

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

_____, 2024

CITY OF SAN MARCOS, TEXAS
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(TRACE PUBLIC IMPROVEMENT DISTRICT)
DATED JANUARY 9, 2024
IN THE PRINCIPAL AMOUNT OF \$ _____

AS BOND COUNSEL for the City of San Marcos, in Hays, Caldwell and Guadalupe Counties, Texas (the "Issuer"), we have examined into the legality and validity of the issue of the bonds described above (the "Bonds"), which bear interest from the dates and mature on the dates stated on the face of the Bonds, all in accordance with the Ordinance authorizing the issuance of the Bonds (the "Bond Ordinance") and the Trust Indenture (as defined below).

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and have examined and relied upon a transcript of certified proceedings of the Issuer and other pertinent instruments furnished by the Issuer relating to the authorization, issuance and delivery of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one executed Bond which we found to be in proper form and duly executed.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and have been duly issued and delivered, all in accordance with law, and that, except as may be limited by laws relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights or by general principles of equity which permit the exercise of judicial discretion, (i) the Bonds constitute valid and legally binding obligations of the Issuer which are payable as to principal and interest from the sources provided in the Bond Ordinance and the Amended and Restated Indenture of Trust, dated as of January 9, 2024 between the Issuer and UMB Bank, N.A. (the "Trust Indenture"), (ii) the covenants and agreements in the Trust Indenture constitute valid and binding obligations of the Issuer, (iii) the Bonds constitute valid and legally binding special obligations of the Issuer secured as Bonds under the Trust Indenture, and (iv) the Bonds are payable in accordance with the priorities established in the Trust Indenture from the sources provided therein.

THE ISSUER has reserved the right, subject to the restrictions stated in the Trust Indenture, to amend the Trust Indenture in the manner provided therein; and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in principal amount of all outstanding bonds affected by such amendment and secured by the Trust Indenture.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Trust Indenture.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing

600 Congress Ave.
Suite 2150
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

112 E. Pecan Street
Suite 1310
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984



the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

APPENDIX E-1

FORM OF DISCLOSURE AGREEMENT OF THE ISSUER

(THIS PAGE IS INTENTIONALLY LEFT BLANK.)

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(TRACE PUBLIC IMPROVEMENT DISTRICT)**

CONTINUING DISCLOSURE AGREEMENT OF THE ISSUER

This Continuing Disclosure Agreement of the Issuer dated as of January 1, 2024 (this “Disclosure Agreement”) is executed and delivered by and between the City of San Marcos, Texas (the “Issuer”), P3Works, LLC (as more fully defined herein, the “Administrator”) and UMB Bank, N.A. (the “Dissemination Agent”), with respect to the Issuer’s “Special Assessment Revenue Bonds, Series 2024 (Trace Public Improvement District)” (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 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 January 1, 2024, 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:

“Additional Assessments” shall have the meaning assigned to such term in the Indenture.

“Administrator” shall mean initially P3Works, LLC, or thereafter any employee or designee of the Issuer who shall have the responsibilities 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.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“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(s)” 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, collectively, the Additional Assessments and the Initial Assessments.

“Business Day” shall have the meaning assigned to such term in the Indenture.

“Developer” shall mean Highpointe Trace, LLC, a California limited liability company, and its successors and assigns.

“Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of the Developer dated as of January 1, 2024 executed and delivered by the Developer, the Administrator and the Dissemination Agent.

“Disclosure Representative” shall mean the Director of Finance 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 UMB Bank, N.A., 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 Trace Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Filing Date” shall mean, for each Fiscal Year, the date that is six (6) months after the end of the Issuer’s Fiscal Year, which Filing Date is currently March 31.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” shall mean the Issuer’s fiscal year, currently the one-year period from October 1 through September 30.

“Initial Assessments” shall have the meaning assigned to such term in the Indenture.

“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 continuing disclosure reporting pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall mean the registered owner of any Bonds.

“Participating Underwriter” shall mean 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 a 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 UMB Bank, N.A., or any successor trustee pursuant to the Indenture.

SECTION 3. Provision of Annual Issuer Reports.

(a) For each Fiscal Year, commencing with the Fiscal Year ending September 30, 2023, the Issuer shall cause, pursuant to written direction, 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, not later than the Filing Date, an Annual Issuer Report provided to the Dissemination Agent which complies with the requirements specified in Section 4 of this Disclosure Agreement. In each case, 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 file notice of such change (including the date of the new Fiscal Year) with the MSRB prior to the next Filing Date. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Not later than ten (10) days prior to the Filing Date, the Issuer shall provide the Annual Issuer Report to the Dissemination Agent together with written direction to file such Annual Issuer Report with the MSRB. The Dissemination Agent shall provide such Annual Issuer Report to the MSRB not later than ten (10) days from receipt of such Annual Issuer Report from the Issuer, but in no event later than the Filing Date for such Fiscal Year.

If by the fifth (5th) day before the Filing Date, the Dissemination Agent has not received a copy of the Annual Issuer Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide Annual Issuer Report pursuant to this subsection (a). Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Issuer Report no later than two (2) Business Days prior to the Filing Date; or (ii) instruct the Dissemination Agent in writing that the Issuer will not be able to provide the Annual Issuer Report by the Filing Date, state the date by which the Annual Issuer Report for such year will be provided and instruct the Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit A; provided, however, that in the event the Disclosure Representative is required to act under either (i) or

(ii) described above, the Dissemination Agent still must file the Annual Issuer Report or the notice of failure to file, as applicable, to the MSRB, no later than the Filing Date; provided further, however, that in the event the Disclosure Representative fails to act under either (i) or (ii) described above, the Dissemination Agent shall file a notice of failure to file no later than on the last Business Day prior to the Filing Date.

(b) The Issuer shall or shall cause the Dissemination Agent to:

(i) determine the filing address or other filing location of the MSRB each year prior to filing the Annual Issuer Report on the date required in subsection (a);

(ii) file the Annual Issuer Report containing or incorporating by reference the information set forth in Section 4 hereof; and

(iii) 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 by the Filing Date, the following:

(a) 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; and

(C) The assets and liabilities of the Trust Estate.

(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, ninety-five percent (95%) of the total Assessments levied within the District, such SAP Update shall include the following:

(A) the number of new homes completed in the District during such Fiscal Year; and

(B) the aggregate number of new homes completed within the District since filing the initial Annual Issuer Report for Fiscal Year ended September 30, 2022.

(vii) With respect to commercial and multifamily residential parcels, until such time as development thereof is complete, the following information:

(A) issuance of building permit(s);

(B) issuance of certificate(s) of occupancy; and

(C) for parcels where a certificate of occupancy was issued, the total covered square footage for such commercial and/or multifamily residential units on an annual and cumulative basis, if available.

(viii) Listing of any property or property owners in the District representing more than five percent (5%) of the levy of Assessments, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments within the District, all as of the October 1 billing date for the Fiscal Year.

(ix) Collection and delinquency history of the Initial Assessments and the Additional Assessments within the District for the past five Fiscal Years, in the following format:

Collection and Delinquent History of Initial Assessments

Collected in Fiscal Year	Assessment	Parcels	Delinquent Amount	Delinquent Percentage	Delinquent Amount	Delinquent Percentage	Total Assessments
<u>Ending 9/30</u>	<u>Billed</u>	<u>Levied</u>	<u>as of 3/1</u>	<u>as of 3/1</u>	<u>as of 9/1</u>	<u>as of 9/1</u>	<u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

Collection and Delinquent History of Additional Assessments

Collected in Fiscal Year	Assessment	Parcels	Delinquent Amount	Delinquent Percentage	Delinquent Amount	Delinquent Percentage	Total Assessments
<u>Ending 9/30</u>	<u>Billed</u>	<u>Levied</u>	<u>as of 3/1</u>	<u>as of 3/1</u>	<u>as of 9/1</u>	<u>as of 9/1</u>	<u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

(x) For each calendar year, if the total amount of Annual Installments that are delinquent as of September 1 in such calendar year is equal to or greater than ten percent (10%) of the total amount of Annual Installments due in such calendar year, a list of parcel numbers for which the Annual Installments are delinquent.

(xi) Total amount of Prepayments collected, as of the February 15 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).

(xii) 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 Assessments.

(xiii) 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) 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 and that have been audited by an independent certified public accountant. If the audited financial statements of the Issuer are not available by the Filing Date, the Issuer shall provide unaudited financial statements of the Issuer no later than the Filing Date and audited financial statements as described in the preceding sentence when and if available.

See Exhibit B hereto for a form for submitting the information set forth in the preceding paragraphs. The Issuer has designated P3Works, LLC as the initial Administrator. The Administrator, and if no Administrator is designated, Issuer's staff, shall prepare the Annual Financial Information. In all cases, the Issuer shall have the sole responsibility for the content, design and other elements comprising substantive contents of the Annual Financial Information under this Section 4.

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, and tender offers.
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 Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, 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 Issuer, any of which reflect financial difficulties.

The sale by the Developer of real property within the District will not constitute a Listed Event for the purposes of paragraph (10) above.

For these purposes, any event described in paragraph (12) above 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.

The Issuer intends the words used in paragraphs (15) and (16) above and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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 immediately file a notice of such occurrence with the MSRB. The Dissemination Agent shall file such notice no later than the 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.

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.

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. 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, the Participating Underwriter, the Trustee, 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 (as to bond calls only), 10, 13, 14 or 15 of subparagraph (a) above is not material under applicable federal securities laws, the Issuer shall promptly

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 pursuant to subsection (d).

(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.

SECTION 6. Termination of Reporting Obligations. The obligations of the Issuer, the Administrator 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 and the Administrator 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 and the Administrator may assume that the Issuer is an obligated person with respect to the Bonds until they receive 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 and the Administrator 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 the Bonds under Section 5(a).

SECTION 7. Dissemination Agent. 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. 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 shall be UMB Bank, N.A. The Issuer will give prompt written notice to the Developer, or any other party responsible for providing quarterly information pursuant to the Disclosure Agreement of Developer, of any change in the identity of the Dissemination Agent under the Disclosure Agreement of Developer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Issuer, the Administrator 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 or the 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 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, any Owner or beneficial owner of the Bonds (with written notification to the Dissemination Agent) may, and the Dissemination Agent (at the written request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Issuer 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 shall not be deemed a default under the Disclosure Agreement of Developer, and a default under the Disclosure Agreement of Developer shall not be deemed a default under this Disclosure Agreement.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) 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 indemnify and harmless the Dissemination Agent, its officers, directors, employees and agents, but only with funds to be provided by the Developer or from Annual Collection Costs 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 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 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.

(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. To the extent permitted by law, the Issuer agrees to hold harmless the Administrator, its officers, directors, employees and agents, but only from Annual Collection Costs 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Administrator's 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 failure of any third party to provide information to the Administrator as and when required under this Disclosure Agreement, or the failure of the Developer to provide information to the Administrator as and when required under the Disclosure Agreement of Developer. 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 (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.

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.

(c) 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 ANY PARTY TO THIS DISCLOSURE AGREEMENT 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 12. Assessment Timeline. The basic expected timeline for the collection of Assessments and the anticipated procedures for pursuing the collection of delinquent Assessments is set forth in Exhibit C which is intended to illustrate the general procedures expected to be followed in enforcing the payment of delinquent Assessments. Failure to adhere to such expected timeline shall not constitute a default by the Issuer under this Disclosure Agreement, the Indenture, the Bonds or any other document related to the Bonds.

SECTION 13. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer, the Administrator or 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 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 and the Administrator agree 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, the Participating 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 17. Dissemination Agent and Administrator Compensation. The fees and expenses incurred by the Dissemination Agent and the Administrator for their respective services rendered in accordance with this Disclosure Agreement constitute Annual Collection Costs 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 the Annual Collection Costs component of the Annual Installments collected from the property owners in the District, for the fees and expenses for their respective services rendered in accordance with this Disclosure Agreement.

SECTION 18. Anti-Boycott Verification. The Dissemination Agent and Administrator hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent and Administrator, if any, do not boycott Israel and will not boycott Israel during the term of this Disclosure Agreement. 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.

SECTION 19. Iran, Sudan and Foreign Terrorist Organizations. The Dissemination Agent and the Administrator 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 under the following Divestment Statute Lists: "Scrutinized Companies with ties to Foreign Terrorist Organizations," "Scrutinized Companies with ties to Iran," or "Scrutinized Companies with ties to Sudan" of such officer's Internet website that are available at:

<https://comptroller.texas.gov/purchasing/publications/divestment.php>.

SECTION 20. No Discrimination Against Fossil-Fuel Companies. The Dissemination Agent and the Administrator hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination Agent and Administrator, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. As used in the foregoing verification, "boycott energy companies" 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.

SECTION 21. No Discrimination Against Firearm Entities and Firearm Trade Associations. The Dissemination Agent and the Administrator hereby verify that the Dissemination Agent, the Administrator and any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the Dissemination and Administrator, 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 during the term of this Disclosure Agreement against a firearm entity or firearm trade association. As used in the foregoing verification and the following definitions,

(a) “discriminate against a firearm entity or firearm trade association” (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,

(b) “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

(c) “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.

SECTION 22. Affiliate. As used in Sections 18 through 21, the Dissemination Agent and 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 23. Disclosure of Interested Parties. Pursuant to Section 2252.908(c)(4), Texas Government Code, as amended, the Dissemination Agent hereby certifies it is a publicly traded business entity and is not required to file a Certificate of Interested Parties Form 1295 related to this Disclosure Agreement. Submitted herewith is a completed Form 1295 in connection with the Administrator's participation in the execution of this Disclosure 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 Issuer hereby confirms receipt of the Form 1295 from the Administrator, and the Issuer agrees to acknowledge such form with the TEC through its electronic filing application not later than the thirtieth (30th) day after the receipt of such form. The Administrator and the Issuer understand and agree that, with the exception of information identifying the Issuer and the contract identification number, neither the Issuer 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 Administrator; and, neither the Issuer nor its consultants have verified such information.

SECTION 24. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Texas.

SECTION 25. 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]

CITY OF SAN MARCOS, TEXAS

By: _____
City Manager

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF ISSUER

S-1

UMB BANK, N.A.
(as Dissemination Agent)

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF ISSUER

S-2

P3WORKS, LLC
(as Administrator)

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF ISSUER

S-3

EXHIBIT A

**NOTICE TO MSRB OF FAILURE TO FILE
ANNUAL ISSUER REPORT**

Name of Issuer: City of San Marcos, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Trace Public Improvement District)
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that the City of San Marcos, Texas, has not provided [Annual Financial Information][audited financial statements][unaudited financial statements] with respect to the above-named bonds as required by the Continuing Disclosure Agreement of Issuer dated January 1, 2024, between the Issuer, P3Works, LLC, as the “Administrator,” and UMB Bank, N.A., as “Dissemination Agent.” The Issuer anticipates that the [Annual Financial Information][audited financial statements][unaudited financial statements] will be filed by _____.

Dated: _____

UMB Bank, N.A.
on behalf of the City of San Marcos, Texas
(as Dissemination Agent)

By: _____

Title: _____

cc: City of San Marcos, Texas

EXHIBIT B

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(TRACE PUBLIC IMPROVEMENT DISTRICT)**

ANNUAL ISSUER REPORT*

Delivery Date: _____, 20__

CUSIP NOSs: [insert CUSIP NOs.]

BONDS OUTSTANDING

CUSIP Number	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount	Outstanding Interest Amount

INVESTMENTS

Fund/ Account Name	Investment Description	Par Value	Book Value	Market Value

*Excluding Audited Financial Statements of the Issuer

ASSETS AND LIABILITIES OF PLEDGED TRUST ESTATE

Bonds (Principal Balance) _____
Funds and Accounts [list] _____
TOTAL ASSETS _____

LIABILITIES

Outstanding Bond Principal _____
Outstanding Program Expenses (if any) _____
TOTAL LIABILITIES _____

EQUITY

Assets Less Liabilities _____
 Value to Debt Ratio _____

Form of Accounting Cash Accrual Modified Accrual

ITEMS REQUIRED BY SECTIONS 4(a)(ii) – (viii)
 [Insert a line item]

SECTION 4(a)(ix) COLLECTION AND DELINQUENCY HISTORY OF THE INITIAL ASSESSMENTS AND THE ADDITIONAL ASSESSMENTS WITHIN THE DISTRICT FOR THE PAST FIVE FISCAL YEARS, IN THE FOLLOWING FORMAT:

Collection and Delinquent History of Initial Assessments

Collected in Fiscal Year	Assessment	Parcels	Delinquent Amount	Delinquent Percentage	Delinquent Amount	Delinquent Percentage	Total Assessments
<u>Ending 9/30</u>	<u>Billed</u>	<u>Levied</u>	<u>as of 3/1</u>	<u>as of 3/1</u>	<u>as of 9/1</u>	<u>as of 9/1</u>	<u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

Collection and Delinquent History of Additional Assessments

Collected in Fiscal Year	Assessment	Parcels	Delinquent Amount	Delinquent Percentage	Delinquent Amount	Delinquent Percentage	Total Assessments
<u>Ending 9/30</u>	<u>Billed</u>	<u>Levied</u>	<u>as of 3/1</u>	<u>as of 3/1</u>	<u>as of 9/1</u>	<u>as of 9/1</u>	<u>Collected⁽¹⁾</u>
20__	\$			—	—		\$

⁽¹⁾ Collected as of _____, 20__. Includes \$_____ attributable to Prepayments.

