TERM SHEET FOR THE DEVELOPMENT OF

LILY SPRINGS APARTMENTS

IN SEGUIN, TEXAS

~~December~~January __, ~~2024~~2025

This Term Sheet addresses the terms for the development and financing of the Property (hereafter defined). This Term Sheet is not meant to be an exhaustive document and will be replaced and superseded by definitive documentation. No legally binding obligations on either party will be created, implied or inferred until documents in final form are executed and delivered by all parties in a form acceptable to each party, in each party's sole and absolute discretion, provided that the definitive documents will reflect the business terms set forth herein. This Term Sheet replaces all previous understandings and agreements, written or oral, with respect to the Property.

The Project will be owned by SEGUIN PUBLIC FACILITY CORPORATION, a Texas public facility corporation ("PFC"). The Land has been or will be purchased by an affiliate of THE LIGHTPATH COMPANY, LLC ("Lightpath"), and will be conveyed by the Lightpath affiliate to PFC. PFC will at Closing pay the Lightpath affiliate for the Land and simultaneously enter into a long-term lease with the Tenant covering the Land and the Improvements (if any), who will be deemed to make a Prepaid Rent Prepayment to PFC of an equal amount. Tenant will be responsible for the costs of the Improvements.

DEFINITIONS: The following terms shall have the following meanings:

"Calculator" means the Novogradac Rent and Income Limit Calculator for the applicable year, under the "Other Federal, State, or Local Program" category for Guadalupe County, TX HUD FMR Area with rent calculations based on either: (i) "80%" and Imputed Persons Per Bedroom for Rent Limited Calculations set to "1 Person/1 Bedroom + 1" and the applicable unit size selected for the particular Affordable Unit or (ii) "60%" and Imputed Persons Per Bedroom for Rent Limited Calculations set to "1 Person/1 Bedroom + 1" and the applicable unit size selected for the particular Affordable Unit. In the event such tool is not available, applicable rent and income limits shall be calculated using a reasonable substitute tool as mutually agreed to by the parties hereto.

"City" means City of Seguin, Texas.

"Closing Date" means the date of closing for all financing for the Project.

"Developer" means Lightpath, or an affiliate of Lightpath.

"Equity Partner" means the entity or entities which are selected by Lightpath to contribute common equity (cash or property) to Tenant and to be admitted as limited partners or members to Tenant, one of which will be Lightpath Partner and the other which will be an unaffiliated third-party investor. Such interest shall receive a preferred return for all or a portion of its equity contribution.

"Governing Law" means the State of Texas.

"PFC" means Seguin Public Facility Corporation, a Texas public facility corporation.

"Lightpath" means Lightpath Multifamily, LLC, a Texas limited liability company, or its affiliates.

"Lightpath Partner" means an affiliate of Lightpath, which will be a limited partner of the Tenant.

"Refinancing Event" any refinancing of any loan, or receipt of any insurance or condemnation proceeds (other than business interruption or similar type of insurance or condemnation proceeds which cover a temporary taking of all or any portion of the Project and after such proceeds are applied to the rebuilding, repair or replacement of the Project) which occurs before the initial Sale Event.

"Sale Event" A sale of the Project (including any proposed assignment of the entire Lease) to a third party for consideration or a sale or assignment of greater than 50% of the interests in the Tenant or transfers of interests in an entity that controls or has a greater than 50% ownership interest in Tenant which affects a change in control of Tenant (excluding assignments to affiliates, transfers pursuant to or for estate planning purposes or transfers in connection with the exercise of a default takeover right of an Equity Partner) to a third party for consideration.

"Tenant" means Lightpath Seguin Multifamily, LLC, the Tenant under the Lease for the Project, which will be a single purpose Texas limited partnership, the sole General Partner of which will be an affiliate of Developer, and the Limited Partners of which will be an affiliate of Lightpath and the Equity Partner.

