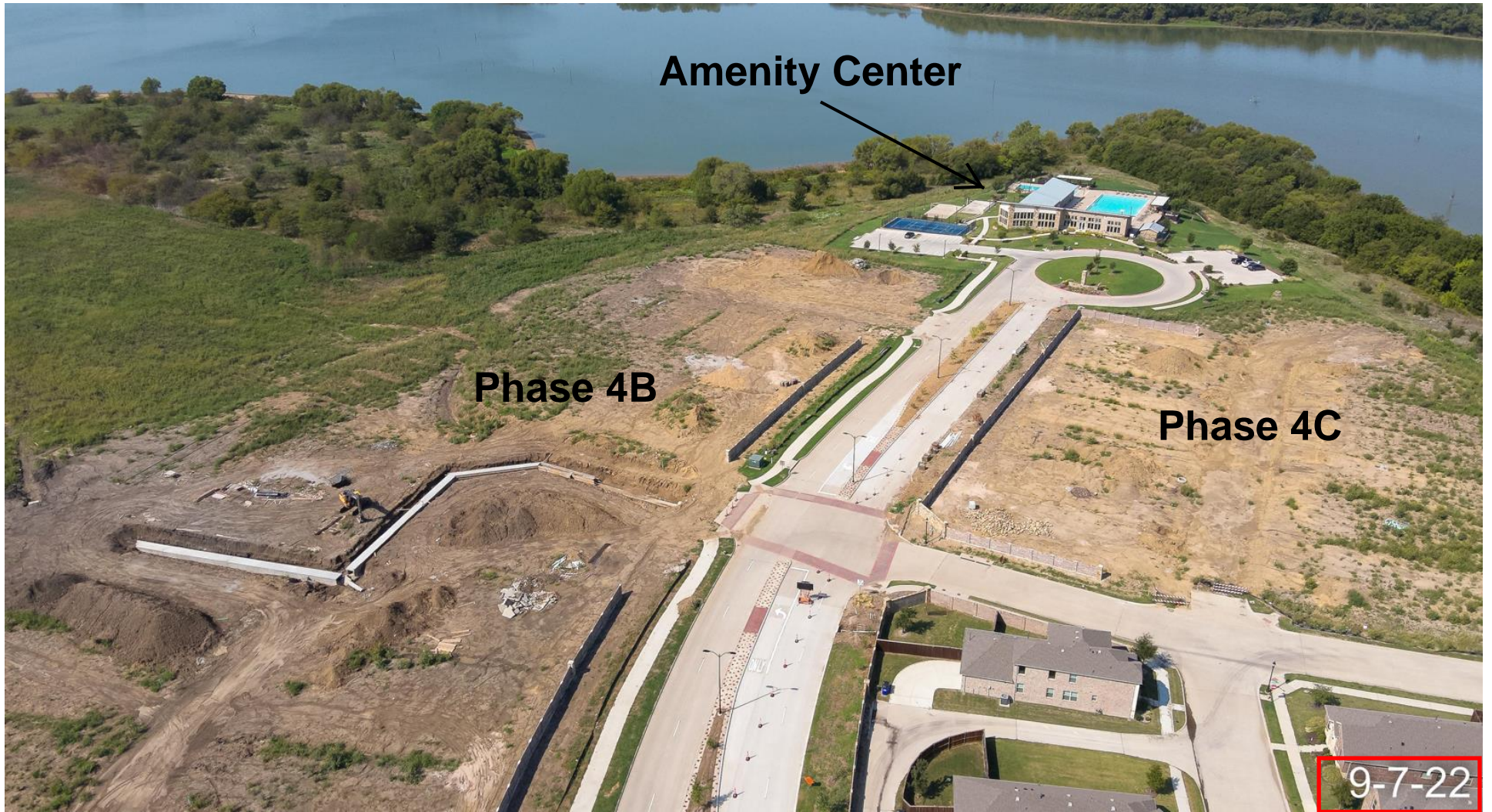


Phase 4B

Phase 4A

9-7-22







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