ITEMS REQUIRED BY SECTIONS 4(a)(x) – (xiii) OF THE CONTINUING DISCLOSURE AGREEMENT OF ISSUER RELATING TO THE CITY OF SAN MARCOS, TEXAS SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024 (TRACE PUBLIC IMPROVEMENT DISTRICT)

[Insert a line item for each applicable listing]

EXHIBIT C

BASIC EXPECTED TIMELINE FOR ASSESSMENT COLLECTIONS AND PURSUIT OF DELINQUENCIES¹

<u>Date</u>	<u>Delinquency Clock (Days)</u>	<u>Activity</u>
January 31		Annual Installments of Assessments are due.
February 1	1	Annual Installments of Assessments Delinquent if not received.
February 15	15	<p>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.</p> <p>Issuer and/or Administrator should be aware of actual and specific delinquencies.</p> <p>Issuer and/or Administrator should be aware if Reserve Fund needs to be utilized for debt service payments on March 1. If there is to be a shortfall, the Trustee and Dissemination Agent should be immediately notified in writing.</p> <p>Issuer and/or Administrator should also be aware if, based on collections, there will be a shortfall for September payment.</p> <p>Issuer and/or Administrator should determine if previously collected surplus funds, if any, plus actual collections will be fully adequate for debt service in 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 Annual Installments of Assessments except that the Issuer or Administrator, working with the City Attorney or an appropriate designee, will begin process to cure deficiency. For properties delinquent by more than one year or if the delinquency exceeds</p>

¹ Illustrates anticipated dates and procedures for pursuing the collection of delinquent Annual Installments of Assessments, which dates and procedures shall be in accordance with Chapters 31, 32, 33 and 34, Texas Tax Code, as amended (the "Code"), and the Bastrop County Tax/Assessor Collector's procedures, and are subject to adjustment by the Issuer. If the collection and delinquency procedures under the Code are subsequently modified, whether due to an executive order of the Governor of Texas or an amendment to the Code, such modifications shall control.

\$10,000 the matter will be referred for commencement of foreclosure.

If there are over 5% delinquencies or if there is inadequate funding in the Pledged Revenue Fund for transfer to the Principal and Interest Account of such amounts as shall be required for the full March and September payments, the collection-foreclosure procedure will proceed against all delinquent properties.

March 15

43/44

Trustee pays bond interest payments to bondholders.

Reserve Fund payment to Bond Fund may be required if Assessments are below approximately 50% collection rate.

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 on the Fund for debt service.

Use of Reserve Fund for debt service payment should trigger commencement of foreclosure on delinquent properties.

Issuer determines whether or not any Annual Installments of Assessments 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 of Assessments.

March 20

47/48

Issuer and/or Administrator to notify Dissemination Agent for disclosure to MSRB of all delinquencies.

If any property owner with ownership of property responsible for more than \$10,000 of the Annual Installments of Assessments is delinquent or if a total of delinquencies is over 5%, or if it is expected that Reserve Fund moneys will need to be utilized for either the March or September bond payments, the Disclosure Representative shall work with City Attorney's office, or the appropriate designee, to satisfy payment of all delinquent Annual Installments of Assessments.

April 15	74/75	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.
May 1	89/90	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.
May 15	103/104	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 June 1 (day 120/121).
June 1	120/121	Foreclosure action to be filed with the court.
June 15	134/135	Issuer notifies Trustee and Dissemination Agent of Foreclosure filing status in writing. Dissemination Agent notifies bondholders.
July 1	150/151	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.

A committee of not less than twenty-five percent (25%) of the Owners may request a meeting with the City Manager, Assistant City Manager or the Finance Director to discuss the Issuer's actions in pursuing the repayment of any delinquencies. This would also occur after day thirty (30) if it is apparent that a Reserve Fund draw is required. Further, if delinquencies exceed five percent (5%), Owners may also request a meeting with the Issuer at any time to discuss the Issuer's plan and progress on collection and foreclosure activity. If the Issuer is not diligently proceeding with the foreclosure process, the Owners may seek an action for mandamus or specific performance to direct the Issuer to pursue the collections of delinquent Annual Installments of Assessments.

APPENDIX E-2

FORM OF DISCLOSURE AGREEMENT OF THE DEVELOPER

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(TRACE PUBLIC IMPROVEMENT DISTRICT)**

CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer dated as of January 1, 2024 (this “Disclosure Agreement”) is executed and delivered by and among Highpointe Trace, LLC, a California limited liability company (the “Developer”), P3Works, LLC (the “Administrator”), and UMB Bank, N.A. (the “Dissemination Agent”) with respect to the “City of San Marcos, Texas, Special Assessment Revenue Bonds, Series 2024 (Trace Public Improvement District)” (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 January 1, 2024, 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:

“2019 Continuing Disclosure Agreement of Developer” shall mean the Continuing Disclosure Agreement of Developer, dated as of January 15, 2019, executed and delivered by and among the Developer, the Administrator and the Dissemination Agent, related to the Series 2019 Bonds.

“Administrator” shall mean initially P3Works, LLC, or thereafter any employee or designee of the Issuer who shall have the responsibilities 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.

“Annual Collection Costs” shall have the meaning assigned to such term in the Indenture.

“Annual Installment(s)” shall have the meaning assigned to such term in the Indenture.

“Assessed Property” shall have the meaning assigned to such term in the Indenture.

“Assessments” shall have the meaning assigned to such term 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.

“Certification Letter” shall mean a certification letter provided by the Developer, or Subsequent Third Party Owner (defined below), as applicable, pursuant to Section 3, in substantially the form attached as Exhibit D.

“Developer” shall mean Highpointe Trace, LLC, a California limited liability company, and its designated successors and assigns.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of the Issuer dated as of January 1, 2024 executed and delivered by and among the Issuer, the Administrator and the Dissemination Agent.

“Dissemination Agent” shall mean UMB Bank, N.A., 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 Trace Public Improvement District.

“EMMA” shall mean the Electronic Municipal Market Access System available on the internet at <http://emma.msrb.org>.

“Financing Agreement” shall mean the Amended and Restated Trace Public Improvement District Financing Agreement, effective September 18, 2018, executed and delivered by the Issuer, the Developer, and, as consenting parties, Pacesetter Homes, LLC and Buffington Texas Classic Homes, LLC.

“Issuer” shall mean the City of San Marcos, Texas.

“Listed Events” shall mean any of the events listed in Section 4(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 continuing disclosure reporting pursuant to the Rule.

“Outstanding” shall have the meaning assigned to such term in the Indenture.

“Owner” shall mean the registered owner of any Bonds.

“Participating Underwriter” shall mean FMSbonds, Inc., and its successors and assigns.

“Public Improvements” shall have the meaning assigned to such term in the Indenture.

“Purchase Agreement” shall mean, with respect to lots or land within the District, any purchase agreement between one or more homebuilders, multifamily builders or commercial builders and/or the Developer to purchase lots or to purchase land intended to develop such land for single family residential, commercial, industrial, retail, office/business park or multifamily residential uses.

“Quarterly Ending Date” shall mean each March 31, June 30, September 30 and December 31, beginning March 31, 2024.

“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.

“Reimbursement Agreement” shall mean that Amended and Restated Trace Public Improvement District Reimbursement Agreement, effective September 18, 2018 executed and delivered by the Issuer and the Developer.

“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.

“Series 2019 Bonds” shall mean the City of San Marcos, Texas Special Assessment Revenue Bonds, Series 2019 (Trace Public Improvement District).

“Service and Assessment Plan” shall have the meaning assigned to such term in the Indenture.

“Subsequent Third Party Owner” shall mean, collectively, any Subsequent Third Party Owner Non-SF Residential and any Subsequent Third Party Owner SF Residential.

“Subsequent Third Party Owner SF Residential” shall mean any owner, other than the Developer, who acquires Assessed Property within the District intended for single family residential use, which results in such third party owner, including any affiliate of such third party owner, owning property representing at least twenty percent (20%) of the total Annual Installments of the Assessments as of each Quarterly Ending Date.

“Subsequent Third Party Owner Non-SF Residential” shall mean any owner, other than the Developer, who acquires Assessed Property within the District intended for any use other than single family residential use, including, but not limited to, commercial, industrial, retail, office/business park or multifamily residential, which results in such third party owner, including any affiliate of such third party owner, owning property representing at least ten percent (10%) of the total Annual Installments of the Assessments as of each Quarterly Ending Date.

“Trustee” shall have the meaning assigned to such term in the Indenture.

SECTION 3. Quarterly Reports.

(a) The Developer and any Subsequent Third Party Owner, with respect to its acquired real property, shall provide, or cause to be provided, to the Administrator, at its cost and expense, not more than ten (10) days after each Quarterly Ending Date, beginning with March 31, 2024, the information required for the preparation of the Quarterly Report (with respect to each party, the “Quarterly Information”); provided that for the information related to homebuilders under Section 3(d)(iv) below, the Developer and/or any Subsequent Third Party Owner SF Residential shall use commercially reasonable efforts to obtain such information from homebuilders, and shall cause the Dissemination Agent to file the Quarterly Report no later than the applicable Quarterly Filing Date. The Developer and any Subsequent Third Party Owner shall provide, or cause to be provided, 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, Developer may, but shall not be obligated to provide any Quarterly Information on behalf of any Subsequent Third Party Owner.

(b) The Administrator shall (i) prepare each Quarterly Report with the Quarterly Information provided by the Developer and/or any Subsequent Third Party Owner pursuant to subsection (a) above and (ii) provide to the Developer and/or any Subsequent Third Party Owner, as applicable, each Quarterly Report for review no later than twenty-five (25) days prior to each Quarterly Filing Date. The Developer and/or any Subsequent Third Party Owner, as applicable, shall review the Quarterly Report and, upon such review, shall each promptly, but no later than five (5) days prior to each Quarterly Filing Date, provide to the Administrator the Certification Letter(s) and authorize the Administrator to provide such Quarterly Report and Certification Letter(s) to the Issuer and Dissemination Agent pursuant to subsection (c) below. In all cases, the Developer and/or any Subsequent Third Party Owner, as applicable, shall have the sole responsibility for the content, design and other elements comprising substantive contents of all of their respective Quarterly Information contained in the Quarterly Report.

(c) The Administrator shall provide to the Dissemination Agent, with a copy to the Developer and/or each Subsequent Third Party Owner, as applicable, not less than five (5) days prior to each Quarterly Filing Date, the Quarterly Report containing the information described in this Section 3, the Certification Letter(s) provided by the Developer and/or Subsequent Third Party Owner and written direction to the Dissemination Agent to file such documents with the MSRB. Pursuant to the written direction of the Administrator, the Dissemination Agent shall file the Quarterly Report and the Certification Letter(s) with the MSRB and the Participating Underwriter within five (5) 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 the Developer, any Subsequent Third Party Owner or the Administrator 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, upon written notice from the Developer, Subsequent Third Party Owner or Administrator, as applicable, 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 the Developer and/or any Subsequent Third Party Owner 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 Participating Underwriter in a timely manner shall not be deemed a default by the Developer, or Subsequent Third Party Owner, as applicable, under this Disclosure Agreement.

(d) Such Quarterly Report shall be in a form similar to that as attached in Exhibit A hereof and shall include:

(i) The number of acres of land and square footage of commercial development, and parcels and/or lots of single-family development in the District subject to the Assessments as of the Quarterly Ending Date;

(ii) The landowner composition of the District, including:

A. The number of parcels and/or lots owned by each type of landowner (i.e., Developer, Subsequent Third Party Owner SF-Residential or Subsequent Third Party Owner Non-SF Residential), broken down by planned and actual parcels and/or lots;

B. The percentage of Annual Installments of Assessments relative to the total Annual Installments of Assessments for each type of landowner, as of the Quarterly Ending Date;

C. The number of acres of land owned by each type of landowner;

D. A listing of all Subsequent Third Party Owners, if any, and the percentage of such party's Annual Installments of Assessments relative to the total Annual Installments of Assessments, as of the Quarterly Ending Date; and

E. An explanation as to any change to the number of parcels and/or lots within the District from the prior Quarterly Ending Date;

(iii) For each parcel designated as single family residential, lot absorption statistics, including:

A. The number of lots platted in the District, on a current quarter and running total basis;

B. The number of lots in the District owned by the Developer or any Subsequent Third Party Owner SF Residential closed with a homebuilder, on a current quarter and running total basis;

C. The number of lots in the District owned by the Developer or any Subsequent Third Party Owner SF Residential under contract with a homebuilder;

D. The number of lots in the District owned by the Developer or any Subsequent Third Party Owner SF Residential not closed or under contract with a homebuilder; and

E. An explanation as to any change to the number of lots planned to be developed in the District by the Developer or any Subsequent Third Party Owner SF Residential;

(iv) For each parcel designated as single family residential, for each homebuilder on a current quarter or running total basis:

A. The number of homes under construction in the District;

B. The number of homes constructed in the District;

C. The number of homes under contract with homebuyers;

D. The number of homes closed with homebuyers (delivered to end users) in the District; and

E. The average sales price of homes;

(v) For each parcel designated as multifamily:

A. Name of developer/builder entity;

B. Number of actual or expected dwelling units;

C. Actual or expected date of commencement of construction;

D. Date of expected or substantial completion of the multifamily facility; and

E. Actual or expected rental rates by dwelling unit type;

(vi) For each parcel designated as multifamily, construction and occupancy information, including:

A. Number of dwelling units under construction;

B. Number of completed dwelling units;

C. Number of dwelling units completed in the applicable quarter; and

D. Percentage of occupied dwelling units;

(vii) For each parcel designated as commercial/office/retail:

A. Name of developer/builder entity;

B. Date of commencement of construction;

C. Date of substantial completion of vertical improvements on the applicable parcel;

D. Name of business or tenant; and

E. Square footage of facility.

(viii) Materially adverse changes or determinations to permits/approvals for the development of the District which necessitates changes to the land use plans of the Developer or any Subsequent Third Party Owner;

(ix) 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

(e) With respect to the Public Improvements, the Developer shall provide or cause to be provided the following information to the Administrator for inclusion in each Quarterly Report:

(i) Total construction budget, including:

A. Budgeted and actual total costs of all Public Improvements;

B. Budgeted and actual total costs of the Public Improvements financed with the Bonds; and

C. Budgeted and actual total costs of Public Improvements financed with other sources of funds (non-bond financed);

(ii) Total expected costs for design and engineering to be completed after delivery of the Bonds;

(iii) Forecast construction milestones by date;

(iv) Construction budget allocated to each progress milestone;

(v) Forecast completion date; and

(vi) Issuer acceptance date.

(f) Each Quarterly Report (as described in subparagraphs (d) and (e) above) to be provided pursuant to this Disclosure Agreement may include any and all information required under the 2019 Continuing Disclosure Agreement of Developer, so that Developer may consolidate its reporting efforts. In other words, Developer may submit one report covering all of the information required for the 2019 Continuing Disclosure Agreement of Developer and this Disclosure Agreement.

SECTION 4. Event Reporting Obligations of Developer and any Subsequent Third Party Owners.

(a) Pursuant to the provisions of this Section 4, each of the following is a Listed Event with respect to the Bonds:

(i) Failure to pay any real property taxes or Assessments levied within District on a parcel owned by the Developer or any Subsequent Third Party Owner; provided, however, that

the exercise of any right of the Developer or Subsequent Third Party Owner 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 Listed Event under this Section 4 nor a breach or default of this Disclosure Agreement;

(ii) Material damage to or destruction of any development or improvements, including the Public Improvements;

(iii) Material default by the Developer on any loan with respect to the development or permanent financing of the District undertaken by the Developer;

(iv) Material default by the Developer on any loan secured by property within District owned by the Developer;

(v) The bankruptcy filing of the Developer or any Subsequent Third Party Owner or any determination that the Developer or any Subsequent Third Party Owner 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, 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 claim for damage, in excess of \$1,000,000 against the Developer which may adversely affect the completion of development of District or litigation which would materially adversely affect the financial condition of the Developer;

(viii) Any change in the legal structure, chief executive officer or controlling ownership of the Developer;

(ix) Early termination of or material default under a Purchase Agreement; and

(x) Any assignment and assumption of disclosure obligations under this Disclosure Agreement pursuant to Section 5 herein.

Whenever the Developer or any Subsequent Third Party Owner obtains knowledge of the occurrence of a Listed Event, such party shall promptly, and not more than five (5) Business Days after the Developer or any Subsequent Third Party Owner obtains such knowledge, notify the Issuer, the Administrator and the Dissemination Agent in writing and the Developer or Subsequent Third Party Owner, as applicable, shall direct the Dissemination Agent, subject to the Issuer's written approval, to immediately file a notice of such occurrence with the MSRB and the Participating Underwriter. Any such notice is required to be filed within ten (10) Business Days after the Developer or Subsequent Third Party Owner, as applicable, becomes aware of the occurrence of such Listed Event. If the Developer or any Subsequent Third Party Owner timely notifies the Dissemination Agent of the occurrence of a Listed Event, as described in this Section 4, the failure of the Dissemination Agent to provide such notice to the Participating Underwriter in a timely manner shall not be deemed a default by the Developer under this Disclosure Agreement.

The Developer and each Subsequent Third Party Owner, if any, shall only be responsible for reporting the occurrence of a Listed Event applicable to the Developer or such Subsequent Third Party Owner, as applicable, and shall not be responsible for reporting the occurrence of a Listed Event applicable to any other Subsequent Third Party Owner, regardless of if the Developer or Subsequent Third Party Owner is providing Quarterly Information on behalf of such party. Any notice under the preceding paragraph shall be accompanied with the text of the disclosure that the Developer desires to make, the written authorization of the Developer or Subsequent Third Party Owner, as applicable, for the Dissemination Agent to disseminate such information as provided herein, and the date the Developer or Subsequent Third Party Owner, as applicable, desires for the Dissemination Agent to disseminate the information.

In all cases, the Developer or Subsequent Third Party Owner, 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 Subsequent Third Party Owner, 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 Subsequent Third Party Owner, as applicable, becomes aware of the occurrence of such Listed Event.