Ad Valorem Tax Exemption: PFC shall be responsible for obtaining a 100% property tax exemption for the Project and Lease, excluding any taxes imposed by a conservation and reclamation district created under Section 52, Article III or Section 59, Article XVI of the Texas Constitution, for an initial 60 year period. PFC shall apply for, and use good faith efforts to obtain prior to closing, a predetermination letter from the appraisal district indicating that the Project will be exempt. Shortly after the Closing Date, PFC will apply for the formal tax exemption. Pursuant to the Lease, if the ad valorem tax exemption with respect to the Project is lost ("Loss of Tax Status Event") for any reason, other than the failure to meet the requirements of Texas Local Government Code Chapter 303 governing the availability of a property tax exemption for the Project at any time within the first forty (40) years of the Term of the Lease or (ii) at any time during the Term of the Lease due to the fraud or willful misconduct of the PFC or its affiliates, then as liquidated damages, then at the option of Tenant the PFC, as Landlord, will convey the Project to Tenant (fee ownership of the Project, free and clear) and the Lease without any payment to the PFC (other than payment of rent through the date of termination) and any accompanying regulatory agreement will terminate, and no additional rent shall be paid to the PFC. Upon a Loss of Tax Status Event occurring after the 40th anniversary of the commencement of the lease, then at the option of Tenant, Landlord will convey the Project to Tenant in fee and the Lease and accompanying Regulatory Agreement will terminate, upon payment by Tenant to Landlord of an amount equal to the Termination Fee, as such term is defined below, calculated as of the date of termination. In the event of a Loss of Tax Status Event, prior to the transfers discussed in the prior sentence, PFC and the Tenant shall use reasonable efforts to modify the structure to allow the ad valorem tax exemption to continue. Notwithstanding the foregoing, PFC shall effectuate the aforementioned transfers within one hundred twenty (120) days following a Loss of Tax Status Event if the efforts of PFC and Tenant have not resulted in the reinstatement of a 100% ad valorem tax exemption.

Construction: Tenant will, if an FHA or HUD loan is used, contract with a joint venture made up of PFC and the construction contractor selected by Tenant for the Project (the "Contractor"), to construct the Improvements, and if no FHA loan is in place, PFC will serve as prime contractor and Contractor will serve as a general subcontractor. Contractor will receive a Contractor Fee of up to five percent (5%). If an FHA or HUD loan applies, the construction contract will also include a contractor's contingency of three percent (3%) solely for the use of the joint venture, and if no FHA or HUD loan applies, then the Contractor shall be provided with a Contractor's contingency of three percent (3%). Lightpath will provide construction completion guarantees necessary to satisfy any lenders and Equity Partners for the Project on terms acceptable to Lightpath in its sole discretion. The Project will be constructed pursuant to a guaranteed maximum price contract.

Development Agreement: Developer, PFC and Tenant will enter into a development agreement ("Development Agreement") in a form acceptable to the parties, in accordance with the terms set forth herein. The Development Agreement will require the Tenant to finance and construct the Project pursuant to an approved set of plans and specifications and pursuant to an approved budget and an agreed to schedule. Developer and Tenant will provide PFC with full indemnifications, except to the extent of PFC's gross negligence or willful misconduct as the Landlord. PFC will have a right to attend meetings and inspect the property and will receive monthly progress reports. All draws will require construction consultants for debt and equity approval and architect certifications.

Developer Fee: Developer shall receive a Developer Fee in connection with the development of the Project in an amount not to exceed five percent (5.0%) of the total development costs of the Project. It is anticipated twenty-five percent (25%) of the Developer Fee will be earned and paid at the construction loan closing. Seventy-five percent (75%) of the Developer Fee will be earned and paid monthly out of the loan proceeds as part of the monthly construction loan process and the final payment will be earned and paid upon issuance of the final certificate of occupancy for the Project. Payment of development fee will correspond to any requirements of construction lender.

Entitlements: Entitlements will include, without limitation, obtaining a zoning designation for the Property allowing for the intended development, construction, and operation of the Project.

Guarantees: Certain financial obligations will be guaranteed by Lightpath on terms to be negotiated by Lightpath and lenders and the Equity Partners. PFC will not be required to provide any financial guarantees with respect to financing or construction of the Project.

Improvements: Approximately 282 units residential rental housing, together with all to be constructed onsite infrastructure improvements for the Project, pursuant to Plans and Specifications developed by Developer.

Lease: Lease between PFC, as landlord, and Tenant, pursuant to which PFC leases the Property to the Tenant for a term (the "Term") of 75 years (the "Lease"). So long as Tenant is not in default under the Lease beyond applicable notice and cure periods, Tenant will be permitted under the Lease to assign its interest in the Lease without the requirement of any consent from Landlord. Landlord will not be permitted to assign its interests under the Lease in any manner without the prior written consent of Tenant and its lender, provided that Landlord may assign its interest in the Lease and the Project to an entity wholly owned and controlled by Tenant or the City, provided that such assignment shall not jeopardize the availability of exemption of the Project from ad valorem taxation or to the extent as may be prohibited in any loan documents with the lenders or any agreement between the Tenant and any Equity Partner. The rent will be (1) deemed prepaid rent at closing equivalent to the cost of Land conveyed to the PFC, (2) $25,000 per year Administrative Fee (the "Administrative Rent"), the Net Cash Flow Rent and the Capital Event Rent. Notwithstanding the foregoing, the parties agree that Lightpath's transfer of the Land and existing improvements to PFC shall satisfy any prepaid rental requirement provided for in the Lease.

