

**Valencia Public Improvement District
Public Improvement District No. 2
Lot Type 1 – 60 FT Lots**

Project Overview

The Valencia Public Improvement District No. 2 (the “District”) was created by the Town Council of the Town of Little Elm on August 16, 2022, pursuant to the Public Improvement District Act, Texas Local Government Code, Chapter 372, as amended (the “Act”), and Resolution No. 0816202201 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 November 1, 2022, pursuant to Ordinance No. 1687 (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 the District was accepted and approved by the Town Council on November 1, 2022, (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-2, collectively the District and for payment of special assessments with respect thereto. The Bonds were issued for the Phase #2B-2 Authorized Improvements.

On November 1, 2022 the Town approved the issuance of the Town of Little Elm (Valencia on the Lake Public Improvement District No. 2 Project) Special Assessment Revenue Bonds, Series 2022 (the “Bonds”) in the aggregate amount of \$16,288,000 pursuant to the Act, an ordinance adopted by the Town Council on November 1, 2022 and an Indenture of Trust dated as of November 1, 2022 between the Town, and Wilmington Trust, National Association, as Trustee.

All Assessments that are not paid in full will be billed in annual installments and collected each year by the City, or its designee, as provided in the Service and Assessment Plan. **Annual Installments are billed by the Denton County Tax Office and are due and payable as provided on the annual installment assessment bill.** Annual installments are expected to be billed and collected on the same schedule as property taxes. The Assessments, including the annual installments thereof, 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 other political subdivision 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.

PID Assessment Notice

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 "City"), 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 No.1 (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 City. The exact amount of each annual installment will be approved each year by the City 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 City or MuniCap, Inc., the District Administrator for the City, 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 Seller

Signature of Seller

STATE OF TEXAS §

§

COUNTY OF _____ §

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

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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 "City"), 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 No.2 (the "District") created under Subchapter A, Chapter 372, Local Government Code.

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

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Signature of Seller

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STATE OF TEXAS §

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COUNTY OF _____ §

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

Notary Public, State of Texas

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 No. 2
Schedule of Projected Annual Installments**

Lot Type
Outstanding Assessment
Equivalent Unit¹

Single-Family - 60 Ft
\$42,399
1.00

| Year² | Cumulative Outstanding Principal | PID No. 2 Bond Principal³ | PID No. 2 Bond Interest³ | MIA Bond Principal⁴ | MIA Bond Interest⁴ | Administrative Expenses⁵ | Total Annual Installment⁶ |
|-------------------------|---|---|--|---------------------------------------|--------------------------------------|--|---|
| 2025 | \$42,399 | \$473 | \$2,363 | \$175 | \$635 | \$216 | \$3,863 |
| 2026 | \$41,750 | \$503 | \$2,405 | \$189 | \$637 | \$186 | \$3,920 |
| 2027 | \$41,058 | \$533 | \$2,372 | \$196 | \$623 | \$190 | \$3,914 |
| 2028 | \$40,330 | \$564 | \$2,337 | \$210 | \$609 | \$194 | \$3,914 |
| 2029 | \$39,556 | \$600 | \$2,299 | \$224 | \$594 | \$198 | \$3,915 |
| 2030 | \$38,732 | \$636 | \$2,260 | \$238 | \$578 | \$202 | \$3,913 |
| 2031 | \$37,858 | \$676 | \$2,217 | \$259 | \$561 | \$206 | \$3,919 |
| 2032 | \$36,923 | \$716 | \$2,173 | \$273 | \$542 | \$210 | \$3,914 |
| 2033 | \$35,933 | \$767 | \$2,120 | \$294 | \$522 | \$214 | \$3,917 |
| 2034 | \$34,872 | \$820 | \$2,063 | \$315 | \$501 | \$218 | \$3,917 |
| 2035 | \$33,738 | \$877 | \$2,003 | \$336 | \$478 | \$223 | \$3,916 |
| 2036 | \$32,525 | \$938 | \$1,938 | \$357 | \$454 | \$227 | \$3,914 |
| 2037 | \$31,230 | \$1,004 | \$1,869 | \$378 | \$428 | \$232 | \$3,910 |
| 2038 | \$29,848 | \$1,076 | \$1,795 | \$406 | \$400 | \$236 | \$3,913 |
| 2039 | \$28,367 | \$1,152 | \$1,715 | \$434 | \$371 | \$241 | \$3,913 |
| 2040 | \$26,781 | \$1,232 | \$1,631 | \$462 | \$339 | \$246 | \$3,910 |
| 2041 | \$25,087 | \$1,321 | \$1,540 | \$497 | \$306 | \$251 | \$3,914 |
| 2042 | \$23,270 | \$1,414 | \$1,442 | \$525 | \$270 | \$256 | \$3,907 |
| 2043 | \$21,331 | \$1,513 | \$1,338 | \$560 | \$232 | \$261 | \$3,904 |
| 2044 | \$19,258 | \$1,623 | \$1,226 | \$602 | \$191 | \$266 | \$3,909 |
| 2045 | \$17,034 | \$1,737 | \$1,107 | \$644 | \$148 | \$272 | \$3,907 |
| 2046 | \$14,653 | \$1,862 | \$979 | \$686 | \$101 | \$277 | \$3,904 |
| 2047 | \$12,105 | \$1,995 | \$841 | \$701 | \$51 | \$283 | \$3,871 |
| 2048 | \$9,409 | \$2,139 | \$694 | \$0 | \$0 | \$212 | \$3,045 |
| 2049 | \$7,271 | \$2,291 | \$536 | \$0 | \$0 | \$216 | \$3,044 |
| 2050 | \$4,980 | \$2,456 | \$367 | \$0 | \$0 | \$221 | \$3,044 |
| 2051 | \$2,524 | \$2,524 | \$186 | \$0 | \$0 | \$225 | \$2,935 |
| Total | | \$33,444 | \$43,816 | \$8,955 | \$9,571 | \$6,180 | \$101,965 |