(b) The Dissemination Agent shall, within two (2) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, notify the Issuer and the Developer or Subsequent Third Party Owner, as applicable, of such Listed Event. 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 or Subsequent Third Party Owner, 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 Participating Underwriter, the Issuer, the Developer, any Subsequent Third Party Owner 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 the Dissemination Agent has been instructed by the Developer or Subsequent Third Party Owner, as applicable, to report the occurrence of a Listed Event, the Dissemination Agent shall file, subject to written consent by the Issuer, a notice of such occurrence with the MSRB within one (1) Business Day of its receipt of such written instructions from the Developer.

SECTION 5. Assignment to Subsequent Third Party Owner.

If the Developer sells, assigns or otherwise transfers ownership of real property in the District to a Subsequent Third Party Owner, the Developer shall require such Subsequent Third Party Owner to comply with the Developer’s disclosure obligations hereunder, with respect to such acquired real property until such party’s obligations terminate pursuant to Section 6 of this Disclosure Agreement; provided however, a Subsequent Third Party Owner shall not be required to provide the disclosure information required by Section 3(e) above unless the Subsequent Third Party Owner has assumed the obligations through an assignment of obligations, requirements or covenants under the Financing Agreement and/or Reimbursement Agreement to construct one or more of the Public Improvements, in which case the Subsequent Third Party Owner shall include the disclosure information required by

Section 3(e) above for the Public Improvements that the Subsequent Third Party Owner is constructing. The Developer shall deliver to the Dissemination Agent, Administrator and the Issuer, a written acknowledgement from each Subsequent Third Party Owner, acknowledging and assuming its obligations under this Disclosure Agreement. Upon any such transfer to a Subsequent Third Party Owner, and such Subsequent Third Party Owner'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 Subsequent Third Party Owner arising from or in connection with such disclosure obligations under this Disclosure Agreement. Additionally, for the avoidance of doubt, the Developer shall require that any Subsequent Third Party Owner comply with obligations of this Section 5 with respect to any subsequent transfers by such Subsequent Third Party Owners to any individual or entity meeting the definition of a "Subsequent Third Party Owner" in the future.

If a Subsequent Third Party Owner acquires Assessed Property within the District with the intent to develop such property for single family residential use, but, subsequent to such acquisition, converts the intended use to any use other than single family residential use, or vice versa, the reporting obligations of such Subsequent Third Party Owner under this Disclosure Agreement shall continue with respect to the new intended use of the property so converted.

SECTION 6. Termination of Reporting Obligations.

(a) With respect to Assessed Property within the District intended for single family residential use, the reporting obligations of the Developer or any Subsequent Third Party Owner SF Residential under this Disclosure Agreement shall terminate upon, the earlier of (i) the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) when the Developer or Subsequent Third Party Owner SF Residential, if any, is no longer responsible for the payment of Annual Installments of Assessments equal to at least twenty percent (20%) of the total Annual Installment of Assessments as of each Quarterly Ending Date.

(b) With respect to Assessed Property within the District intended for any use other than single family residential use, the reporting obligations of the Developer or any Subsequent Third Party Owner Non-SF Residential under this Disclosure Agreement shall terminate upon, the earlier of (i) the legal defeasance, prior redemption or payment in full of all of the Bonds, (ii) when the Developer or Subsequent Third Party Owner Non-SF Residential, if any, is no longer responsible for the payment of Annual Installments of Assessments equal to at least ten percent (10%) of the total Annual Installment of Assessments as of each Quarterly Ending Date or (iii) the Issuer's issuance of the certificate of occupancy for the last lot or parcel owned by the respective party.

(c) At such time that the reporting obligations of the Developer and/or any Subsequent Third Party Owner terminate in accordance with subsection (a) or (b) of this Section 6, the Administrator shall provide written notice to the Developer and/or Subsequent Third Party Owner, as applicable, the Issuer and the Dissemination Agent in substantially the form attached as Exhibit C, thereby, terminating such party's reporting obligations under this Disclosure Agreement (the "Termination Notice"). If such termination notice with respect to the Developer or Subsequent Third Party Owner, as applicable, occurs prior to the legal defeasance, prior redemption or payment in full of all of the Bonds, 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 and the Participating Underwriter on or before the next succeeding Quarterly Filing Date.

(d) The obligations of the Administrator and the Dissemination Agent under this Disclosure Agreement shall terminate upon, the earlier of (i) the legal defeasance, prior redemption or payment in full of all of the Bonds or (ii) termination of the Developer's and all Subsequent Third Party Owners', if any, reporting obligations in accordance with subsection (a) and (b) of this Section 6.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent or successor Dissemination Agent to assist it in carrying out the obligations of the Responsible Parties under this Disclosure Agreement, and may discharge such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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 shall be UMB Bank, N.A. Pursuant to the Disclosure Agreement of Issuer, the Issuer has agreed to provide written notice to the Developer and each Subsequent Third Party Owner responsible for providing quarterly information pursuant to this Disclosure Agreement, as applicable, 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 Sections 3 or 4, 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 the Developer or any Subsequent Third Party Owner, or the type of business conducted; and

(b) 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. 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).

(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 (or in the case of a change of accounting principles, on the presentation) 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 Participating Underwriter.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer, or any Subsequent Third Party Owner 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 chooses to include any information in any Quarterly Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer, or the Subsequent Third Party Owner, 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 Listed Event.

SECTION 10. Content of Disclosures. In all cases, the Developer or Subsequent Third Party Owner, 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 9 of this Disclosure Agreement.

SECTION 11. Default. In the event of a failure of the Developer, any Subsequent Third Party Owner or Administrator to comply with any provision of this Disclosure Agreement, any Owner or beneficial owner of the Bonds (with written notification to the Dissemination Agent) may, and the Dissemination Agent (at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, upon being indemnified to its satisfaction) shall, take such actions as may be necessary and appropriate to cause the Developer, Subsequent Third Party Owner and/or 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, any Subsequent Third Party Owner or Administrator to comply with this Disclosure Agreement shall be an action to mandamus or specific performance. A default under this Disclosure Agreement shall not be deemed a default under the Disclosure Agreement of Issuer, and a default under the Disclosure Agreement of Issuer shall not be deemed a default under this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent and Administrator.

(a) 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. The Developer agrees to hold indemnify and 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 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 fact that the Dissemination Agent may have a financial advisory relationship with the Issuer in connection with the transaction described in the Indenture shall not be construed to mean that the Dissemination Agent has actual knowledge of any event described in Section 4 above, except as may be provided by written notice to the Dissemination Agent pursuant to this Disclosure Agreement. 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) Except as otherwise provided herein, 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 or 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 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.

(d) UNDER NO CIRCUMSTANCES SHALL THE DISSEMINATION AGENT, THE ADMINISTRATOR, THE DEVELOPER OR ANY SUBSEQUENT THIRD PARTY OWNER, AS APPLICABLE, 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 PARTY TO THIS DISCLOSURE AGREEMENT OR A SUBSEQUENT THIRD PARTY OWNER 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 Subsequent Third Party Owner, 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 Subsequent Third Party Owner, 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 Participating 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 Annual Collection Costs and will be included in the Annual Installments as provided in the annual updates to the Service and Assessment Plan. The Dissemination Agent has entered into a separate agreement with the Issuer, which agreement provides for the payment of the fees and expenses of the Dissemination Agent 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 Annual Collection Costs 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.]

UMB BANK, N.A.
(as Dissemination Agent)

By: _____
Authorized Officer

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER
S-1

HIGHPOINTE TRACE, LLC,
a California limited liability company
(as Developer)

By: Highpointe Posey, L.P., a California
limited partnership, Its Managing
Member

By: Highpointe Investments, Inc.,
a California corporation, Its
General Partner

By: _____
Timothy D. England, SVP

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

S-2

P3WORKS, LLC
(as Administrator)

By: _____
Name: _____
Title: _____

SIGNATURE PAGE OF CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

S-3

EXHIBIT A

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024
(TRACE PUBLIC IMPROVEMENT DISTRICT)**

DEVELOPER QUARTERLY REPORT
[INSERT QUARTERLY ENDING DATE]

Delivery Date: _____, 20__

CUSIP Numbers: [Insert CUSIP Numbers]

DISSEMINATION AGENT

Name: _____
 Address: _____
 City: _____
 Telephone: _____
 Contact Person: _____

TABLE 3(d)(i)

BOND ALLOCATION AND ASSESSMENT OVERVIEW (as of [Insert Quarterly Ending Date])						
NUMBER OF ACRES OF LAND AND SQUARE FOOTAGE OF BUILDINGS (MULTIFAMILY, OFFICE AND RETAIL), PARCELS AND/OR LOTS (SINGLE FAMILY) IN THE DISTRICT SUBJECT TO ASSESSMENTS:						
Lot Type	Phase A	Phase B	Phase C	Phase D	Phase E	Total
SF 32' - 34'						
SF 41'						
SF 50'						
[Future SF]						
<i>Total SF Lots:</i>						
Multifamily						
Business Park						
Retail						
<i>Total Non-SF Acres/Square Footage:</i>	___ Acre ___ Sq. ft.					

TABLE 3(d)(ii)

LANDOWNER COMPOSITION (as of [<i>Insert Quarterly Ending Date</i>]) OF DISTRICT				
Landowner Composition	Planned Parcels/Lots	Actual Parcel/Lots	% of Annual Installments	Acreage
Subsequent Third-Party SF Residential Owned				
SF 32' - 34'				
SF 41'				
SF 50'				
<i>Total Subsequent Third-Party Owned SF Lots:</i>				
Subsequent Third-Party Non-SF Residential Owned				
Multifamily				
Office				
Retail				
<i>Total Subsequent Third-Party Owned Non-SF Lots:</i>				
Developer Owned				
SF 32' - 34'				
SF 41'				
SF 50'				
<i>Total Developer Owned SF Lots:</i>				
Multifamily				
Office				
Retail				
<i>Total Developer Owned Non-SF Lots:</i>				
<i>Total Development</i>	N/A	N/A		
Notations: - Listing of all Subsequent Third Party Owners and the percentage of each party's Annual Installments of Assessments relative to the total Annual Installments of Assessments, as of the [<i>Insert Quarterly Ending Date</i>] - Explanation as to any change to the number of parcels and/or lots within the District from the prior Quarterly Ending Date				

[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 DISTRICT					
	Number of Platted Lots	Closed to Homebuilder	Increase from [<i>insert prior Quarterly Ending Date</i>]	Under Contract w/ Homebuilder	Not Closed or Under Contract
Quarter Ending _____, 20__					
SF 32' - 34'					
SF 41'					
SF 50'					
Total SF Units:					
Total Absorption:					
SF 32' - 34'			N/A	N/A	N/A
SF 41'			N/A	N/A	N/A
SF 50'			N/A	N/A	N/A
Total SF Units:			N/A	N/A	N/A
Notation: - Explanation as to any changes to the number of lots planned to be developed in the District by the Developer or Subsequent Third Party Owner SF Residential					

[Remainder of page intentionally left blank]

TABLE 3(d)(iv)

HOMEBUILDER ABSORPTION STATISTICS FOR SINGLE FAMILY RESIDENTIAL IN DISTRICT							
	Under Construction	Fully Constructed	Under Contract w/ End-User	Closed to End-user	Increase from [insert prior Quarterly Ending Date]	Average Sales Price of Home	Inventory not Closed or Under Contract
Quarter Ending _____, 20__							
[Homebuilder]							
SF 32' – 34'							
SF 41'							
SF 50'							
Total Units:						N/A	
Total Absorption:							
SF 32' – 34'							
SF 41'							
SF 50'							
Total Units:						N/A	
Notation: - Create table for each Homebuilder							

FOR EACH PARCEL DESIGNATED AS MULTIFAMILY RESIDENTIAL:

TABLE 3(d)(v)

DEVELOPER/BUILDER OF MULTIFAMILY RESIDENTIAL				
Name of Developer/Builder	Number of Actual/Expected Dwelling Units by Type	Date of Actual/Expected Commencement of Construction	Date of Expected or Substantial Completion	Actual/Expected Rental Rates by Dwelling Unit Type

TABLE 3(d)(vi)

CONSTRUCTION/OCCUPANCY (as of [<i>Insert Quarterly Ending Date</i>])					
Unit Type	Planned Units	Units Under Construction	Total Finished Units	Increase of Finished Units from [<i>insert prior Quarterly Ending Date</i>]	Percent Occupied

FOR EACH PARCEL DESIGNATED AS COMMERCIAL/OFFICE/RETAIL:

TABLE 3(d)(vii)

DEVELOPER/BUILDER OF COMMERCIAL/OFFICE/RETAIL				
Name of Developer/Builder	Date of Commencement of Construction	Date of Expected or Substantial Completion	Name of Business or Tenant	Square Footage

STATUS OF DEVELOPMENT:

TABLE 3(d)(viii)

PERMITS/APPROVALS	
Change or Determination to Permit/Approval	Description of the Change to the Land Use Plan

TABLE 3(d)(ix)

OCCURRENCE OF ANY NEW OR MODIFIED MORTGAGE DEBT				
Borrower	Lender	Amount	Interest Rate	Terms

STATUS OF PUBLIC IMPROVEMENTS:

TABLE 3(e)

PUBLIC IMPROVEMENTS OVERVIEW		
	Budgeted	Actual
Total Costs required to complete Public Improvements:	\$ _____	\$ _____
Cost of Public Improvements Financed with the Bonds:	\$ _____	\$ _____
Cost of Public Improvements Financed with other Sources of Funds (non-bond financed):	\$ _____	\$ _____
Notations (information pursuant to 3(e)(ii) – (vi)): <ul style="list-style-type: none"> - Total expected costs for design and engineering to be completed after delivery of the Bonds - Forecast construction milestones by date - Construction budget allocated to such milestones - Forecast completion date - Issuer acceptance date 		

EXHIBIT B

**NOTICE TO MSRB OF FAILURE TO
[PROVIDE QUARTERLY INFORMATION][FILE QUARTERLY REPORT]**

[DATE]

Name of Issuer: City of San Marcos, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Trace Public Improvement District) (the “Bonds”)
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

NOTICE IS HEREBY GIVEN that _____, a _____ (the [“Developer”] [“Subsequent Third Party Owner”]) 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 January 1, 2024, by and among Highpointe Trace, LLC, a California limited liability company (the “Developer”), P3Works, LLC, as the “Administrator” and UMB Bank, N.A., as “Dissemination Agent”. [Developer] [Subsequent Third Party Owner] anticipates that the [Quarterly Information][Quarterly Report] will be [provided][filed] by _____.

[NOTICE IS HEREBY GIVEN that [Quarterly Information][the Quarterly Report] for the period ending on [Insert Quarterly Ending Date] with respect to the Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of January 1, 2024, by and among Highpointe Trace, LLC, a California limited liability company (the “Developer”), P3Works, LLC, as the “Administrator” and UMB Bank, N.A., as “Dissemination Agent” was not filed in a timely manner due to [_____]. [_____, a _____ (the [“Developer”][“Significant Homebuilder”]) anticipates that the [Quarterly Information][Quarterly Report] will be [provided][filed] by _____.][The [Quarterly Information][Quarterly Report] was filed on [_____].]

Dated: _____

UMB Bank, N.A.
on behalf of the [Developer] [Subsequent Third
Party Owner]
(as Dissemination Agent)

By: _____

Title: _____

cc: City of San Marcos, Texas

EXHIBIT C

TERMINATION NOTICE

[DATE]

Name of Issuer: City of San Marcos, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Trace Public Improvement District) (the "Bonds")
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

FMSbonds, Inc.
5 Cowboys Way, Suite 300-25
Frisco, Texas 75034

Highpointe Trace, LLC
16501 Scientific Way
Irvine, CA 92618

City of San Marcos, Texas
630 East Hopkins
San Marcos, Texas 78666

[Insert Subsequent Third Party Owner
Contact Information]

UMB Bank, N.A.
6034 W. Courtyard Drive, Suite 370
Austin, Texas 78730

NOTICE IS HEREBY GIVEN that _____, a
_____ (the ["Developer"] ["Subsequent Third Party Owner"]) 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 January 1, 2024, by and among Highpointe Trace, LLC, a
California limited liability company (the "Developer"), P3Works, LLC, (the "Administrator") and
UMB Bank, N.A. (the "Dissemination Agent").

Dated: _____

P3Works, LLC
on behalf of the City of San Marcos, Texas
(as Administrator)

By: _____

Title: _____

EXHIBIT D

CERTIFICATION LETTER

[DATE]

Name of Issuer: City of San Marcos, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2024
(Trace Public Improvement District)
CUSIP Nos. [insert CUSIP NOS.]
Quarterly Ending Date: _____, 20__

Re: Quarterly Report for Trace Public Improvement District

To whom it may concern:

Pursuant to the Continuing Disclosure Agreement of Developer dated as of January 1, 2024 by and among Highpointe Trace, LLC, a California limited liability company (the “Developer”), P3Works, LLC (the “Administrator”), and UMB Bank, N.A. (the “Dissemination Agent”), this letter constitutes the certificate stating that the Quarterly Information, provided by [Developer][Subsequent Third Party Owner], contained in this Quarterly Report herein submitted by the Administrator, on behalf of the [Developer][Subsequent Third Party Owner], constitutes the [portion of the] Quarterly Report required to be furnished by [Developer][Subsequent Third Party Owner]. Any and all Quarterly Information, provided by the [Developer][Subsequent Third Party Owner], 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.