The Lease will require compliance with Section 303 of the Texas Local Government Code, and provide that Tenant will set aside or rent 50% of the units to tenants earning less than 80% of the area median income (AMI) which shall include 10% of the units to tenants earning less than 60% of AMI (the "Affordable Units"). The income and rent limits will be adjusted for family size and calculated by using the Calculator.

The Affordable Units at each AMI level will be spread prorata with the overall unit mix between one, two, and three bedroom units, as applicable.

Tenant will maintain the Project as a Class A residential project subject to condemnation, casualty and ordinary wear and tear. Tenant will insure the Project and will set aside an amount per door per year as determined by lenders as a reserve for replacements. Tenant will provide full indemnities to PFC, except to the extent of PFC's gross negligence or willful misconduct. Provisions will be negotiated to ensure the Project remains a Class A project including conducting needs assessments meeting ASTM E 2018-15 Standard Guide for Property Conditions Assessments or its replacement every ten years and upon a Capital Event (unless a needs assessment has been prepared in the preceding two year period). For avoidance of doubt, the parties agree that maintaining the Project as a Class A apartment project means keeping the Project as originally designed and constructed in appropriate condition to compete with other Class A residential projects of the same age as the Project, but does not mean adding amenities, making structural or other changes to the exterior or interior of the Project to make it consistent with newly constructed Class A apartment projects at a future date; provided that

Tenant shall not be required to expend funds in excess of those generated by the Project and shall not be required to make a capital call or take on additional debt to fund such expenditures.

The lease will require Tenant to operate the project in compliance with the provisions of PFC Statute. This will include the provisions of Section 303.0425 (relating to tenant protections) and 303.0426 (relating to audits) of the PFC Statute.

Early Termination Option: Tenant may terminate the Lease and the regulatory agreement at any time following the end of the calendar year that is forty (40) years after the Stabilization Date and before the end of the calendar year that is sixty (60) years after the Lease Date upon the payment of a termination fee, which shall be an amount equal to the fair market value of the Project as a taxable project times a percentage equal to the net present value of $1.00 paid at the end of the 75 year lease term discounted to the date of the notice of termination with a discount rate of 8% (e.g. a notice of termination in year 40 of the 75 year lease would result in 7%); provided that in the event of a sale of the Project to an unrelated third party is contemplated at the time of the proposed termination, the fair market value shall equal the sales price (the "Termination Fee"). The Lease shall contain detailed terms relating to the determination of the fair market value of the Project. Upon such termination, Landlord (and/or any successors and transferees of Landlord) shall have the obligation to convey to Tenant, the fee estate and any personal property owned by Landlord and located within the Project pursuant to this Lease and to terminate the Regulatory Agreement for One Dollar ($1.00) (in addition to the Termination Fee), free and clear of all liens and encumbrances except for the permitted encumbrances and any further indemnity obligations to Landlord but subject to the rights, liens, assignments and security interests of any Permitted Leasehold Mortgagee.

PFC may terminate the Lease and the Regulatory Agreement, in its sole discretion, at any time following the end of the calendar year that is fifty (50) years after the Stabilization Date. Upon such termination, Landlord (and/or any successors and transferees of Landlord) shall have the obligation to convey to Tenant the fee estate and any personal property owned by Landlord and located within the Project pursuant to this Lease and to terminate the Regulatory Agreement for the payment of One Dollar ($1.00) (without the payment of any other fee), free and clear of all liens and encumbrances except for the permitted encumbrances and any further indemnity obligations to Landlord but subject to the rights, liens, assignments and security interests of any Permitted Leasehold Mortgagee.