- 1 - The Major Improvement Area principal, interest and administrative expense portions are calculated based on the Valencia Public Improvement District (PID) No. 1 equivalent units as outlined in the Valencia PID No. 1 Service and Assessment Plan.
- 2 - The Annual Installment billed during Year 2025 will be billed by the Denton County Tax Office on or around 10/01/25 and payment is due by 1/31/26.
- 3 - The principal and interest amounts are based on the Series 2022 Bonds and will not increase during the life of the bonds. Interest amounts are calculated through the principal payment date each year and include additional interest of one-half of one percent for debt service reserves.
- 4 - The principal and interest amounts are based on the Valencia PID No. 2 parcels' Major Improvement Area proportionate share of the Series 2018 Valencia PID No. 1 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 and include additional interest of one-half of one percent for debt service reserves.
- 5 - The Administrative Expenses will be updated each year in the Annual Service Plan update.
- 6 - 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.

THIS SCHEDULE IS AN ESTIMATE OF ANNUAL INSTALLMENT PAYMENTS AND IS SUBJECT TO CHANGE. THE EXACT AMOUNT OF EACH ANNUAL INSTALLMENT WILL BE REFLECTED IN THE VALENCIA PUBLIC IMPROVEMENT DISTRICT NO. 2 SERVICE AND ASSESSMENT PLAN, AS THE SAME IS UPDATED EACH YEAR.

Property Owners may choose to prepay their Assessment at any time. Effective January 1, 2024, for any single-family residential parcel prepaying an Assessment, a \$500 fee will be included in the total payoff amount to cover processing and other lien release related filing expenses. If interested in prepaying an Assessment, please contact MuniCap by telephone at (469) 490-2800 or email at txpid@municap.com.

Example of TIRZ Credit Application

The property in the PID is also located in the Town of Little Elm Tax Increment Reinvestment Zone No. 4. The Town has committed to use approximately 46% of the annual incremental Town ad valorem property taxes collected from a property in the current tax year as a credit (the “TIRZ Credit”) to reduce the PID annual installment of assessments due in the following year. The following **hypothetical example** illustrates the application of the TIRZ Credit:

****The TIRZ credit is only applicable to the MIA improvement related annual installments. ****

A) Estimates for illustration purposes:

Estimated prorated base year (2014) taxable value = \$1,000

Estimated current year (2025) taxable value = \$500,000

Estimated current (2025) incremental value = \$499,000 (i.e. \$500,000 - \$1,000)

Estimated current (2025) Town tax rate per \$100 of taxable value = \$0.559900

Estimated PID current (2025) annual installment of Assessment = \$3,863

Estimated PID next (2026) annual installment of Assessments = \$3,920

B) **Estimated** Town incremental tax:

\$2,794 [i.e., $(\$499,000 \div 100) \times \$0.55990 = \$2,794$]

C) **Estimated** TIRZ Credit:

\$1,285 (i.e., $\$2,794 \times 46\% = \$1,285$)

D) PID current annual installment due (2024):

\$3,863 with no prior year TIRZ Credit

E) **Estimated** PID next annual installment due (2025):

\$2,635 (i.e., $\$3,920 - \$1,285 = \$2,635$) after application of the \$1,285 TIRZ Credit

PLEASE NOTE THAT THE ABOVE CALCULATIONS ARE ONLY INTENDED TO ILLUSTRATE APPLICATION OF THE TIRZ CREDIT AND DO NOT REPRESENT ANY ACTUAL OR PROJECTED AMOUNTS OF TAXABLE VALUES, TOWN TAX RATES AND PID ANNUAL INSTALLMENTS.