[HIGHPOINTE TRACE, LLC,
a California limited liability company

By: Highpointe Posey, L.P., a California
limited partnership, Its Managing
Member

By: Highpointe Investments, Inc.,
a California corporation, Its
General Partner

By: _____
Timothy D. England, SVP]

OR

[Subsequent Third Party Owner
By: _____
Title: _____]

APPENDIX F
FINANCING AGREEMENT

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

AMENDED AND RESTATED
TRACE PUBLIC IMPROVEMENT DISTRICT
FINANCING AGREEMENT

BETWEEN

HIGHPOINTE TRACE, LLC, a California limited liability company

AND

CITY OF SAN MARCOS, TEXAS

**AMENDED AND RESTATED
TRACE PUBLIC IMPROVEMENT DISTRICT
FINANCING AGREEMENT**

This Amended and Restated Trace Public Improvement District Financing Agreement (this “**Agreement**”), dated as of September 18, 2018, (the “**Effective Date**”), is entered into between Highpointe Trace, LLC, a California limited liability company (including its Designated Successors and Assigns, the “**Owner**”), Pacesetter Homes, LLC, a Texas limited liability company (including its Designated Successors and Assigns, “**Pacesetter**”), Buffington Texas Classic Homes, LLC, a Texas limited liability company (including its Designated Successors and Assigns, “**Buffington**”), and the City of San Marcos, Texas (the “**City**”), acting by and through its duly authorized representative. Buffington and Pacesetter are sometimes collectively referenced in this Agreement as the “**Consenting Parties**” and the Owner and the City are sometimes collectively referenced in this Agreement as the “**Parties**,” or, each individually, as the “**Party**.”

Recitals:

WHEREAS, Owner and the Consenting Parties own a total of approximately 417.63 acres of land located within the City which is more particularly described in Exhibit “B” attached hereto and made a part hereof (the “**Property**”).

WHEREAS, it is intended that the Property will be developed as a mixed use development (the “**Project**”);

WHEREAS, the City Council authorized the formation of the Trace Public Improvement District (the “**District**”) on October 20, 2015, pursuant to Resolution No. 2015-145R in accordance with the PID Act (as defined in Exhibit “A”);

WHEREAS, the City and Owner have entered into the Trace Public Improvement District Financing Agreement, dated October 20, 2015 (the “**Original Financing Agreement**”);

WHEREAS, the City and Owner have entered into the Trace Public Improvement District Reimbursement Agreement, dated October 18, 2016 (the “**Original Reimbursement Agreement**”);

WHEREAS, the City has adopted Assessment Ordinance No. 2016-42 on October 18, 2016, adopting a service and assessment plan (the “**Original Service and Assessment Plan**”), levying the Initial Special Assessments in the amount of \$11,175,000.00 on the Property (the “**Original Assessment Ordinance**”);

WHEREAS, the 2018 Amended and Restated Service and Assessment Plan was approved by the City on August 7, 2018, amends and replaces the Original Service and Assessment Plan (as amended or updated from time to time the “**2018 SAP**”);

WHEREAS, the City has also approved the levy of additional assessments in the amount of \$10,925,000.00 pursuant to Assessment Ordinance No:_____, dated August 7, 2018 (the “**Additional Assessment Ordinance**”);

WHEREAS, the City and Owner wish to amend and restate the Original Financing Agreement to reflect the approval of, among other things, the 2018 SAP and the levy of additional assessments on the Property pursuant to the Additional Assessment Ordinance;

WHEREAS, the terms of annexation and zoning of the Property have been agreed to by the City and the Owner pursuant to the Trace Planned Development District agreement (as amended from time to time the “**PDD**”) which was approved by the City contemporaneously with the Original Financing Agreement;

WHEREAS, the Agreement Regarding Fire Station (defined herein) was also approved by the City on even date of the Original Financing Agreement;

WHEREAS, the City and Owner have entered into that certain Amended and Restated Trace Public Improvement District Reimbursement Agreement on even date herewith (as the same may be amended from time to time the “**Amended Reimbursement Agreement**”) which supersedes and replaces the Original Reimbursement Agreement;

WHEREAS, the Owner proposes to construct certain improvements over time to serve Property located in the District (or portions thereof) and transfer some or all of those improvements to the City or City in accordance with the terms and provisions of this Agreement;

WHEREAS, the City has adopted the 2018 SAP, approved the Original and Additional Assessment Ordinance, and levied Special Assessments on all of the property located within the District and intends to issue bonds in two or more series for payment of costs associated with the acquisition of the Public Improvements (as defined herein) included in the 2018 SAP, as such plan may be amended from time to time; and

WHEREAS, the City has determined that it is in its best interests to contract with the Owner for the construction and acquisition of the Public Improvements, which will result in the efficient and effective implementation of the 2018 SAP.

NOW, THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions contained herein, and other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I. SCOPE OF AGREEMENT

This Agreement establishes provisions for the apportionment, levying, and collection of Special Assessments on the Property (Article II), the Construction of Public Improvements to be acquired by the City (Article III), funding of Public Improvements through the issuance of PID Bonds (as hereinafter defined), acquisition and maintenance of Public Improvements within the District (Article IV), and the issuance of bonds for the financing of the Public Improvements

(Article V). Definitions used herein are set forth in Exhibit “A” attached hereto and made a part hereof and in the 2018 SAP.

ARTICLE II. APPORTIONMENT, LEVY AND COLLECTION OF ASSESSMENTS

Section 2.01. Preliminary Matters

(a) On October 20, 2015, the City authorized the formation of the District by Resolution No. 2015-145R. The District includes all of the Property.

(b) Although the Property may be developed in phases, it is anticipated that the Public Improvements will benefit the entire District. As a result, it is currently contemplated that there will be (i) one initial series of bonds issued for the entire District, the “**Initial Major Improvement PID Bonds**” (as further defined in Exhibit “A”) and (ii) bonds issued for the entire District at a future date if the Initial Major Improvement PID Bonds are less than the amount of the outstanding Special Assessments, the “**Additional Major Improvement PID Bonds**” (as further defined in Exhibit “A”). It is hereby acknowledged that the Special Assessments have already been levied by the Initial Assessment Ordinance and the Additional Assessment Ordinance and, subject to the Amended Reimbursement Agreement, will be used to secure the Initial Major Improvement PID Bonds and the Additional Major Improvement PID Bonds.

(c) The 2018 SAP was approved by the City on August 7, 2018 and amends and restates the Original Service and Assessment Plan. The 2018 SAP will be updated and amended by the City or its Administrator at least once per year, and submitted for the City Council’s review and approval. Notwithstanding the above, it is hereby understood and acknowledged by the Parties that the 2018 SAP may need to be amended over time if there are any changes in the Public Improvements in accordance with the terms set forth in this Agreement. Nevertheless, the basic terms and methodology described in the 2018 SAP will generally apply to the Initial Major Improvement PID Bonds and the Additional Major Improvement PID Bonds.

(d) Special Assessments on any portion of the Property will bear a direct proportional relationship to and be less than or equal to the special benefit of the Public Improvements within the District.

(e) Special Assessments on any portion of the Property may be adjusted in connection with Major Improvement PID Bond issues or otherwise so long as the Special Assessments are determined in accordance with the 2018 SAP.

(f) The Property may also be subject to an Owner’s Association assessment.

(g) Prior to the issuance of the PID Bonds, the Owner shall provide an Appraisal to the City for the City’s review and approval covering the portion of the Property that are subject to the Special Assessments. The City shall select the appraiser, in consultation with the Owner and the Underwriter, and all reasonable fees of the Appraisal shall be paid by the Owner.

Section 2.02. Apportionment and Levy of Assessments

The City has levied Special Assessments on the Property in accordance herewith and with the 2018 SAP (as such plan is amended from time to time) and the Assessment Ordinance as approved by the City Council in accordance with Article IV hereof. The City's apportionment and levy of Special Assessments has been made in accordance with the PID Act.

Section 2.03. Collection of Assessments

(a) Subject to the terms and conditions of this Agreement, the City covenants and agrees that it shall, as authorized by the PID Act and other applicable law, continuously collect or cause to be collected Special Assessments levied pursuant to the Original Assessment Ordinance and Additional Assessment Ordinance in accordance with the 2018 SAP during the term of this Agreement in the manner and to the maximum extent permitted by applicable law and subject to Section 2.06(b) of this Agreement. The City covenants and agrees that to the extent permitted by applicable law and Section 2.06(b) of this Agreement, it will not permit a reduction, abatement, or exemption in the Special Assessments due on any portion of the Property until the Major Improvement PID Bonds related to that particular portion of the Property are no longer outstanding, whether as a result of payment in full, defeasance, or otherwise. The City shall use best efforts to collect the Special Assessments consistent with the City's policies and standard practices applicable to the collection of City ad valorem taxes and assessments.

(b) It is hereby acknowledged that Special Assessments can be used for the following purposes: (i) prior to or after completion of the applicable Public Improvements, but prior to the issuance of Major Improvement PID Bonds for those Public Improvements, Owner will be reimbursed for Actual Costs associated with those Public Improvements from Special Assessments collected by the City and held by the City pursuant to the Amended Reimbursement Agreement and (ii) after Major Improvement PID Bonds are issued with respect to any given completed Public Improvements, the Special Assessments will be used first to secure such Major Improvement PID Bonds and second, to the extent any such Special Assessments are remaining after payments are made on the Major Improvement PID Bonds, to reimburse Owner for any Actual Costs not reimbursed by the Major Improvement PID Bonds. Any reimbursement obligation to Owner under the Amended Reimbursement Agreement or as provided above will be subordinate to payment of the applicable Major Improvement PID Bonds.

(c) Notwithstanding anything to the contrary contained herein or in the 2018 SAP, once Major Improvement PID Bonds have been issued the Special Assessment Revenues collected annually from the Property will be deposited in the Pledged Revenue Fund and thereafter transferred in the priority as set forth in the Indenture.

(d) Further notwithstanding anything to the contrary contained herein, the City covenants and agrees to use best efforts to contract with the Hays County Tax Assessor's office for the collection of the Special Assessments such that the Special Assessments will be included on the ad valorem tax bill(s) for the Property and will be collected as part of and in the same manner as ad valorem taxes.

Section 2.04. Approval and Recordation of Special Assessments through Landowner Agreement

A Landowner Agreement (herein so called) in which the Owner (who was the only Landowner within the District at the time the District was created) approved and accepted the apportionment of Special Assessments and the levy of the Special Assessments by the City was entered into by the Owner and the City on October 18, 2016. The Landowner Agreement (a) evidences the Owner's intent that the Special Assessments be covenants running with the land that (i) will bind any and all current and successor owners of the Property to the Special Assessments, including applicable interest thereon, as and when due and payable thereunder and (ii) provide that subsequent purchasers of such land take their title subject to and expressly assume the terms and provisions of the Special Assessments; and (b) provides that the liens created by the levy of the Special Assessments are a first and prior lien on the Property, subject only to liens for ad valorem taxes of the State, County, City, school district, road district and special improvement district.

Section 2.05 Reimbursement Of Owner-Expended Costs

(a) Owner's right, title and interest into the payments of unreimbursed Actual Costs, as described herein, shall be the sole and exclusive property of Owner (or its Transferee) and no other third party shall have any claim or right to such funds unless Owner transfers its rights to its unreimbursed Actual Costs to a Transferee in writing and otherwise in accordance with the requirements set forth herein. Subject to the terms of Section 8.03 hereof, Owner has the right to convey, transfer, assign, mortgage, pledge, or otherwise encumber, in whole or in part, all or any portion of Owner's right, title, or interest under this Agreement including, but not limited to, any right, title or interest of Owner in and to payment of its unreimbursed Actual Costs (a "Transfer," and the person or entity to whom the transfer is made, a "Transferee"). Notwithstanding the foregoing, no Transfer shall be effective until written notice of the Transfer, including the name and address of the Transferee, is provided to the City. The City may rely conclusively on any written notice of a Transfer provided by Owner without any obligation to investigate or confirm the Transfer.

Section 2.06. Mandatory Prepayment Amount / 2018 Annual Installment

(a) Prior to the earlier of (i) the date of issuance of the Additional Major Improvement PID Bonds or (ii) August 31, 2022, the Owner shall prepay Special Assessments in the amount of \$2,600,000.00 that are applicable to the parcels within the District identified as "Retail" and "Business Park" within the PDD (the "Mandatory Prepayment Amount").

(b) In the event the Mandatory Prepayment Amount is not paid in accordance with Section 2.06(b) above, the City shall reduce the outstanding Special Assessments on the District by \$2,600,000.00 for all assessed properties within the District on a pro rata basis based on the amount of outstanding Special Assessments.

(c) The payment of the Mandatory Prepayment Amount which results in a direct reimbursement to the Owner shall not count against any cap on the maximum net PID Bond proceeds as described in Section 5.01(b) of this Agreement.

(d) Prior to the distribution of any Preliminary Offering statement/Preliminary Limited Offering Memorandum for the Initial Major Improvement PID Bonds, the Owner shall pay \$830,500.00 in Annual Installments that were not billed on January 31, 2018.

Section 2.07. Obligations Secured by Pledged Revenues

THE MAJOR IMPROVEMENT PID BONDS ARE SPECIAL OBLIGATIONS OF THE CITY SECURED SOLELY BY PLEDGED REVENUES (AS DEFINED IN THE INDENTURE) AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE PID BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE NOT SECURED EXCEPT AS PROVIDED IN THE INDENTURE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND ANY OTHER FUNDS HELD UNDER THE INDENTURE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO THE OWNERS OF THE BONDS TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES.

ARTICLE III. CONSTRUCTION AND ACQUISITION

Section 3.01. Acquisition of Public Improvements

The Owner will dedicate some of the applicable Public Improvements identified in the 2018 SAP to the City upon completion of Public Improvements, and the City will accept dedication of such Public Improvements after confirming that the Public Improvements have been completed in accordance with this Agreement and the Regulatory Requirements. Some of the Public Improvements identified in the 2018 SAP will be dedicated to the City by easement and maintained by an Owner's Association.

Section 3.02. Designation of Construction Manager, Construction Engineers

(a) The City hereby designates the Owner, or its assignees, as the Construction Manager with full responsibility for the design, the designation of easement locations, facilities site designations and acquisitions, supervision of construction, and the bidding and letting of construction contracts for the construction of the Public Improvements in accordance with the provisions of this Article III and in accordance with any requirements of the City and, as applicable, City approved plans.

(b) Except as otherwise provided herein, inspection of the construction of any Public Improvement being conveyed to the City will be by City Construction Representative or its designee. Any City inspection of a Public Improvement being conveyed to the City will be in accordance with any requirements of the City.

(c) The Owner shall be entitled to a separate Construction Management Fee for the construction of each Segment, unless Owner contracts with a third party to act as the Construction

Manager with respect to construction of the Public Improvements. The Construction Management Fee is part of Actual Costs and will be paid as part of the Actual Costs.

(d) The City shall cooperate with the Owner in connection with its services as Construction Manager.

(e) The Owner shall designate the consulting engineers for the Public Improvements for the compensation specified by the Owner.

Section 3.03. Designation of Construction Manager Subcontractor

The City acknowledges and agrees that Owner may subcontract out all or some of the duties of Construction Manager to a third party. Owner may designate an individual, company, or partnership or other entity as a subcontractor for construction management services for one or more Public Improvements or distinct Segments thereof provided that such designee has the technical capacity, experience and expertise to perform such construction management duties or obligations. Owner may make such designation under the same terms as set out in Section 8.03(a) of this Agreement.

Section 3.04. Maintenance of Project, Warranties

Unless otherwise provided for, the Owner (or the Owner's Association, as applicable) shall maintain each Public Improvement (or Segment thereof) in good and safe condition until such Public Improvement (or Segment thereof) is accepted by the City. The City's acceptance of Public Improvements shall be in accordance with the City's standard rules and procedures for the type of improvements being constructed. Prior to such acceptance, the Owner shall be responsible for performing any required maintenance on such Public Improvement. On or before the acceptance by the City of a Public Improvement (or Segment thereof), the Owner shall assign to the City all of the Owner's rights in any warranties, guarantees, maintenance obligations, or other evidences of contingent obligations of third persons with respect to such Public Improvement (or Segment thereof).

Section 3.05. Sales and Use Tax Exemptions

(a) The parties agree that, as municipally and publicly owned and acquired properties, all costs of materials, other properties and services used in constructing the Public Improvements to be acquired by the City are exempt under the Texas Tax Code from sales and use taxes levied by the State of Texas, or by any County, City, special district, or other political subdivision of the State, as set forth in Texas Tax Code Section 151.309.

(b) The City will provide such certifications to the Owner and/or to suppliers and contractors as may be required to assure the exemptions claimed herein.

(c) The City and the Owner shall cooperate in structuring the construction contracts for the Public Improvements to comply with requirements (including those set forth in Texas Tax Code Section 151.309) for exemption from sales and use taxes.

Section 3.06. Exemption from Public Bidding

It is agreed that the PID will be exempt from any public bidding or other purchasing and procurement policies pursuant to Texas Local Government Code Section 252.022(a)(9) which states that a project is exempt from such policies if “paving drainage, street widening, and other public improvements, or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements.”

ARTICLE IV. PAYMENT FOR PUBLIC IMPROVEMENTS

Section 4.01. Overall Requirements

(a) The City shall not be obligated to provide funds for any Public Improvement except from the proceeds of the Major Improvement PID Bonds or from Special Assessments as provided in Section 2.03(b) above; provided however, the City and the Owner have executed that certain Developer Participation Agreement dated as of May 15, 2018 in which the City has agreed to reimburse the Owner for certain wastewater infrastructure costs. The City makes no warranty, either express or implied, that Special Assessments or the proceeds of the Major Improvement PID Bonds available for the payment of the Actual Cost of the Public Improvements to be constructed for or acquired by the City will be sufficient for the construction or acquisition of all of those particular Public Improvements. The Parties anticipate that the Actual Cost to construct the Public Improvements may be greater than the proceeds of the Major Improvement PID Bonds or from Special Assessments available for Public Improvements and any shortfalls will be funded by the Owner, subject to Section 2.03(b).

