

**Valencia Public Improvement District
Improvement Area #3
Lot Type 5 – 40 FT Lots**

Project Overview

The Valencia Public Improvement District (the “District”) was created by the Town Council of the Town of Little Elm on September 17, 2013, pursuant to the Public Improvement District Act, Texas Local Government Code, Chapter 372, as amended (the “Act”), and Resolution No. 09171301 upon petition of the owners of the taxable real property representing more than 50 percent of the appraised value of taxable real property liable for assessment within the District and the property owners who own taxable real property that constitutes more than 50 percent of the area of all taxable real property that is liable for assessment by the District.

The District was created principally to finance certain public improvement projects for the residential development located within the boundaries of the Town of Little Elm (the “Town”). A Service and Assessment Plan was accepted and approved by the Town Council on February 13, 2014, pursuant to Ordinance No. 1200 (the “Assessment Ordinance”), setting forth the plan for apportioning the costs of certain of the public improvement projects (the “Authorized Improvements”) to be assessed against properties in the District and for payment of special assessments with respect thereto.

An Updated Service and Assessment Plan for Improvement Area #3 of the District was accepted and approved by the Town Council on December 7, 2021, (the “Improvement Area #3 Assessment Ordinance”), setting forth the plan for apportioning the costs of certain public improvement projects to be assessed against properties within Phase #2B-1 and Phase #3B, collectively Improvement Area #3 (the “Improvement Area #3”) of the District and for payment of special assessments with respect thereto. The Bonds were issued for the Phase #2B-1 Authorized Improvements and to replace the Phase #3B portion of the Phase #2 Reimbursement Agreement. The Improvement Area #3 parcels has a proportionate share of the Series 2018 Major Improvement Area Bonds to finance the cost of the Major Authorized Improvements.

On December 7, 2021 the Town approved the issuance of the Town of Little Elm (Valencia on the Lake Public Improvement District Improvement Area #3 Project) Special Assessment Revenue Bonds, Series 2021 (the “Bonds”) in the aggregate amount of \$5,405,000 pursuant to the Act, an ordinance adopted by the Town Council on December 7, 2021 and an Indenture of Trust dated as of December 1, 2021 between the Town, and Wilmington Trust, National Association, as Trustee.

The Bonds and the Series 2018 Bonds are payable from special assessments levied against each parcel of property within Improvement Area #3 of the District pursuant to the Assessment Ordinances adopted by the Town Council. The Act provides that the special assessments (including any reassessment, the expense of collection and reasonable attorney’s fees, if incurred) are (a) a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for state, county, school district or municipality ad valorem property taxes whether now or hereafter payable, and (b) a personal liability of and charge against the owners of the property to the extent of their ownership regardless of whether the owners are named.

More information concerning the amount of the assessment and the due dates of that assessment may be obtained from MuniCap, Inc., the District Administrator for the Town, located at 600 East John Carpenter Freeway, Suite 150, Irving, TX 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll-free) and email at txpid@municap.com.

FAILURE TO PAY THE ASSESSMENTS LEVIED AGAINST ASSESSED PROPERTY, INCLUDING THE ANNUAL INSTALLMENT THEREOF, COULD RESULT IN FORECLOSURE OF SUCH PROPERTY.

Form of Assessment Disclosure

NOTICE OF OBLIGATION TO PAY PUBLIC IMPROVEMENT DISTRICT ASSESSMENT
TO
TOWN OF LITTLE ELM, TEXAS
CONCERNING THE FOLLOWING PROPERTY

[insert property address]

As the purchaser of the real property described above, you are obligated to pay assessments to the Town of Little Elm, Texas (the "Town"), for the costs of a portion of a public improvement or services project (the "Authorized Improvements") undertaken for the benefit of the property within the Valencia Public Improvement District (the "District") created under Subchapter A, Chapter 372, Local Government Code.

AN ASSESSMENT HAS BEEN LEVIED AGAINST YOUR PROPERTY FOR THE AUTHORIZED IMPROVEMENTS, WHICH MAY BE PAID IN FULL AT ANY TIME. IF THE ASSESSMENT IS NOT PAID IN FULL, IT WILL BE DUE AND PAYABLE IN ANNUAL INSTALLMENTS THAT WILL VARY FROM YEAR TO YEAR DEPENDING ON THE AMOUNT OF INTEREST PAID, COLLECTION COSTS, ADMINISTRATIVE COSTS, AND DELINQUENCY COSTS.

The exact amount of the assessment may be obtained from the Town. The exact amount of each annual installment will be approved each year by the Town Council in the annual service plan update for the District. More information about the assessments, including the amounts and due dates, may be obtained from the Town or MuniCap, Inc., the District Administrator for the Town, located at 600 E. John Carpenter Fwy, Suite 150, Irving, Texas 75062 and available by telephone at (469) 490-2800 or (866) 648-8482 (toll free) and email at txpid@municap.com.

Your failure to pay any assessment or any annual installment may result in penalties and interest being added to what you owe or in a lien on and the foreclosure of your property.