Management: Lightpath will designate the property manager for the Project subject to PFC's approval of the manager, which approval shall not be unreasonably withheld, delayed or conditioned, provided that in the event the PFC fails to approve or disapprove any property management company submitted to the Landlord Representative within ten (10) business days from such submission, then such property management company shall be deemed approved. Notwithstanding the foregoing, a

Qualified Property Manager shall be deemed approved by Landlord. As used herein, "Qualified Property Manager" means a person which (i) is a multi-family project management organization with experience in the management of multi-family projects with an aggregate of at least one thousand units, at least two (2) of which contain at least two hundred units or more; (ii) at the time of such manager's engagement, has, or will following such engagement, have an office or employees in the State of Texas; (iii) is duly licensed in the State of Texas to act as the property manager of the Project, if required by applicable law; (iv) is not be the subject of a bankruptcy or similar insolvency proceeding and (v) has not been debarred by HUD or the Texas Department of Housing and Community Affairs. The manager will receive a base Management Fee as follows:

Commencing with substantial completion of the first residential building, 3.0% multiplied by the effective gross income of the Project as outlined in the Management Agreement; but in no event less than $8,500.00 per month.

Miscellaneous Expenses: Tenant Partnership will be responsible for and will include in the Project Budget all legal fees of PFC and Lightpath actually incurred in connection with the preparation, negotiation and execution of the Organization Documents, all reasonable out-of-pocket expenses, including, without limitation, all business, financial, collateral due diligence expenses, and, to the extent provided herein, all appraisal fees and all examination fees.

Net Cash Flow Rent: Beginning in the fourth anniversary of the Closing Date, Tenant will pay PFC rent equal to the total cost of the development (as set forth in the Project Budget) x 80% x the applicable tax rate in 2024 if the Project were taxable x 25% (such amount currently estimated to be $216,700). Thereafter payments shall increase by 3.0% per year. Net Cash Flow Rent will be paid annually. The annual Rent will be subordinated to debt service but shall be paid before any distribution to Equity Partners.

Capital Event Rent: For any Refinancing Event that occurs before the initial Sale Event, the PFC shall receive 15% of the refinancing proceeds, if any, after payment of all debt, closing costs, establishment of reserves, return of all equity capital and the 8% Return to the Equity Partner, and payment of any and all fees owed to Developer or its affiliates, including but not limited to any deferred developer fee, repayment of all Partner loans (including interest thereon), and reimbursement for any amounts paid as a result of guaranteed obligations. On the initial Sale Event, the PFC shall receive 15% of the sale proceeds, after payment of all debt, closing costs, establishment of required reserves, return of all equity capital, and the 8% Return to the Equity Partner, and payment of any and all fees owed to Developer or its affiliates, including but not limited to any deferred developer fee, repayment of all Partner loans (including interest thereon), and reimbursement for any amounts paid as a result of guaranteed obligations. At subsequent Sale Events, the PFC shall receive a payment equal to 2% of the gross sales price. As used herein, "**8% Return**" means an amount sufficient to cause Equity Partner to receive an internal rate of return on the equity capital and partner loans of Equity Partner.

Other Terms:	Tenant's Partnership Agreement will contain such usual and customary terms for limited partnership formed for the acquisition, financing, ownership, development, management, leasing and sale of the Project, including, without limitation, provisions for limitation on transfer of partnership interests, delivery of periodic financial and other reports necessary for securities laws disclaimers, accredited investor representations and compliance under the Development Agreement.
Accumulated Tax Payment:	In the event there is insufficient cash flow to pay the Net Cash Flow Rent to PFC in any given year, it shall accrue and shall be added to the Net Cash Flow Rent for subsequent years ("Accumulated Tax Payment") until paid. Any outstanding Net Cash Flow Rent shall be paid in full at any Capital Event.
PFC Structuring Fee:	PFC, or one of its affiliates, will receive a structuring fee equal to $500,000 at the closing of the Project.
Plans and Specifications:	Each of PFC, Tenant, lenders, and Partners will have the right to review and approve the Plans and Specifications for Project in the design development stage and once they are materially completed, such approval not to be unreasonably withheld or delayed. Once PFC, Tenant, lenders, and Equity Partners have approved the conceptual and/or schematic design for the Project, it may not object to such design Plans and Specifications, unless the subsequent Plans and Specifications materially and adversely affects the design character or value of the Project.
Preferred Return:	Ten percent (10.0%) per annum on the then unreturned balance of capital contributions of the Equity Partners (including Lightpath Partner).
Prerequisites to Closing:	The Parties must be in receipt of a predetermination letter from the Guadalupe County Appraisal District confirming that the Project and Land, as proposed, shall be 100% exempt from ad valorem taxes.
Project:	The Project will be the Land and Improvements to be developed by Developer.
Project Budget:	An initial Project Budget is attached hereto as Exhibit B. The Project Budget will be finalized and approved by all parties to the transaction prior to Closing and will include the proposed sources of funds that will be needed to develop, construct and operate the Project, and the uses on which the funds will be spent. Sources of revenue include, without limitation, rental income, capital contributions and other revenues. Project uses include all reasonable and necessary direct and hard costs incurred in connection with the Project.
Project Financing:	PFC will provide the leasehold estate for the Project to the Tenant Partnership pursuant to the Lease. The Lease will be prepared once the

lenders are identified and will include commercially reasonable provisions required by the lenders, which may include a requirement PFC subordinate its interests in the Project, including the leasehold and fee interests in the Project.