(b) Upon written acceptance of a Public Improvement, and subject to any applicable maintenance-bond period, the City shall be responsible for all operation and maintenance of such Public Improvements, including all costs thereof and relating thereto except for such Public Improvements conveyed to the City by easement, and which will be maintained by an Owner’s Association.

(c) The Public Improvements are intended to be constructed pursuant to the Amended Reimbursement Agreement and paid for by the Owner prior to the issuance of Major Improvement PID Bonds intended to fund such Public Improvements. Such funding of the Public Improvements will be governed by the Amended Reimbursement Agreement and Section 4.02 of this Agreement.

Section 4.02. Payments for Completed Public Improvements

The costs of all Public Improvements will be initially financed through the Amended Reimbursement Agreement. Pursuant to the terms of the Amended Reimbursement Agreement the Owner shall convey, and the City shall acquire, any given Public Improvement for the Actual Cost, after such Public Improvement is completed and has been accepted by the City. The general process for funding of Public Improvements is as follows:

(a)

(1) The City and Owner have executed the Amended Reimbursement Agreement for the Public Improvements which provides for Special Assessments that will reimburse the Owner for Actual Costs incurred in connection with the Public Improvements until the Major Improvement PID Bonds are issued in amount necessary to reimburse Owner for the Actual Costs of the Public Improvements less any amounts already reimbursed to Owner pursuant to the Amended Reimbursement Agreement, as provided in Section 2.03(b). Additional Major Improvement PID Bonds may be issued in the event the outstanding Special Assessments exceed the amount of outstanding Initial Major Improvement PID Bonds.

(2) The City will approve any necessary updates to the Assessment Ordinances and the 2018 SAP at the time of issuance of any Major Public Improvement PID Bonds.

(3) Owner has constructed, or will construct (or cause the construction of), the Public Improvements.

(4) The City will collect the Special Assessments on the Property. Upon collection of such Special Assessments, the City will place such Special Assessments in a designated account separate from the City's other accounts. As set forth in Section 2.03(b), the funds within the account will be used to reimburse Owner for the Actual Cost of the Major Public Improvements pursuant to terms of the Amended Reimbursement Agreement.

(5) Pursuant to the Bond Issuance Request letter sent by the Owner to the City dated February 9, 2018, the Owner has requested that the City issue the Initial Major Improvement PID Bonds, subject to meeting the requirements and conditions stated herein and State law, to reimburse the Owner for Actual Cost of the Public Improvements (or Segments thereof completed at the time of bond issuance) less any amounts already reimbursed to Owner pursuant to the Amended Reimbursement Agreement. The City shall commence the documentation and preparation for sale of the PID Bonds within 30 days of a Bond Issuance Request from the Owner. The City acknowledges and agrees that the Initial Major Improvement PID Bonds are expected to be issued by November 30, 2018.

(b) To receive funds from the proceeds of the Major Improvement PID Bonds to pay the Actual Cost of a given Public Improvement, the Owner shall deliver to the City and the Project Engineer (i) documentation evidencing the Actual Cost, (ii) documentation evidencing the acceptance of the Public Improvement by the City or Owner's execution of an easement granting the City and the public the right of access to and use of such Public Improvement (as set forth in the PDD), and (iii) an assignment of the warranties and guaranties, if applicable, for such Public Improvement, in form reasonably acceptable to the City. Nothing herein shall prohibit Owner from being reimbursed for design costs associated with a Public Improvement.

(c) At the time of the closing of the Initial Major Improvement PID Bonds, Owner shall, concurrently with the initial draw from the proceeds of the PID Bonds submit to the City a Closing Disbursement Request to the City and the Trustee to be reimbursed for (i) the Unpaid Balance under the Amended Reimbursement Agreement and (ii) any other qualified and permitted costs approved by the City (collectively, the "**Owner Expended Funds**"). The total amount of Initial Owner Expended Funds approved by the City pursuant to this Section shall be referred to

herein as the “**Reimbursement Payment.**” Prior to disbursement of proceeds of the Initial Major Improvement PID Bonds, the City will sign the Closing Disbursement Request and deliver said Closing Disbursement Request to the Trustee. At the closing of the Initial Major Improvement PID Bonds, Owner shall be reimbursed an amount equal to the Initial Reimbursement Payment and such amount shall be transferred to the Trustee for distribution to the Owner or the Owner’s designee.

(d) It is contemplated that Additional Major Improvement PID Bonds may be issued after the Initial Major Improvement PID Bonds are issued in order to reimburse the Owner for the Public Improvements in the Project that were not completed at the time of the Initial Major Improvement PID Bonds. The Additional Major Improvement PID Bonds may also be used to cover the Actual Cost of Public Improvements that were completed at the time the Initial Major Improvement PID Bonds were issued but were not fully reimbursed by the Initial Major Improvement PID Bonds. If the outstanding Initial Major Improvement Bonds plus the outstanding Additional Major Improvement PID Bonds are equal to the outstanding Special Assessments, then Owner’s right to receive any portion of the Assessments shall automatically terminate and thereafter all Special Assessments would be used to pay debt service to the Major Improvement PID Bonds. However, if the outstanding Initial Major Improvement Bonds plus the outstanding Additional Major Improvement PID Bonds are less than the outstanding Special Assessments, then Owner shall continue to receive a portion of the Special Assessments Revenue from the segregated account. The process to receive funds from the proceeds of the Additional Major Improvement PID Bonds shall be the same as the process for the Initial Major Improvement PID Bonds. Notwithstanding the above, the Parties acknowledge and agree that Owner shall deliver to the City a Bond Issuance Request for Additional Major Improvement PID Bonds. The City shall commence the documentation and preparation for sale of the Additional Major Improvement PID Bonds within 30 days of receipt of the Bond Issuance Request.

ARTICLE V. PID BONDS

Section 5.01. Issuance of PID Bonds

(a) Subject to the terms and conditions set forth in this Section V, the City intends to pay for the Public Improvements, by issuing Major Improvement PID Bonds in one or more series. The City will use diligent, reasonable and good faith efforts, subject to meeting the requirements and conditions stated herein and State law, to issue Major Improvement PID Bonds within four months after receiving a Bond Issuance Request from Owner, and subject to the completion of the applicable Public Improvements contemplated to be paid for by the Major Improvement PID Bonds to be issued, provided that Owner can reasonably demonstrate to the City and its financial advisors that (i) the applicable Future PID Bond Test has been satisfied and (ii) there is sufficient security for the Major Improvement PID Bonds, based upon the bond market conditions existing at the time of such proposed sale. The planning and documentation of a Major Improvement PID Bond issuance shall begin no later than 120 days in advance of the expected completion date of the construction of the Public Improvements to be reimbursed by such Major Improvement PID Bond issuance, as evidenced by a Bond Issuance Request. Notwithstanding the above, the Parties agree that the Developer has made a Bond Issuance Request and City intends to issue Initial Major Improvement PID Bonds on or before November 30, 2018.

(b) The aggregate principal amount of Major Improvement PID Bonds required to be issued hereunder shall not exceed an amount sufficient to fund: (i) the Actual Costs of the Public Improvements, (ii) required reserves and capitalized interest of not more than 12 months after the completion of construction of the applicable Public Improvements funded by the PID Bond issue in question and in no event for a period greater than 12 months from the date of the initial delivery of the applicable PID Bonds and (iii) Bond Issuance Costs. Provided, however that to the extent the law(s) which limit the period of capitalized interest to 12 months after completion of construction change, the foregoing limitation may be adjusted to reflect the law(s) in effect at the time of future PID Bond issuances. In no event, however, will the aggregate principal amount of the Major Improvement PID Bonds exceed \$19,500,000.00 and the maximum net reimbursement shall not exceed \$15,500,000.00, plus the Mandatory Prepayment amount (as defined in the amended Reimbursement Agreement).

(c) The final maturity for each series of PID Bonds shall occur no later than 30 years from the date of the levy of the Additional Special Assessments.

(d) It is the intent of the Owner to request the issuance of at least one but no more than two PID Bonds to provide the agreed upon reimbursements. However, the Owner retains the right to request the agreed upon reimbursements through additional PID Bond issues subject to the condition that the maximum cost of Public Improvements to be reimbursed shall not exceed \$15,500,000.

(e) The maximum annual PID installment equivalent tax rate, calculated as of the date of the pricing of PID Bonds, shall be \$0.50. Special assessments on any given portion of the Property may be adjusted in connection with subsequent PID Bond issues, as long as the maximum annual PID annual installment equivalent tax rate, as described in the foregoing sentence, is not exceeded, and the Special Assessments are determined in accordance with the Original Service and Assessment Plan. Special Assessments on any portion of the Property shall bear a direct proportionate relationship to the special benefit of the Public Improvements to that portion of the Property.

(f) The minimum appraised value to lien ratio at the issuance date of each series of PID Bonds shall be 3 to 1.

(g) The maximum annual permitted increase in PID annual installments shall be 2%.

(h) In addition to any other requirements of this Agreement, including but not limited to City Council approval, Major Improvement PID Bonds are not required to be issued under this Article V unless (i) the statutory requirements set forth in Chapter 372 of the Texas Local Government Code have been satisfied; (ii) the City receives at the time of issuance of such Major Improvement PID Bonds an opinion of counsel selected by the City stating in effect that the Major Improvement PID Bonds are legal and valid obligations under Texas law and that all preconditions to their issuance under State law have been satisfied; (iii) the Attorney General of the State of Texas has issued an opinion approving issuance of the bonds as required by the PID Act, and (iv) the retail and business park parcels are separate tax parcels with individual tax IDs as provided by the Hays Central Appraisal District.

(i) The City will deliver a certificate relating to any Major Improvement PID Bonds authorized by the City Council (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 Sections 103 and 141 through 150, inclusive, of the Tax Code and the income tax regulations issued thereunder relating to the use of the proceeds of the Major Improvement PID 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 Section 148 of the Tax Code (collectively, “**Bond Proceeds**”).

(j) The foregoing requirements apply to each series of Initial Major Improvement PID Bonds and Additional Major Improvement PID Bonds issued, if any.

Section 5.02. Project Fund

The City hereby covenants and agrees that if Major Improvement PID Bonds are issued, the Indenture will establish a Project Fund as a separate fund to be held by the Trustee under the Indenture. The portion of the proceeds of the Major Improvement PID Bonds issued to pay Actual Costs of Public Improvements and Bond Issuance Costs shall be deposited upon issuance into separate accounts within the Project Fund.

Section 5.03. Denomination, Maturity, Interest, and Security for Bonds

(a) Each series of Major Improvement PID Bonds is subject to authorization by the City Council. If authorized, the Major Improvement PID Bonds shall be issued in the denominations, shall mature and be prepaid, shall bear interest, and shall be secured by and payable solely from the PID Bond Security, all to be as described and provided in the PID Bond Ordinance or Indenture, as applicable.

(b) The final and adopted versions of the PID Bond Ordinance and the Indenture (and all documents incorporated or approved therein) shall contain provisions relating to the withdrawal, application, and uses of the proceeds of the Major Improvement PID Bonds when and as issued and delivered and otherwise contain such terms and provisions as are mutually approved by the City and the Owner.

Section 5.04. Sale of Major Improvement PID Bonds.

The Major Improvement PID Bonds, if issued by the City, shall be marketed and sold through a negotiated competitive or privately placed sale to an approved third party or parties with the cooperation and assistance of the Owner in all respects with respect to the preparation of marketing documents, such as preliminary and final official statements or in such other marketing and/or sales method mutually agreed upon by the City and the Owner.

Section 5.05. Phased Issuance of Debt

As previously stated, the proposed bond issuance program is anticipated to entail a minimum of two bond financings that will finance the Public Improvements required for the

development of the Project. Following the issuance of the Initial Major Improvement PID Bonds, Additional Major Improvement PID Bonds may be issued over the upcoming years as the value of the Property increases or additional Public Improvements are completed.

Section 5.06 Partial Payment of Assessments

It is hereby acknowledged and agreed that Additional Major Improvement PID Bonds may be covered under a new and separate Indenture; however all of the Special Assessments pledged for the payment of any future PID Bonds will have the same lien priority as the Special Assessments pledged for the payment of the Initial Major Improvement PID Bonds.

If the total Special Assessments levied on a particular Parcel within the Project consist of Special Assessments stemming from two or more different types of PID Bonds and an owner of an Assessed Parcel pays only a portion of the Annual Installment due for such Special Assessments, then such payment will be allocated pro-rata to the payment of the Annual Installment based on the portions of each Special Assessment as it relates to the total Special Assessments. For example, assume that a parcel has Special Assessments totaling \$20,000, \$12,000 of which is for the Initial Major Public Improvement Bonds and \$8,000 of which is for a Additional Major Improvement PID Bond. Further assume that the Annual Installment for such Parcel is \$1,000 which consists of a \$550 annual installment from the Initial Major Public Improvement PID Bonds and a \$450 annual installment from the Additional Major Improvement PID Bonds and an owner of an Assessed Parcel pays \$600, then the \$600 will be allocated as follows:

\$360 (60% of \$600) will go towards the Special Assessment for the Initial Major Public Improvement PID Bonds; and

\$240 (40% of \$600) will go towards the Special Assessment for the Additional Major Improvement PID Bonds

Section 5.07 Dissolution Upon Non-Issuance

Owner or its Designated Successor and Assign may petition the City to dissolve the District if no Major Improvement PID Bonds have been issued within four (4) years from the Effective Date.

ARTICLE VI. REPRESENTATIONS, WARRANTIES, AND INDEMNIFICATION

Section 6.01. Representations and Warranties of City

The City makes the following covenant, representation and warranty for the benefit of the Owner:

The City is a political subdivision of the State of Texas, duly incorporated, organized and existing under the Constitution and general laws of the State, and has full legal right, power and

authority under the PID Act and other applicable law (i) to enter into, execute and deliver this Agreement, (ii) to adopt the Assessment Ordinance, and (iii) to carry out and consummate the transactions contemplated by this Agreement.

Section 6.02. Covenants, Representation, and Warranties of Owner

The Owner makes the following representations, warranties and covenants for the benefit of the City:

(a) The Owner represents and warrants that the Owner is a limited liability company duly organized and validly existing under the laws of the State of California, 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 carry on its business as now being conducted and as now contemplated.

(b) The Owner represents and warrants that the Owner 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 on behalf of the Owner.

(c) The Owner represents and warrants that this Agreement is valid and enforceable obligation of the Owner and is enforceable against the Owner in accordance with its terms, subject to bankruptcy, insolvency, reorganization, or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles.

(d) The Owner covenants that once it commences construction of a Segment it will use its reasonable and diligent efforts to do all things which may be lawfully required of it in order to cause such Segment of the Public Improvements to be completed in accordance with this Agreement.

(e) The Owner represents and warrants that (i) it will not request payment from the City for the acquisition of any Public Improvements that are not part of the Project, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to Payment Requests.

(f) For a period of three (3) years after the final Acceptance Date of each applicable Public Improvement, the Owner covenants to maintain proper books of record and account for the Public Improvements and all costs related thereto. The Owner covenants that such accounting books will be maintained in accordance with sound accounting practices, and will be available for inspection by the City or its agent at any reasonable time during regular business hours upon at least 72 hours' notice.

(g) The Owner agrees to provide the information required pursuant to the Owner Continuing Disclosure Agreement executed by the Owner in connection with the Major Improvement PID Bonds.

(h) The Owner covenants to provide, or cause to be provided, such facts and estimates as the City reasonably considers necessary to enable it to execute and deliver its Tax Certificate. The Owner further covenants that (i) such facts and estimates will be based on its reasonable expectations on the date of issuance of the Major Improvement PID Bonds and will be, to the best

of the knowledge of the officers of the Owner providing such facts and estimates, true, correct and complete as of that date, and (ii) the Owner will make reasonable inquiries to ensure such truth, correctness and completeness. The Owner 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 that would cause any of the covenants or agreements of the City 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 Major Improvement PID Bonds for federal income tax purposes.

Section 6.03. Indemnification and Hold Harmless by Owner

THE OWNER WILL DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY, AND ITS OFFICIALS, EMPLOYEES, OFFICERS, REPRESENTATIVES, AND AGENTS (IN THIS SECTION, THE “CITY”) AGAINST AND FROM, AND WILL PAY TO THE CITY, THE AMOUNT OF, ALL ACTIONS, DAMAGES, CLAIMS, LOSSES, OR EXPENSE OF ANY TYPE, WHETHER OR NOT INVOLVING A THIRD-PARTY CLAIM (COLLECTIVELY, “DAMAGES”), ARISING DIRECTLY OR INDIRECTLY, FROM (i) THE BREACH OF ANY PROVISION OF THIS AGREEMENT BY THE OWNER; (ii) THE NEGLIGENT DESIGN, ENGINEERING, OR CONSTRUCTION BY THE OWNER OF ANY PUBLIC IMPROVEMENT ACQUIRED BY THE CITY; OR (iii) THE OWNER’S NONPAYMENT UNDER CONTRACTS WITH THE OWNER FOR ANY PUBLIC IMPROVEMENT UNDER THIS AGREEMENT. THE OWNER WILL DEFEND THE CITY AGAINST ALL SUCH CLAIMS AND THE CITY WILL REASONABLY COOPERATE AND ASSIST IN PROVIDING SUCH DEFENSE. THIS SECTION SURVIVES THE TERMINATION OF THIS AGREEMENT INDEFINITELY, SUBJECT TO APPROPRIATE STATUTES OF LIMITATIONS, AS THEY MAY BE TOLLED OR EXTENDED BY AGREEMENT OR OPERATION OF LAW.

