

**TERM SHEET
CITY OF SAN MARCO, TEXAS
TRACE PUBLIC IMPROVEMENT DISTRICT
8/7/18**

The following limitations and performance standards will apply to modifications to the existing Trace Public Improvement District (the "PID") as agreed to by Highpointe Trace, LLC ("the Developer") and the City of San Marcos, Texas ("the City") in connection with the 2018 Service Plan update as pertains to the 420-acre Trace master planned community ("the Project"). This Term Sheet is a supplement to the previously approved Term Sheet and Financing Agreement for the PID and all other terms not otherwise addressed herein remain applicable:

FINANCING CRITERIA

1. Initial Special Assessments Previously Levied:	(A)	\$ 11,175,000
2. Maximum Additional Special Assessments:	(B)	<u>\$ 10,925,000</u>
3. Maximum Total Special Assessments:	(C) = (A)+(B)	\$ 22,100,000
4. Required Special Assessment Reduction for Business Park/Retail:	(D)	<u>(\$ 2,600,000)</u>
5. Maximum PID Bonds to be Issued by City:	(E)=(C)-(D)	\$ 19,500,000
6. Projected PID Bonds Cost of Issuance:	(F)	<u>(\$ 4,000,000)</u>
7. Maximum Net PID Bond Proceeds/Reimbursements to Developer:	(G)=(E)-(F)	<u>\$ 15,500,000</u>
8. Maximum equivalent tax rate per \$100 of Assessed Value:		<u>\$ 0.50</u>

MISCELLANEOUS

It is agreed that the following conditions must be satisfied prior to the issuance of any PID Bonds by the City:

1. The Developer will take all necessary steps to cause the Retail and Business Park areas to be separate tax parcels, including preparation of legal descriptions of each and the creation of an individual tax parcel ID as provided by the Hays County Appraisal District;
2. The Developer agrees to prepay, Special Assessments in the amount of \$2,600,000 that are applicable to the Retail and Business Park parcels such that the resulting total Special Assessments outstanding for the Project do not exceed \$19,500,000;
3. The prepayment as described in #2 above will be required to be paid by the Developer at the earlier date of i) the date of issuance of Additional PID Bonds beyond the Initial PID Bonds ("the Initial PID Bonds") planned to be issued by December 31, 2018 or ii) August 31, 2022.
4. In the event the prepayment is not made, the outstanding Special Assessment amount will be reduced by \$2,600,000 for all properties in the PID pro rata based on the amount of outstanding Special Assessment.
5. Any prepayments of Special Assessments made by the Developer which result in a direct reimbursement to the Developer will not count against the Maximum Net PID Bond Proceeds/Reimbursements identified in #7 above;

6. The Additional Special Assessments, together with the Initial Special Assessments, will be allocated among Parcels based on the estimated build out value of each Parcel as a pro-rata share of the total estimated build out value for the Project;
7. The Developer agrees to pay prior to, or co-terminus with, the Initial Bond Issue, the Annual Installment, which was due January 31, 2018, with any required penalties and interest associated with this Annual Installment being paid to the Developer;
8. The Developer agrees not to sell any additional land to unaffiliated third parties until all of the anticipated documentation described herein is completed and approved by the City;
9. The Developer agrees that the PID reimbursements will serve as collateral for the Trace Subdivision Improvement Agreements.
10. The Developer agrees to not accept any reimbursements or other funds from the PID until all of the anticipated documentation described herein is completed and approved by the City;
11. The updated SAP, an Assessment Order, an updated Assessment Roll and this Term Sheet will be presented to the City Council for approval on August 7, 2018;
12. The Amended and Restated Financing Agreement will be presented to the City Council for approval on August 21, 2018;
13. To the extent any provision in the Term Sheet conflicts with the existing PID documents including, but not limited to the PID Financing Agreement; the Term Sheet will control;
14. The provisions in this Term Sheet supersede any conflicting or inconsistent provision in the existing PID documents including, but not limited to, the PID Financing Agreement; and,
15. This Term Sheet will remain in place and in force until such time and date that an Amended and Restated Financing Agreement and Service Plan Update is approved and executed, as necessary, by the City and the Developer.

Approved by:

CITY OF SAN MARCOS, TEXAS

By: _____
Name: _____
Title: _____

**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