Date: _____

Signature of Purchaser

Signature of Purchaser

The undersigned purchaser acknowledges receipt of this notice before the effective date of a binding contract for the purchase of the real property at the address described above.

Date: _____

Signature of Purchaser

Signature of Purchaser

STATE OF TEXAS
COUNTY OF _____

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The foregoing instrument was acknowledged before me by _____ and _____, known to me to be the person(s) whose name(s) is/are subscribed to the foregoing instrument, and acknowledged to me that he or she executed the same for the purposes therein expressed, in the capacity stated and as the act and deed of the above-referenced entities as an authorized signatory of said entities.

Given under my hand and seal of office on this _____, 20__.

Notary Public, State of Texas

**Valencia Public Improvement District
Schedule of Projected Annual Installments**

Lot Type

Lot Type 5 (40' Lot)

Outstanding Assessment

\$28,065

Equivalent Unit

0.65

| Year¹ | Cumulative Outstanding Principal | IA #3 Principal² | IA #3 Interest² | MIA Bond Principal³ | MIA Bond Interest³ | Administrative Expenses⁴ | Total Annual Installment⁵ |
|-------------------------|---|--|---------------------------------------|---|--|--|---|
| 2022 | \$28,065 | \$592 | \$786 | \$13 | \$648 | \$185 | \$2,224 |
| 2023 | \$27,460 | \$604 | \$769 | \$9 | \$616 | \$242 | \$2,240 |
| 2024 | \$26,848 | \$619 | \$752 | \$6 | \$619 | \$247 | \$2,243 |
| 2025 | \$26,223 | \$631 | \$734 | \$140 | \$485 | \$252 | \$2,242 |
| 2026 | \$25,452 | \$643 | \$716 | \$151 | \$476 | \$257 | \$2,243 |
| 2027 | \$24,657 | \$663 | \$694 | \$157 | \$465 | \$262 | \$2,241 |
| 2028 | \$23,838 | \$679 | \$672 | \$168 | \$455 | \$268 | \$2,241 |
| 2029 | \$22,992 | \$698 | \$649 | \$179 | \$444 | \$273 | \$2,243 |
| 2030 | \$22,114 | \$718 | \$626 | \$190 | \$431 | \$278 | \$2,243 |
| 2031 | \$21,206 | \$738 | \$601 | \$207 | \$419 | \$284 | \$2,248 |
| 2032 | \$20,261 | \$758 | \$575 | \$218 | \$405 | \$290 | \$2,244 |
| 2033 | \$19,286 | \$781 | \$547 | \$235 | \$390 | \$295 | \$2,248 |
| 2034 | \$18,270 | \$805 | \$519 | \$252 | \$374 | \$301 | \$2,251 |
| 2035 | \$17,213 | \$829 | \$490 | \$268 | \$357 | \$307 | \$2,251 |
| 2036 | \$16,116 | \$852 | \$460 | \$285 | \$339 | \$313 | \$2,249 |
| 2037 | \$14,979 | \$880 | \$429 | \$302 | \$320 | \$320 | \$2,250 |
| 2038 | \$13,797 | \$907 | \$397 | \$324 | \$299 | \$326 | \$2,254 |
| 2039 | \$12,565 | \$935 | \$364 | \$347 | \$277 | \$333 | \$2,256 |
| 2040 | \$11,284 | \$963 | \$330 | \$369 | \$254 | \$339 | \$2,255 |
| 2041 | \$9,952 | \$990 | \$295 | \$397 | \$229 | \$346 | \$2,258 |
| 2042 | \$8,564 | \$1,030 | \$251 | \$419 | \$202 | \$353 | \$2,255 |
| 2043 | \$7,115 | \$1,069 | \$204 | \$447 | \$174 | \$360 | \$2,255 |
| 2044 | \$5,599 | \$1,113 | \$156 | \$481 | \$144 | \$367 | \$2,261 |
| 2045 | \$4,005 | \$1,156 | \$106 | \$514 | \$111 | \$375 | \$2,262 |
| 2046 | \$2,335 | \$1,199 | \$54 | \$548 | \$77 | \$382 | \$2,260 |
| 2047 | \$587 | \$0 | \$0 | \$587 | \$40 | \$60 | \$686 |
| | | \$20,851 | \$12,175 | \$7,214 | \$9,050 | \$7,615 | \$56,905 |

1 - Example: The Annual Installment billed during Year 2022 will be billed on or around 10/01/22 and payment is due by 1/31/23.
2 - The principal and interest amounts are based on the Series 2021 Improvement Area #3 Bonds and will not increase during the life of the bonds. Interest amounts are calculated through the principal payment date each year.
3 - The principal and interest amounts are based on the Improvement Area #3's proportionate share of the Series 2018 Major Improvement Area Bonds and will not be increased during the life of the bonds. Interest amounts are calculated through the principal payment date each year.
4 - The Administrative Expenses will be updated each year in the Annual Service Plan update.
5 - The total annual installment amounts do not include any TIRZ credit, if any. The TIRZ credit is only applicable to the MIA improvement related annual installments.