ARTICLE VII. DEFAULT AND REMEDIES

(a) A Party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such Party fails to materially perform, observe or comply with any of its covenants, agreements or obligations hereunder or breaches or violates any of its representations contained in this Agreement.

(b) Before any failure of any Party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement, the Party claiming such failure shall notify, in writing, the Party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining Party within thirty (30) days of the receipt of such notice (or five (5) days in the case of a monetary default), subject, however, in the case of non-monetary default, to the terms and provisions of subparagraph (c). Upon a breach of this Agreement, the non-defaulting Party in any court of competent jurisdiction, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained (and/or an action for mandamus as and if appropriate). Except as otherwise set forth herein, no action taken by a Party pursuant to the provisions of this Article VII

or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any Party at law or in equity. Each of the Parties shall have the affirmative obligation to mitigate its damages in the event of a default by the other Party. Notwithstanding any provision contained herein to the contrary, the Owner shall not be required to construct any portion of the Public Improvements (or take any other action related to or in furtherance of same) while the City is in default under this Agreement).

(c) Notwithstanding any provision in this Agreement to the contrary, if the performance of any covenant or obligation to be performed hereunder by any Party is delayed as a result of circumstances which are beyond the reasonable control of such Party (which circumstances may include, without limitation, pending litigation, acts of God, war, acts of civil disobedience, widespread pestilence, fire or other casualty, shortage of materials, adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or tornadoes, labor action, strikes, changes in the law affecting the obligations of the Parties hereunder, or similar acts), the time for such performance shall be extended by the amount of time of the delay directly caused by and relating to such uncontrolled circumstances. The Party claiming delay of performance as a result of any of the foregoing “force majeure” events shall deliver written notice of the commencement of any such delay resulting from such force majeure event not later than seven (7) days after the claiming Party becomes aware of the same, and if the claiming Party fails to so notify the other Party of the occurrence of a “force majeure” event causing such delay, the claiming Party shall not be entitled to avail itself of the provisions for the extension of performance contained in this Article.

ARTICLE VIII. GENERAL PROVISIONS

Section 8.01. Notices.

Any notice, communication, or disbursement required to be given or made hereunder shall be in writing and shall be given or made by facsimile, hand delivery, overnight courier, or by United States mail, certified or registered mail, return receipt requested, postage prepaid, at the addresses set forth below or at such other addresses as any be specified in writing by any Party hereto to the other parties hereto. Each notice which shall be mailed or delivered in the manner described above shall be deemed sufficiently given, served, sent, and received for all purpose at such time as it is received by the addressee (with return receipt, the delivery receipt or the affidavit of messenger being deemed conclusive evidence of such receipt) at the following addresses:

If to City: City of San Marcos
 Attn: City Manager
 630 East Hopkins
 San Marcos, TX 78666
 Facsimile: 512-396-2683

If to Owner: Highpointe Trace, LLC
 Attn: Timothy D. England
 2 Venture Suite 350

Irvine, California 92618
Facsimile: 949-472-0198

With a copy to: Metcalfe Wolff Stuart & Williams, LLP
Attn: Steven C. Metcalfe
221 W. 6th, Suite 1300
Austin, Texas 78701
Facsimile: 512-404-2244

Section 8.02. Fee Arrangement /Administration of District

(a) The Owner agrees that it will pay all of the City's reasonable costs and expenses (including the City's third party advisors and consultants) related to the creation and administration of the District, as well as costs and expenses relating to the development and review of the 2018 SAP (including legal fees and financial advisory fees) ("**City PID Costs**"). Prior to closing of the Initial Major Improvement PID Bonds, the City shall (i) submit to the Owner and the Trustee invoices and other supporting documentation evidencing the City PID Costs and (ii) direct the Trustee to pay these fees, as applicable, to the City or on behalf of the City from proceeds of the Initial Major Improvement PID Bonds. In addition to any City PID Costs pursuant to the preceding sentences, all fees of legal counsel related to the issuance of the Initial Major Improvement PID Bonds, including fees for the review of the District creation and District administration documentation, the preparation of customary bond documents and the obtaining of Attorney General approval for the Initial Major Improvement PID Bonds incurred by the Owner or otherwise, will be paid at closing from proceeds of the Initial Major Improvement PID Bonds.

(b) The Owner shall be solely responsible for the costs associated with the issuance of any Additional Major Improvement PID Bonds. The terms of subparagraph (a) above shall apply to the Owner in the event that any Additional Major Improvement PID Bonds are issued.

(c) The City has entered into a separate agreement with an Administrator to administer the District after Closing. The Administrative Expenses shall be collected as part of and in the same manner as Annual Installments in the amounts set forth in the 2018 SAP.

Section 8.03. Assignment

(a) Owner may, in its sole and absolute discretion, transfer or assign its rights or obligations under this Agreement with respect to all or part of the Project from time to time to an Affiliate without the consent of the City. Prior to the issuance of the Initial Major Public Improvement PID Bonds, however, Owner shall not transfer or assign its rights or obligations under this Agreement with respect to all or part of the Project to a non-affiliated entity without the prior consent of the City. After the issuance of the Initial Major Public Improvement PID Bonds, the Owner may transfer or assign its rights or obligations under this Agreement to any party without the City's consent. Owner shall provide the City thirty (30) days prior written notice of any such assignment. Upon such assignment or partial assignment, Owner shall be fully released from any and all future obligations under this Agreement and shall have no liability for such obligations with respect to this Agreement for the part of the Project so assigned.

(b) The City hereby acknowledges and agrees that Owner shall have the right to make a collateral assignment of any reimbursements and/or proceeds under this Agreement to any lender on the Project and the City shall execute any documentation reasonably requested by such lender evidencing such fact.

(c) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a sale or assignment to a Designated Successor or Assign unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is to a Designated Successor or Assign.

(d) Any sale of a portion of the Property or assignment of any right hereunder shall not be deemed a Transfer unless the conveyance or transfer instrument effecting such sale or assignment expressly states that the sale or assignment is deemed to be a Transfer.

Section 8.04. Construction of Certain Terms

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction shall apply:

(a) Words importing a gender include either gender.

(b) Words importing the singular include the plural and vice versa.

(c) A reference to a document includes an amendment, supplement, or addition to, or replacement, substitution, or novation of, that document but, if applicable, only if such amendment, supplement, addition, replacement, substitution, or novation is permitted by and in accordance with that applicable document.

(d) Any term defined herein by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect.

(e) A reference to any Party includes, with respect to Owner, its Designated Successors and Assigns, and reference to any Party in a particular capacity excludes such Party in any other capacity or individually.

(f) All references in this Agreement to designated "Articles," "Sections," and other subdivisions are to the designated Articles, Sections, and other subdivisions of this Agreement. All references in this Agreement to "Exhibits" are to the designated Exhibits to this Agreement.

(g) The words "herein," "hereof," "hereto," "hereby," "hereunder," and other words of similar import refer to this Agreement as a whole and not to the specific Section or provision where such word appears.

(h) The words "including" and "includes," and words of similar import, are deemed to be followed by the phrase "without limitation."

(i) Unless the context otherwise requires, a reference to the "Property," the "Public Improvements," or the "District" is deemed to be followed by the phrase "or a portion thereof."

(j) Every "request," "order," "demand," "direction," "application," "appointment," "notice," "statement," "certificate," "consent," "approval," "waiver," "identification," or similar action under this Agreement by any Party shall, unless the form of such instrument is specifically provided, be in writing duly signed by a duly authorized representative of such Party.

(k) The Parties hereto acknowledge that each such party and their respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the Parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Agreement.

Section 8.05. Table of Contents; Titles and Headings

The titles of the articles, and the headings of the sections of this Agreement are solely for convenience of reference, are not a part of this Agreement, and shall not be deemed to affect the meaning, construction, or effect of any of its provisions.

Section 8.06. Amendments.

This Agreement may be amended, modified, revised or changed by written instrument executed by the Parties and approved by the City Council.

Section 8.07. Time

In computing the number of days for purposes of this Agreement, all days will be counted, including Saturdays, Sundays, and legal holidays; however, if the final day of any time period falls on a Saturday, Sunday, or legal holiday, then the final day will be deemed to be the next day that is not a Saturday, Sunday, or legal holiday.

Section 8.08. Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which will together constitute the same instrument.

Section 8.09. Entire Agreement

This Agreement contains the entire agreement of the Parties.

Section 8.10. Severability; Waiver

If any provision of this Agreement is illegal, invalid, or unenforceable, under present or future laws, it is the intention of the parties that the remainder of this Agreement not be affected and, in lieu of each illegal, invalid, or unenforceable provision, a provision be added to this Agreement which is legal, valid, and enforceable and is as similar in terms to the illegal, invalid, or enforceable provision as is possible.

Any failure by a Party to insist upon strict performance by the other party of any material provision of this Agreement will not be deemed a waiver or of any other provision, and such Party

may at any time thereafter insist upon strict performance of any and all of the provisions of this Agreement.

Section 8.11. Owner as Independent Contractor

In performing under this Agreement, it is mutually understood that the Owner is acting as an independent contractor, and not an agent of the City.

Section 8.12. Supplemental Agreements

Other agreements and details concerning the obligations of the Parties under and with respect to this Agreement are/or will be included in the Original Service and Assessment Plan, the Assessment Ordinance, PID Bond Ordinance and/or Indenture. The Owner will provide any continuing disclosures required under the Indenture and will execute a separate agreement outlining Owner's continuing disclosure obligations, if required.

Section 8.13. City's Acceptance of Public Improvements

The City hereby agrees that it will not unreasonably withhold the final acceptance of any of the Public Improvements and will work with the Owner in good faith to expedite review and acceptance of such Public Improvements.

Section 8.14. Agreement Regarding Fire Station

The City hereby acknowledges and agrees that Owner's obligation to provide the Owner Contribution (as defined in the Agreement Regarding Fire Station) is contingent on the City having issued the Major Improvement PID Bonds. Owner will dedicate the fire station site pursuant to the terms of the Agreement Regarding Fire Station which has been approved by the City Council on the date of the Original Financing Agreement.

Section 8.15. Boycotts and Foreign Business Engagements

(a) The Owner represents and warrants, for purposes of Chapter 2270 of the Texas Government Code, that at the time of execution and delivery of this Agreement, neither the Owner, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Owner, boycotts Israel. The Owner agrees that, except to the extent otherwise required by applicable federal law, including, without limitation, 50 U.S.C. Section 4607, neither the Owner, nor any wholly-owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the Owner, will boycott Israel during the term of this Agreement. The terms "boycotts Israel" and "boycott Israel" as used in this clause (a) has the meaning assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code.

(b) The Owner represents and warrants, for purposes of Subchapter F of Chapter 2252 of the Texas Government Code, that at the time of execution and delivery of this Agreement neither the Owner, nor any wholly-owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the Owner, (1) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (2) is a company listed by the Texas Comptroller under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The

term “foreign terrorist organization” as used in this clause (b) has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

Section 8.16. Restatement and Replacement

THIS AMENDED AND RESTATED TRACE PUBLIC IMPROVEMENT DISTRICT FINANCE AGREEMENT RESTATES AND REPLACES THE TRACE PUBLIC IMPROVEMENT DISTRICT FINANCE AGREEMENT DATED EFFECTIVE OCTOBER 20, 2015.

Section 8.16. Exhibits

The following exhibits are attached to and incorporated into this Agreement for all purposes:

- Exhibit A - Definitions
- Exhibit B - Property
- Exhibit C - Form of Certification for Payment
- Exhibit D - Closing Disbursement Request

[Signature Pages to Follow]

City of San Marcos, Texas

By: Steve Parker
Name: Steve Parker
Title: Asst City Manager

[Signatures Continue on Next Page]

HIGHPOINTE TRACE, LLC,
a California limited liability company

By: Highpointe Posey, L.P., a California
limited partnership, its Managing
Member

By: Highpointe Investments, Inc.,
a California corporation, its
General Partner

By: 
Timothy D. England, SVP

[Signatures Continue on Next Page]

It is hereby acknowledged that the Consenting Parties are executing this Agreement solely due to the fact that they are owners of a portion of the Property and, except for their obligations expressly set forth under the Landowner's Agreement, the Consenting Parties has no rights, duties or obligations under this Agreement.

CONSENTING PARTIES:

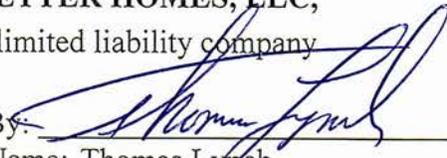
BUFFINGTON TEXAS CLASSIC HOMES, LLC, a
Texas limited liability company

By: **BUFFINGTON HOMEBUILDING GROUP, LTD.**,
a Texas limited partnership,
its sole member

By: **BUFFINGTON HOMEBUILDING
GROUP MANAGEMENT, L.L.C.**,
a Texas limited liability company,
its general partner

By: _____
Name: JAMES D. DORNEY
Title: PRESIDENT

PACESETTER HOMES, LLC,
a Texas limited liability company

By:  _____

Name: Thomas Lynch

Its: President

By:  _____

Name: ~~LaNelle Deardorf~~

Its: ~~Assistant Secretary~~

Ron McElroy - Secretary

Exhibit “A”

DEFINITIONS

Unless the context requires otherwise, and in addition to the terms defined above, each of the following terms and phrases used in this Agreement has the meaning ascribed thereto below:

2018 SAP” has the meaning set forth in the recitals of this Agreement.

“Acceptance Date” means, with respect to a Segment, the date that the Actual Cost thereof is paid to the Owner pursuant to the terms hereof.

“Amended Reimbursement Agreement” means the Amended and Restated Acquisition and Reimbursement Agreement set forth in the recitals that provides for construction and dedication of a Public Improvement (or Segments) to the City prior to the Owner being paid out of the applicable Initial Major Improvement PID Bond or Additional Major Improvement PID Bond proceeds, whereby all or a portion of the Actual Costs will be paid to Owner initially from Special Assessment Revenues reimburse the Owner for actual costs paid by the Owner that are eligible to be paid with Major Improvement PID Bond proceeds.

“Actual Cost(s)” means, with respect to the Public Improvements, the Owner’s 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 City and in an amount not to exceed the amount for each Public Improvements as set forth in the 2018 SAP (subject to cost overruns). Actual Costs may include (a) the costs incurred by or on behalf of the Owner (either directly or through affiliates) for the design, planning, financing, administration/management, acquisition, installation, construction and/or implementation of such Public Improvements, (b) the fees paid for obtaining permits, licenses or other governmental approvals for such Public Improvements, (c) Construction Management Fee, (d) the costs incurred by or on behalf of the Owner for external professional costs, such as engineering, geotechnical, surveying, land planning, architectural landscapers, advertising, marketing and research studies, appraisals, legal, accounting and similar professional services, (e) all labor, bonds and materials, including equipment and fixtures, by contractors, builders and materialmen in connection with the acquisition, construction or implementation of the Public Improvements, (f) all related permitting and public approval expenses, architectural, engineering, and consulting fees, financing charges, taxes, governmental fees and charges, insurance premiums, and all payments for Administrative Expenses after the date of a resolution authorizing such reimbursement, plus Interest, if any, at the lower of (x) the maximum interest rate permitted by the PID Act or (y) the interest rate of the Bonds calculated from the respective dates of the expenditures until the date of reimbursement therefore.

“Additional Assessment Ordinance” has the meaning given in the recitals of this Agreement.

“Additional Major Improvement PID Bonds” means collectively any additional bonds beyond the Initial Major Improvement PID Bonds.

“Administrator” has shall mean P3Works, LLC, or any subsequent person or entity designated by the City.

“Administrative Expenses” means the administrative, organization, maintenance and operation costs and expenses associated with, or incident to, the administration, organization, maintenance and operation of the District, including, but not limited to, the costs of (i) legal counsel, engineers, accountants, financial advisors, investment bankers or other consultants and advisors, (ii) creating and organizing the District and preparing the assessment roll, (iii) computing, levying, collecting and transmitting the Special Assessments or the installments thereof, (iv) maintaining the record of installments, payments and reallocations and/or cancellations of the Special Assessments, (v) issuing, paying and redeeming the Major Improvement PID Bonds, (vi) investing or depositing the Special Assessments, (vii) complying with the PID Act with respect to the Major Improvement PID Bonds, (viii) paying the paying agent/registrar’s and trustee’s fees and expenses (including the fees and expenses of its legal counsel), and (ix) administering the construction of the Public Improvements, in accordance with the terms of this Agreement.

“Affiliate” means entity which is controlled by, controls, or is under common control with Owner.

“Agreement” has the meaning given in the recitals to this Agreement.

“Agreement Regarding Fire Station” means that certain Agreement Regarding Fire Station dated of October 20, 2015 by and between the City and Owner.

“Amended Reimbursement Agreement” has the meaning given in the recitals of this Agreement.

“Annual Installment” shall have the meaning given in the 2018 SAP.

“Appraisal” means each appraisal of the Property (or applicable component thereof, as required by Section 2.01(h) hereof.

“Assessment Ordinance” means each ordinance, resolution or order adopted by the City Council levying the Special Assessments on the Property, as required by Article II of this Agreement. The Original Assessment Ordinance and the Additional Assessment Ordinance are each an “Assessment Ordinance”.

“Attorney General” means the Texas Attorney General’s Office.

“Bond Counsel” means McCall, Parkhurst & Horton LLP.

“Bond Improvement Account” means an account established pursuant to an Indenture and into which the Trustee will deposit Bond Proceeds to be used for the construction of any Public Improvements.

