

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018
(TRACE PUBLIC IMPROVEMENT DISTRICT)
CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER**

This Continuing Disclosure Agreement of Developer dated as of _____, 2018 (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 2018 (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 _____, 2018, relating to the Bonds (the “Indenture”), which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“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 successors and assigns.

“Disclosure Agreement of Issuer” shall mean the Continuing Disclosure Agreement of the Issuer dated as of _____, 2018 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.

“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.

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

“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.

“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 mean UMB Bank, N.A., or any successor trustee pursuant to 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, the information required for the preparation of the Quarterly Report (with respect to each party, the “Quarterly Information”). 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.

(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 Issuer and the Dissemination Agent, not less than five (5) days prior to each Quarterly Filing Date, each Quarterly Report containing the information described in this Section 3 and the Certification Letter(s) provided by the Developer and/or Subsequent Third Party Owner. The Issuer shall review the information and authorize the Dissemination Agent to provide the Quarterly Report and the Certification Letter(s) to 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 parcels and/or lots 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:
 - 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 by the Developer, any Subsequent Third Party Owner SF Residential or homebuilder;
 - B. The number of homes constructed in the District by the Developer, any Subsequent Third Party Owner SF Residential or homebuilder;
 - 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:

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 space or site; and

D. Name of business or tenant;

(viii) With respect to any amenities:

A. Total expected construction budget;

B. Total costs spent to date;

C. Status of construction; and

D. Expected or actual completion date;

(ix) 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;

(x) 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.

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; and

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

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 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.

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 (which date shall not be more than ten (10) Business Days after the Developer or Subsequent Third Party Owner becomes aware of the occurrence of the Listed Event).

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 of the occurrence of the Listed Event.

(b) The Dissemination Agent shall, within one (1) Business Day 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.

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 and 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 (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 and 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 (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) 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) or (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.

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 7 to the Issuer, the Administrator 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 notice of occurrence of a Listed Event.

SECTION 10. Content of Disclosures. In all cases, the Developer 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, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Owners of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall, upon being indemnified to its satisfaction as provided in the Indenture), or any Owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to cause the 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 by the Developer, or any Subsequent Third Party Owner, as applicable, shall not be deemed a default under the Disclosure Agreement of Issuer by the Issuer, and a default under the Disclosure Agreement of Issuer by the Issuer shall not be deemed a default under this Disclosure Agreement by the Developer, any Subsequent Third Party Owner or Administrator.

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 harmless the Dissemination Agent, its officers, directors, employees and agents against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's breach, negligence or willful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds. Nothing in this Disclosure Agreement shall be construed to mean or to imply that the Dissemination Agent is an "obligated person" under the Rule. The Dissemination Agent is not acting in a fiduciary capacity in connection with the performance of its respective obligations hereunder. The 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 OR THE DEVELOPER BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DEVELOPER, THE DISSEMINATION AGENT OR THE ADMINISTRATOR, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS DISCLOSURE AGREEMENT, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE. 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

P3WORKS, LLC
(as Administrator)

By: _____
Name: _____
Title: _____

EXHIBIT A

**CITY OF SAN MARCOS, TEXAS,
SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2018
(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 <i>[Insert Quarterly Ending Date]</i>)					
NUMBER OF PARCELS AND/OR LOTS IN THE DISTRICT SUBJECT TO ASSESSMENTS:					
Lot Type	Phase A	Phase B	Phase C	Phase D	Phase E/F
SF 32' - 34'					
SF 41'					
SF 50'					
[Future SF]					
Total SF Units:					
Multifamily					
Office					
Retail					

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 40'				
SF 50'				
<i>Total Subsequent Third-Party Owned SF Lots:</i>				
Subsequent Third-Party Non-SF Residential Owned				
Multifamily				
Office				
Retail				
Developer Owned				
SF 32' - 34'				
SF 40'				
SF 50'				
<i>Total Developer Owned SF Lots:</i>				
Multifamily				
Office				
Retail				
<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 SINGL 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 40'					
SF 50'					
Total SF Units:					
Total Absorption:					
SF 32' - 34'			N/A	N/A	N/A
SF 40'			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 40'							
SF 50'							
Total Units:						N/A	
Total Absorption:							
SF 32' – 34'							
SF 40'							
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

STATUS OF DEVELOPMENT:

TABLE 3(d)(viii)

STATUS OF AMENITIES				
Amenity	Expected Construction Budget	Total Costs Spent to Date	Status of Construction	Expected or Actual Completion Date

TABLE 3(d)(ix)

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

TABLE 3(d)(x)

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 2018
(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 Filing
Date*] with respect to the Bonds as required by the Continuing Disclosure Agreement of Developer
dated _____, 2018, by and among the Developer, P3Works, LLC, as the “Administrator”
and UMB Bank, N.A., as “Dissemination Agent”.

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 C

TERMINATION NOTICE

[DATE]

Name of Issuer: City of San Marcos, Texas
Name of Bond Issue: Special Assessment Revenue Bonds, Series 2018
(Trace Public Improvement District) (the “Bonds”)
CUSIP Nos. [insert CUSIP NOs.]
Date of Delivery: _____, 20__

[Developer][Subsequent Third Party Owner]

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

UMB Bank, N.A.

NOTICE IS HEREBY GIVEN that 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 _____, 2018, 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 2018
(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 the Developer dated _____, 2018 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: _____]