Loans

For the Project, Developer will obtain a senior loan from a senior lender to the Tenant for approximately the amount shown in the Project Budget for development of the Project to be secured by a first-lien deed of trust on the Tenant's leasehold interest in the Project, and a lien on PFC's fee interest in the Project. Developer may also obtain subordinate loans (which may be structured as mezzanine financing) from a subordinate lender for approximately the amount shown in the Project Budget which may be secured by a second-lien deed of trust on the Tenant's leasehold interest, a lien on PFC's fee interest in the Project or partnership interest in the Tenant or Equity Partner.

All construction financing and the related guarantees must be reasonably acceptable to PFC, Developer and the Tenant. PFC, Equity Partners, and Developer will be provided with a right of notice and the right to cure Tenant's defaults for all financings.

Equity

Developer will obtain one or more Equity Partners who will invest approximately the amount shown in the Project Budget. One of the Equity Partners will be Lightpath Partner which will make a contribution of the Land at the Agreed Value, if they have acquired the Land, and a contribution of cash as provided for in the Project Budget. Contributions from the Equity Partners will be contributed to the Tenant, for approximately the amounts shown in the Project Budget. The Partners will be paid from Cash Flow and will at all times be subordinate to the Loans. The Equity Partners will receive a Preferred Return of 10.0% on their contributions and will be repaid their investment from a Capital Event before any "Promote."

Project Term: The "Project Term" is from commencement of Project for a period of 75 years after closing. Two years prior to the end of the Project Term, Tenant shall assist the PFC with evaluating its options upon the end of the Project Term and the reversion of the Project to the PFC. Should the City choose to sell the Project at the end of the Project Term, Tenant shall assist the City in the sale of the Project.

Property: Approximately 15.434 acres for the Project to be built and operated as proposed by this Term Sheet, and shown on the parcel map attached as Exhibit A hereto. The Property will be purchased by PFC in return for pre-paid lease for the Agreed Value. Tenant will retain title to an approximately two (2) acre parcel of land adjacent to the Property which is anticipated to be subject to a future taking by the Texas Department of Transportation. All proceeds from such taking shall be retained by

Tenant.

Representations and Warranties: Those customarily found in credit agreements for asset-based lending transaction of this type and others appropriate to this transaction in the reasonable credit judgment of PFC and Lightpath, subject to limitations and exceptions to be agreed upon.

Sales Tax: PFC will enter into a joint venture with a General Contractor selected by Lightpath and such joint venture shall be responsible to for the purchase of materials for the construction of the Project so that the purchases will be exempt from all sales and use taxes pursuant to Applicable Law. Tenant will pay PFC 25% of the Sales Tax Savings on all construction materials, half of which shall be paid at Closing and the remaining half paid at final certificate of occupancy.

Sales Tax Savings: Means the purchase price of the construction materials purchased by the Contractor, multiplied by the effective tax rate at the time of purchase.

This instrument may be executed in several counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument, and will become effective when counterparts have been signed by each of the parties and delivered to the other party; it being understood that all parties need not sign the same counterpart. The exchange of copies hereof and of signature pages by facsimile transmission (whether directly from one facsimile device to another by means of a dial-up connection or whether mediated by the worldwide web), by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, or by combination of such means, will constitute effective execution and delivery hereof as to the parties and may be used in lieu of the original document for all purposes. Signatures of the parties transmitted by any of the foregoing methods will be deemed to be their original signatures for all purposes.

Signature Pages Follow

Lightpath:	The Lightpath Company, LLC

By: ____
John S. Kirk, Manager

PFC:	Seguin Public Facility Corporation

By: Rick Cortes
Executive Director

EXHIBIT A

Property

EXHIBIT B

Initial Project Budget

DOCID: DOCPROPERTY DOCXDOCID

DMS=IManage

Format=<<LIB>>-#<<NUM>>.<<VER>>

Summary report: **Litera Compare for Word 11.10.1.2 Document comparison done on 1/6/2025 4:18:29 PM**	
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Intelligent Table Comparison: Active	
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