“Bond Issuance Costs” means costs relating to the authorization, sale and issuance of the PID Bonds including, printing costs, costs of reproducing and binding documents, closing costs,

filing and recording fees, initial fees, expenses and charges of the Trustee, including its first annual administration fee, expenses incurred by the City or Owners in connection with the issuance of the Major Improvement PID Bonds (provided such expenses are defined as “issuance costs” under the Tax Code), the SAP Consultant’s fees, bond (underwriter’s) discount or underwriting fee, legal fees and charges, including Bond Counsel, charges for execution, transportation and safekeeping of the Major Improvement PID Bonds and other costs, charges and fees in connection with the issuance of the Major Improvement PID Bonds.

“**Bond Issuance Request**” means written request made by Owner to the City in good faith as evidenced by Owner’s expenditure of necessary amounts for market studies, financial analysis, legal counsel, and other professional services and due diligence necessary to support the request.

“**Bond Ordinance**” shall mean the order or ordinance of the City Council that will authorize and approve the issuance and sale of the Major Improvement PID Bonds and provide for their security and payment, either by the terms of the Bond Ordinance or an Indenture related to the PID Bonds.

“**Bond Proceeds**” shall have the meaning given to them in Section 5.02(i) hereof.

“**Certification for Payment**” means the certificate (whether one or more) in substantially the same form as Exhibit “C” attached hereto.

“**City**” means the City of San Marcos, Texas.

“**City Construction Representative**” means the City Engineer or such other person selected by the City to oversee the construction of the Public Improvements on behalf of the City.

“**City Council**” means the City Council of City of San Marcos, Texas.

“**City PID Costs**” shall have the meaning given in Section 8.02 of this Agreement.

“**Closing Disbursement Request**” means the request (whether one or more) in substantially the same form as Exhibit “D” attached hereto.

“**Construction Manager**” means initially the Owner, and thereafter subject to change in accordance with Section 3 of this Agreement. The City acknowledges and agrees that (i) the Owner intends to subcontract out the duties of Construction Manager to a third party and (ii) Owner’s hiring of the initial subcontractor to serve as the Construction Manager shall not be deemed a change in the Construction Manager pursuant to the terms and conditions of Section 3.

“**Construction Management Fee**” means 4% of the costs incurred by or on behalf of Owner for the construction of each Segment. The Construction Management Fee is part of the Actual Costs.

“**Cost of Issuance Account**” shall have the meaning given in the Indenture.

“**County**” means Hays County, Texas.

“**Debt**” means any bond, note, or other evidence of indebtedness incurred, entered into, or issued by the City related exclusively to the District.

“**Designated Successors and Assigns**” shall mean (i) an entity to which Owner assigns (in writing) its rights and obligations contained in this Agreement pursuant to Section 8.03 related to all or a portion of the Property, (ii) any entity which is the successor by merger or otherwise to all or substantially all of Owner’s assets and liabilities including, but not limited to, any merger or acquisition pursuant to any public offering or reorganization to obtain financing and/or growth capital; or (iii) any entity which may have acquired all of the outstanding stock or ownership of assets of Owner.

“**District**” has the meaning given in the recitals to this Agreement.

“**Effective Date**” has the meaning given in the recitals to this Agreement.

“**Force majeure**” shall mean delays due to strikes, acts of God, inability to obtain labor or materials, litigation, enemy action, civil commotion, fire, rain or windstorm, governmental action or inaction, or similar causes, provided such similar causes are beyond the reasonable control of the party whose obligations are affected by such acts.

“**Indenture**” means the applicable Indenture of Trust between the City and a trustee relating to the issuance of a series of PID Bonds for financing costs of Public Improvements, as it may be amended from time to time.

“**Initial Major Improvement PID Bonds**” means those certain City of San Marcos, Texas Special Assessment Revenue Bonds, Series [2018] (Trace Public Improvement District Major Public Improvement Project) that will be secured by Special Assessments levied on an assessed parcel in order to fund the Public Improvements.

“**Interest**” shall mean the interest rate charged for the Major Improvement PID Bonds or such other interest rate as may be required by applicable law.

“**Issue Date**” means the date of the initial delivery of any of the Major Improvement PID Bonds.

“**Major Improvement PID Bonds**” or “**PID Bonds**” shall collectively refer to the Initial Major Improvement PID Bonds and the Additional Major Improvement PID Bonds, and singularly the Initial Major Improvement PID Bonds or the Additional Major Improvement PID Bonds.

“**Non-Benefited Property**” shall have the meaning assigned to it in the 2018 SAP.

“**Notice**” means any notice, writing, or other communication given under this Agreement.

“**Original Assessment Ordinance**” has the meaning given in the recitals to this Agreement.

“**Original Financing Agreement**” has the meaning given in the recitals to this Agreement.

“Original Reimbursement Agreement” has the meaning given in the recitals to this Agreement.

“Original Service and Assessment Plan” has the meaning given in the recitals to this Agreement.

“Owner” has the meaning given in the recitals to this Agreement.

“Owner’s Association” means a homeowner’s association or property owner’s association.

“Owner Association Property” means property within the boundaries of the PID that is owned by or irrevocably offered for dedication to, whether in fee simple or through an exclusive use easement, an Owners’ Association established for the benefit of a group of homeowners or property owners within the PID.

“Owner Continuing Disclosure Agreement” shall have the meaning given in the Indenture or any purchase agreement relating to the sale of the Major Improvement PID Bonds.

“Owner Expended Funds” has the meaning given in Section 4.02(c) of this Agreement.

“Party” means the Owner or the City, as parties to this Agreement, and **“Parties”** means collectively, the Owner and the City.

“Payment Request” means the document to be provided by the Owner to substantiate the Actual Cost of one or more Segments.

“PDD” has the meaning given in the recitals to this Agreement.

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

“PID Bond Ordinance” means and refers to the order(s) or ordinances of the City Council that will authorize and approve the issuance and sale of the Major Improvement PID Bonds and provide for their security and payment, either under the terms of the bond order or a trust indenture related to the Major Improvement PID Bonds.

“PID Bond Security” means the funds that are to be pledged in or pursuant to the PID Bond Ordinance or the Indenture to the payment of the debt service requirements on the Major Improvement PID Bonds, consisting of the Special Assessments, including earnings and income derived from the investment or deposit of Special Assessments in the special funds or accounts created and established for the payment and security of the Major Improvement PID Bonds, unless such earnings are required to be deposited into a rebate fund for payment to the federal government.

“Pledged Revenue Fund” means the separate and unique fund established by the City under such name pursuant to the Indenture wherein the Special Assessment Revenues are deposited.

“Prepayment” means the payment of all or a portion of a Special Assessment before the due date thereof. Amounts received at the time of a Prepayment which represent a payment of principal, interest or penalties on a delinquent installment of a Special Assessment are not to be considered a Prepayment, but rather are to be treated as the payment of the regularly scheduled Special Assessment.

“Project” has the meaning given in the recitals to this Agreement.

“Project Costs” means the total of all Actual Costs.

“Project Engineer” means the civil engineer or firm of civil engineers selected by the Owner to perform the duties set forth herein, which is currently Texas Engineering Solutions. Owner reserves the right to replace the Project Engineer at any time in Owner’s sole discretion.

“Project Fund” means the separate and unique fund established by the City under such name pursuant to the Indenture as described in Section 5.02 hereof.

“Property” has the meaning given in the recitals to this Agreement.

“Public Improvements” mean the improvements permitted by the PID Act and described in the 2018 SAP for which Special Assessments are levied against the Assessed Property that receives a special benefit from such improvement as depicted on Appendix D to the 2018 SAP.

“Public Property” means property, plat, real property, right of way and easements located within the boundaries of the District that is owned by or irrevocably offered for dedication to the federal government, the State of Texas, the County, the City, a school district, a public utility provider or any other political subdivision or public agency, whether in fee simple, through an exclusive use easement, or through a public utility easement.

“Regulatory Requirements” means the requirements and provisions of the City over the Public Improvements, as adjusted by the PUD.

“Reimbursement Payment” has the meaning given in Section 4.02(c) of this Agreement.

“SAP Consultant” means Development Planning & Financing Group, Inc.

“Segment” or “Segments” means the discrete portions of the Public Improvements identified as such.

“Special Assessments” means the assessments levied against properties in the District, as provided for in the Initial Assessment Ordinance and in the Additional Assessment Ordinance, including any supplemental assessments or reallocation of assessments levied in accordance with Sections 372.019 and 372.020 of the PID Act.

“Special Assessment Revenues” means money collected by or on behalf of the City from any one or more of the following: (i) a Special Assessment levied against an assessed parcel, or Annual Installment payment thereof, including any interest on such Special Assessment or Annual

Installment thereof during any period of delinquency, (ii) a Prepayment, (iii) Delinquent Collection Costs (as defined in the Indenture), and (iv) Foreclosure Proceeds (as defined in the Indenture).

“**State**” means the State of Texas.

“**Tax Certificate**” shall have the meaning given in Section 6.02(a) hereof.

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

“**Transfer**” shall have the meaning given in Section 2.05(b) hereof.

“**Transferee**” shall have the meaning given in Section 2.05(b) hereof.

“**Trustee**” means the trustee under the Indenture, and any successor thereto permitted under such Indenture and any other Trustee under a future Indenture.

“**Underwriter**” means FMSBonds, Inc.

“**Unpaid Balance**” shall have the meaning given in the Amended Reimbursement Agreement.

Exhibit "B"

PROPERTY DESCRIPTION FOR PROJECT

FIELD NOTES

BEING A 417.630 ACRE TRACT OUT OF THE WILLIAM H. VAN HORN SURVEY, ABSTRACT NO. 464, HAYS COUNTY, TEXAS, AND BEING A PORTION OF THOSE CERTAIN 100.22 ACRE, 67.53 ACRE, 248.77 ACRE, AND 5.01 ACRE TRACTS CONVEYED TO JOQ-SAN MARCOS VENTURES L.P. BY DEED OF RECORD IN VOLUME 1820, PAGE 715, OF THE OFFICIAL PUBLIC RECORDS OF HAYS COUNTY, TEXAS; SAID 417.630 ACRES BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING, at a 1-inch iron pipe found in the east right-of-way line of Interstate Highway 35 (300' R.O.W.), being the called northeast corner of that certain 85.00 acre tract conveyed to San Marcos 197 Acre Associates, LLC, by Deed of record in Volume 4015, Page 562, of said Official Public Records, also being the northwest corner of said 248.77 acre tract, for the northwesterly corner hereof;

THENCE, N43°34'33"E, along said east right-of-way line of Interstate Highway 35, being the north line of said 248.77 acre tract, a distance of 2222.49 feet to a 1/2-inch iron rod found near the base of a fence post at the called northeast corner of said 248.77 acre tract, being the northwest corner of that certain 14.86 acre tract conveyed to Kimberley Gunnarson, by Deed of record in Volume 3281, Page 47, of said Official Public Records, for the northeasterly corner hereof;

THENCE, S45°57'08"E, leaving said east right-of-way line, along the west line of said 14.86 acre tract, being an east line of said 248.77 acre tract, generally with the remnants of an old barbed-wire fence (a new barbed-wire fence meanders parallel and several feet to the west), a distance of 976.48 feet to a calculated point at the called southwest corner of said 14.86 acre tract, being an angle point of said 248.77 acre tract, for an angle point hereof, from which an 8-inch cedar fence post found bears S45°57'08"E, a distance of 0.87 feet;

THENCE, N44°02'46"E, along the south line of said 14.86 acre tract, generally with a barbed-wire fence, at 14.92 feet passing a 1/2-inch iron rod found at the base of an 8-inch cedar fence post, being approximately at an angle point in the east line of said 248.77 acre tract and the approximate northwest corner of said 67.53 acre tract, and continuing along the north line of said 67.53 acre tract for a total distance of 673.37 feet to a 1/2-inch iron rod found at the base of a leaning 10-inch cedar fence post at the called southeast corner of said 14.86 acre tract, being the northeast corner of said 67.53 acre tract, also being in the

west line of Lot 2, Final Plat of San Marcos Toyota Subdivision, of record in Book 9, Pages 155-156, of the Plat Records of Hays County, Texas, for an angle point hereof;

THENCE, S46°27'25"E, in part along the west line of said Lot 2 and in part along the remainder of that certain 56.288 acre tract conveyed to JMC Realty, LP, by Deed of record in Volume 1662, Page 628, of said Official Public Records, being the east line of said 67.53 acre tract, generally with a barbed-wire fence as called in said Volume 1662, Page 628 and Volume 1820, Page 715, a distance of 181.47 feet to a 3-inch cedar fence post found, for an angle point hereof;

THENCE, continuing along the west line of said 56.288 acre tract, being the east line of said 67.53 acre tract, generally with a barbed-wire fence as called in said Volume 1662, Page 628 and said Volume 1820, Page 715, the following four (4) courses and distances:

- 1) S46°59'15"E, a distance of 232.69 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 2) S49°30'26"E, deviating from a re-established fence line over a creek, a distance of 126.95 feet to a 6-inch cedar fence post found, for an angle point hereof;
- 3) S47°20'32"E, rejoining and continuing generally with a barbed-wire fence line, a distance of 387.84 feet to a 1/2-inch iron rod found in the base of a hackberry tree, as called in said Volume 1662, Page 628, for an angle point hereof;
- 4) S47°39'57"E, a distance of 528.76 feet to a 1/2-inch iron rod found at the called southwest corner of said 56.288 acre tract, being at the base of a 10-inch cedar fence post at a called angle point in the east line of said 67.53 acre tract, for an angle point hereof;

THENCE, N44°31'00"E, along the south line of said 56.288 acre tract, being an east line of said 67.53 acre tract, generally with a barbed-wire fence, a distance of 646.04 feet to a 1/2-inch iron rod found at an angle point in the east line of said 67.53 acre tract, being the northwest corner of that certain 1.000 acre tract conveyed to Wilford L. Wootan, Jr., et ux, by Deed of record in Volume 536, Page 849, of the Real Property Records of Hays County, Texas, for an angle point hereof;

THENCE, S46°59'32"E, leaving the south line of said 56.288 acre tract, along the west line of said 1.000 acre tract, being an east line of said 67.53 acre tract, generally with a barbed-wire fence, a distance of 280.51 feet to a 1/2-inch iron rod found at the base of a fence post at the called southwest corner of said 1.000 acre tract, for an angle point hereof;

THENCE, N47°03'15"E, along the south line of said 1.000 acre tract and that certain 1.335 acre tract conveyed to Wilford L. Wootan, Jr., et ux, by Deed of record in Volume 401, Page 769, of said Real Property Records, being an east line of said 67.53 feet, generally with a barbed-wire fence, a distance of 335.24 feet to a 1/2-inch iron rod with "Capital Surveying Company" cap found at the northwest corner of that certain 0.8521 acre tract

conveyed to Hays County, Texas for right-of-way purposes, by Deed of record in Volume 2927, Page 699, of said Official Public Records, being the southwest right-of-way line of Posey Road (R.O.W. varies), for an angle point hereof;

THENCE, leaving the south line of said 1.335 acre tract, over and across said 67.53 acre tract and said 100.22 acre tract, along said southwest right-of-way line of Posey Road, being the west line of said 0.8521 acre tract, and those certain 0.5415 acre and 2.4004 acre tracts conveyed to Hays County, Texas for right-of-way purposes, by said Deed of record in Volume 2927, Page 699, the following eight (8) courses and distances:

- 1) S41°53'43"E, a distance of 78.28 feet to a disturbed 1/2-inch iron rod found at the point of curvature of a curve to the left;
- 2) Along said curve, having a radius of 6075.00 feet, a central angle of 04°47'50", an arc length of 508.66 feet, and a chord which bears S44°20'45"E, a distance of 508.51 feet to a 1/2-inch iron rod with "Capital Surveying Company" cap found at the point of tangency of said curve;
- 3) S46°43'43"E, at 327.46 feet passing a 1/2-inch iron rod found on the south line of said 67.53 acre tract, being the north line of said 100.22 acre tract, and continuing for a total distance of 865.99 feet to a calculated point at the point of curvature of a curve to the right;
- 4) Along said curve, having a radius of 15031.48 feet, a central angle of 00°34'12", an arc length of 149.56 feet, and a chord which bears S46°08'19"E, a distance of 149.56 feet to a 1/2-inch iron rod with "Capital Surveying Company" cap found at the point of tangency of said curve;
- 5) S46°08'26"E, a distance of 1770.49 feet to a calculated point at the point of curvature of a curve to the left;
- 6) Along said curve, having a radius of 14862.04 feet, a central angle of 00°34'49", an arc length of 150.53 feet, and a chord which bears S46°25'49"E, a distance of 150.53 feet to a 1/2-inch iron rod with "Capital Surveying Company" cap found at the point of tangency of said curve;
- 7) S46°41'07"E, a distance of 195.22 feet to a 1/2-inch iron rod with "Capital Surveying Company" stamp found near the base of a 2-inch steel fence post, for an angle point hereof;
- 8) S01°32'03"E, a distance of 28.03 feet to a calculated point at the southwest corner of said 2.4004 acre tract, being in the south line of said 100.22 acre tract, also being the intersection of said southwest right-of-way line of Posey Road and the northeast right-of-way line of County Road 266/Old Bastrop Highway/El Camino Real (R.O.W. varies), for the southeasterly corner hereof;

THENCE, along the used and occupied northeast right-of-way line of County Road 266, being the called south line of said 100.22 acre tract, generally with a barbed-wire fence, the following two (2) courses and distances:

- 1) S43°45'05"W, a distance of 70.45 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 2) S44°04'56"W, a distance of 207.09 feet to a calculated point at the point of curvature of a curve to the right, being near the base of a 2-inch steel fence post, also being the east corner of that certain 0.0123 acre tract conveyed to Hays County, Texas for right-of-way purposes, by Deed of record in Volume 4600, Page 118, of said Official Public Records;

THENCE, continuing along said northeast right-of-way line, over and across said 100.22 acre tract, along said curve to the right, having a radius of 950.00 feet, a central angle of 08°05'19", an arc length of 134.11 feet, and a chord which bears S62°20'44"W, a distance of 134.00 feet to a calculated point near the base of a 2-inch steel fence post at the west corner of said 0.123 acre tract, being on the called south line of said 100.22 acre tract, for an angle point hereof;

THENCE, continuing along the used and occupied northeast right-of-way line of County Road 266, being the called south line of said 100.22 acre tract, generally with a barbed-wire fence, the following four (4) courses and distances:

- 1) S68°39'21"W, a distance of 769.76 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 2) S69°15'47"W, a distance of 221.52 feet to a 60D nail found in an 8-inch cedar fence post, for an angle point hereof;
- 3) S70°25'00"W, a distance of 127.68 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 4) S69°14'26"W, a distance of 228.32 feet to a calculated point at the called southwest corner of said 100.22 acre tract, being the southeast corner of that certain 5.0000 acre tract conveyed to Pleasant F. Rexroat and wife, Elwanda J. Rexroat, by Deed of record in Volume 1898, Page 98, of said Official Public Records, for an angle point hereof;

THENCE, N45°06'19"W, leaving said northeast right-of-way line of County Road 266, along the called west line of said 100.22 acre tract, generally with the remnants of an old barbed-wire fence (new wire fence meanders approximately parallel and several feet southwest of old fence), a distance of 85.52 feet to a 6-inch cedar fence post found leaning, for an angle point;

THENCE, N46°36'04"W, continuing generally with the remnants of an old-barbed wire fence as called in said Volume 1820, Page 715, a distance of 642.34 feet to a 1/2-inch iron pipe found near the base of a fence post, being the called northeast corner of said Rexroat 5.0000 acre tract, also being an angle point in the occupied east line of said 248.77 acre tract, for an angle point hereof;

THENCE, S70°39'07"W, leaving the occupied west line of said 100.22 acre tract, along the called and occupied north line of said Rexroat 5.0000 acre tract, being the occupied east line of said 248.77 acre tract, generally with a barbed-wire fence, a distance of 329.36 feet to a 1/2-inch iron pipe found near the base of a fence post at the called northwest corner of said Rexroat 5.0000 acre tract, being the occupied northeast corner of said 5.01 acre tract, for an angle point hereof;

THENCE, S46°20'51"E, leaving the east line of said 248.77 acre tract, along the called and occupied west line of said Rexroat 5.0000 acre tract, being the occupied east line of said 5.01 acre tract, generally with a barbed-wire fence, a distance of 747.43 feet to a 1/2-inch iron pipe found near the base of a fence post at the called southwest corner of said Rexroat 5.0000 acre tract, being the southeast corner of said 5.01 acre tract, also being in said used and occupied northeast right-of-way line of County Road 266, for an angle point hereof;

THENCE, S72°25'29"W, along the used and occupied northeast right-of-way of County Road 266, being the called south line of said 5.01 acre tract, generally with a barbed-wire fence, a distance of 335.30 feet to a calculated point in a fence line, being the called southwest corner of said 5.01 acre tract, being the occupied southeast corner of said 248.77 acre tract, from which a 1/2-inch iron pipe found bears N46°20'31"W, a distance of 2.00 feet, for an angle point hereof;

THENCE, continuing along the used and occupied northeast right-of-way line of County Road 266, being the called south line of said 248.77 acre tract, generally with a barbed-wire fence, the following nine (9) courses and distances:

- 1) S71°40'15"W, a distance of 115.86 feet to a calculated point in a fence line, for an angle point hereof;
- 2) S76°06'10"W, a distance of 46.03 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 3) S86°28'05"W, a distance of 428.20 feet to an 8-inch cedar fence post found, for an angle point hereof;
- 4) N89°34'56"W, a distance of 321.83 feet to a T-post found, for an angle point hereof;
- 5) N89°02'24"W, a distance of 554.59 feet to a calculated point in a fence line, for an angle point hereof;

- 6) S89°48'27"W, a distance of 68.91 feet to an 8-inch creosoted fence post found, for an angle point hereof;
- 7) N81°53'25"W, a distance of 50.53 feet to an 8-inch creosoted fence post found, for an angle point hereof;
- 8) N88°55'45"W, at approximately 713 feet leaving said barbed-wire fence line, and continuing for a distance of 802.47 feet to a 1/2-inch iron rod with "Macias" cap found, for an angle point hereof;
- 9) N70°06'57"W, a distance of 39.04 feet to an 8-inch creosoted fence post found, for the southwesterly corner hereof;

THENCE, N46°27'14"W, continuing along the used and occupied northeast right-of-way line of County Road 266, being the called west line of said 248.77 acre tract, generally with a barbed-wire fence, a distance of 79.93 feet to a 1/2-inch iron pipe found at the called southeast corner of said 85.00 acre tract, for an angle point hereof;

THENCE, leaving said northeast right-of-way line of County Road 266, along the occupied east line of said 85.00 acre tract, being the called and occupied west line of said 248.77 acre tract, generally with a barbed wire fence, the following eight (8) courses and distances:

- 1) N41°35'30"W, a distance of 51.65 feet to a 1/2-inch iron pipe found, for an angle point hereof;
- 2) N45°22'24"W, a distance of 1221.06 feet to a 6-inch cedar fence post found, for an angle point hereof;
- 3) N45°15'48"W, a distance of 427.82 feet to a 6-inch cedar fence post found, for an angle point hereof;
- 4) N45°19'43"W, a distance of 673.22 feet to a 10-inch cedar fence post found, for an angle point hereof;
- 5) N46°33'40"W, a distance of 275.02 feet to a calculated point in a fence line, for an angle point hereof;
- 6) N47°51'30"W, a distance of 124.53 feet to a 6-inch cedar fence post found, for an angle point hereof;
- 7) N46°26'02"W, a distance of 218.87 feet to a T-post found, for an angle point hereof;
- 8) N46°25'10"W, at 158.03 feet passing a 1/2-inch iron pipe found, and continuing for a total distance of 769.08 feet to the **POINT OF BEGINNING**, and containing 417.630 acres (18,191,980 square feet) of land, more or less.

BEARING BASIS: TEXAS COORDINATE SYSTEM, NAD 83(2011), SOUTH CENTRAL ZONE, REFERENCING THE LEICA SMARTNET REFERENCE NETWORK.

I HEREBY CERTIFY THAT THIS DESCRIPTION AND ANY ACCOMPANYING SKETCHES ARE THE RESULT OF AN ACTUAL ON-THE-GROUND SURVEY PERFORMED UNDER MY DIRECT SUPERVISION DURING THE MONTH OF FEBRUARY, 2014, AND ARE TRUE AND CORRECT TO THE BEST OF MY ABILITIES.

Witness my hand and seal March 4, 2014

Abram C. Dashner, R.P.L.S. 5901
PROJECT NO. 253-001

Exhibit “C”

2018 SAP

(See Appendix C - Form of Service and Assessment Plan)

Exhibit “D”
FORM OF CERTIFICATION FOR PAYMENT
(Design – Trace)

_____ (“**Construction Manager**”) hereby requests payment for the percentage of design costs completed (the “**Design Costs**”) described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Amended and Restated Trace Public Improvement District Financing Agreement between Highpointe TRACE, LLC., a California limited liability company, and the City of San Marcos (the “**City**”), dated as of _____ (the “**Finance Agreement**”). In connection with this Certification for Payment, the undersigned, in his or her capacity as the _____ of Construction Manager, to his or her knowledge, hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized representative of Construction Manager, qualified to execute this request for payment on behalf of the Construction Manager and knowledgeable as to the matters forth herein.
2. The design work described in Attachment A has been completed in the percentages stated therein.
3. The true and correct Design Costs for which payment is requested is set forth in Attachment A and payment for such requested amounts and purposes has not been subject to any previously submitted request for payment.
4. Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed design work described in Attachment A has been paid in full for all work completed through the previous Certification for Payment.
5. Attached hereto as Attachment C are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Design Costs for which payment is requested.

[Signature Page Follows]

SIGNATURE PAGE TO
FORM OF CERTIFICATION FOR PAYMENT

Date : _____

[Construction Manager Signature Block to be
added]

APPROVAL BY THE CITY

The Design described in Attachment A has been reviewed, verified and approved by the City Construction Representative. Payment of the Design Costs are hereby approved.

Date: _____

CITY OF SAN MARCOS, TEXAS

By: _____

ATTACHMENT B TO CERTIFICATION OF PAYMENT (DESIGN)

[attached – bills paid affidavit]

ATTACHMENT C TO CERTIFICATION OF PAYMENT (DESIGN)

[attached – receipts]

FORM OF CERTIFICATION FOR PAYMENT
(Construction – Trace)

_____ (“**Construction Manager**”)
hereby requests payment of the Actual Cost of the work described in Attachment A attached hereto (the “**Draw Actual Costs**”). Capitalized undefined terms shall have the meanings ascribed thereto in the Amended and Restated Trace Public Improvement District Financing Agreement between Highpointe TRACE, LLC. and the City of San Marcos, Texas (the “**City**”), dated as of _____. In connection with this Certification for Payment, the undersigned, in his or her capacity as the _____ of Construction Manager, to his or her knowledge, hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized representative of Construction Manager, qualified to execute this request for payment on behalf of the Construction Manager and knowledgeable as to the matters forth herein.
2. The true and correct Draw Actual Costs for which payment is requested is set forth in Attachment A and payment for such requested amounts and purposes has not been subject to any previously submitted request for payment.
3. Attached hereto as Attachment B is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed work on a Segment described in Attachment A has been paid in full for all work completed through the previous Certification for Payment.
4. Attached hereto as Attachment C are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Draw Actual Costs of each Segment for which payment is requested.

[Signature Page Follows]

SIGNATURE PAGE TO
FORM OF CERTIFICATION FOR PAYMENT

Date : _____

[Construction Manager Signature Block to
Be inserted]

JOINDER OF PROJECT ENGINEER

The undersigned Project Engineer joins this Certification for Payment solely for the purposes of certifying that the representations made by Construction Manager in Paragraph 2 above are true and correct in all material respects.

Project Engineer

APPROVAL BY THE CITY

The Draw Actual Costs of each Segment described in Attachment A has been reviewed, verified and approved by the City Construction Representative of the City. Payment of the Draw Actual Costs of each such Segment is hereby approved.

Date: _____

CITY OF SAN MARCOS, TEXAS

By: _____

ATTACHMENT B TO CERTIFICATION OF PAYMENT (CONSTRUCTION)

[bills paid affidavit – attached]

ATTACHMENT C TO CERTIFICATION OF PAYMENT (CONSTRUCTION)

[receipts – attached]

Exhibit “E”

FORM OF CLOSING DISBURSEMENT REQUEST

The undersigned is a lawfully authorized representative for Highpointe Trace, LLC (the “**Owner**”) and requests payment from the Costs of Issuance Account of the Project Fund (as defined in the Amended and Restated Trace Public Improvement District Financing Agreement) from _____ (the “**Trustee**”) in the amount of _____ (\$ _____) to be transferred from the [Cost of Issuance Account of the Project Fund] upon the delivery of the [_____ Bonds] for costs incurred in the establishment, administration, and operation of the Trace Public Improvement District (the “**District**”), as follows.

In connection to the above referenced payment, the Owner represents and warrants to the City as follows:

1. The undersigned is a duly authorized officer of the Owner, is qualified to execute this Closing Disbursement Request on behalf of the Owner, and is knowledgeable as to the matters set forth herein.

2. The payment requested for the below 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 City.

3. The amount listed for the below itemized costs is a true and accurate representation of the Actual Costs incurred by Owner with the establishment of the District at the time of the delivery of the Bonds, and such costs are in compliance with the 2018 SAP. The itemized costs are as follows:

[insert itemized list of costs here]

TOTAL REQUESTED: \$ _____

4. The Owner is in compliance with the terms and provisions of the Amended and Restated Trace Public Improvement District Financing Agreement, the Indenture and the 2018 SAP.

5. All conditions set forth in the Indenture and [the Acquisition and Reimbursement Agreement for _____] for the payment hereby requested have been satisfied.

6. The Owner agrees to cooperate with the City in conducting its review of the requested payment, and agrees to provide additional information and documentation as is reasonably necessary for the City to complete its review.

Payments requested hereunder shall be made as directed below:

[Information regarding Payee, amount, and deposit instructions]

I hereby declare that the above representations and warranties are true and correct.

HIGHPOINTE TRACE, LLC,
a California limited liability company

By: Highpointe Posey, L.P., a California
limited partnership, Its Managing
Member

By: Highpointe Investments, Inc.,
a California corporation, Its
General Partner

By: _____
Timothy D. England, SVP

APPROVAL OF REQUEST BY CITY

The City is in receipt of the attached Closing Disbursement Request. After reviewing the Closing Disbursement Request, the City approves the Closing Disbursement Request and shall include said payments in the City Certificate submitted to the Trustee directing payments to be made from Costs Issuance Account upon delivery of the Bonds.

CITY OF SAN MARCOS, TEXAS

By: _____
Name: _____
Title: _____

**FIRST AMENDMENT TO AMENDED AND RESTATED TRACE PUBLIC
IMPROVEMENT DISTRICT FINANCING AGREEMENT**

This FIRST AMENDMENT TO AMENDED AND RESTATED TRACE PUBLIC IMPROVEMENT DISTRICT FINANCING AGREEMENT (this "First Amendment") is made effective the ___ day of January, 2019 (the "Effective Date"), by and between Highpointe Trace, LLC, a California limited liability company (including its designated successors and assigns, the "Developer"), and the City of San Marcos, Texas (the "City"), a municipal corporation, acting by and through its duly authorized representative (each individually referred to as a "Party" and collectively as the "Parties").

RECITALS

A. The City and Developer are parties to that certain Amended and Restated Trace Public Improvement District Finance Agreement dated effective September 18, 2018 (as amended, the "Agreement").

B. WHEREAS, the Developer and the City desire to amend the Agreement in accordance with the terms and conditions set forth below.

C. Any capitalized terms used in these Recitals and not otherwise defined above shall have the meanings given to them in the Agreement.

NOW, THEREFORE, Developer and City hereby agree as follows:

1. Section 2.06 of the Agreement is hereby deleted in its entirety and replaced with the following:

(a) If prior to the earlier of (i) the date of issuance of the Additional Major Improvement PID Bonds or (ii) August 31, 2022 (the "Early Prepayment Date"), prepayments of Special Assessments in the aggregate amount do not equal or exceed the Early Prepayment Amount (as defined in Exhibit A), the City shall reduce the outstanding Special Assessments on the District by \$2,600,000.00, less any prepayments received as of the Early Prepayment Date, for all assessed properties within the District on a pro rata basis based on the amount of outstanding Special Assessments.

(b) The payment of the Early Prepayment Amount which results in a direct reimbursement to the Owner shall not count against any cap on the maximum net PID Bond proceeds as described in Section 5.01(b) of this Agreement.

(c) Prior to the distribution of any Preliminary Offering Statement/Preliminary Limited Offering Memorandum for the Initial Major Improvement PID Bonds, the Owner shall pay \$830,500.00 in Annual Installments that were not billed on January 31, 2018.

2. Section 5.01(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

(b) The aggregate principal amount of Major Improvement PID Bonds required to be issued hereunder shall not exceed an amount sufficient to fund: (i) the Actual Costs of the Public Improvements, (ii) required reserves and capitalized interest of not more than 12 months after the completion of construction of the applicable Public Improvements funded by the PID Bond issue in question and in no event for a period greater than 12 months from the date of the initial delivery of the applicable PID Bonds and (iii) Bond Issuance Costs. Provided, however that to the extent the law(s) which limit the period of capitalized interest to 12 months after completion of construction change, the foregoing limitation may be adjusted to reflect the law(s) in effect at the time of future PID Bond issuances. In no event, however, will the aggregate principal amount of the Major Improvement PID Bonds exceed \$19,500,000.00 and the maximum net reimbursement shall not exceed \$15,500,000.00, plus the Early Prepayment Amount.

3. Exhibit A is hereby amended by adding the following definition:

“Early Prepayment Amount” means any prepayments made prior to the Early Prepayment Date in the aggregate amount of \$2,600,000.00 for Special Assessments levied against any parcel in the District.

4. Section References. Unless expressly stated otherwise, any and all references to sections or other enumerated provisions in this First Amendment shall refer to the corresponding sections or provisions in the Agreement.

5. Ratification; Entire Agreement. The Agreement, as amended by this First Amendment, is hereby ratified and affirmed and continues in full force and effect. In the event of any conflict between the terms of this First Amendment and the terms of the Agreement, the terms of this First Amendment control.

6. Counterparts. This First Amendment may be executed in any number of counterparts with the same effect as if all signatory Parties had signed the same document. All counterparts will be construed together and will constitute one and the same instrument.

WITNESS WHEREOF, City and Developer have executed this First Amendment through their duly authorized representatives to be effective as of the Effective Date.

[Signature pages to follow]

CITY OF SAN MARCOS, TEXAS

By: _____

Name: _____

Title: _____

[CITY SIGNATURE PAGE]

HIGHPOINTE TRACE, LLC, a California
limited liability company

By: Highpointe Posey, L.P
a California limited partnership
its Managing Member

By: Highpointe Investments, Inc.
a California corporation
its General Partner

By: _____
Timothy D. England, SVP

[OWNER SIGNATURE PAGE]

[THIS PAGE INTENTIONALLY LEFT BLANK]