

Dear Rolling V Ranch Residents:

As we near the conclusion of Summer 2025, the Board of Directors (the “Board”) of Rolling V Ranch Water Control and Improvement District No. 1 of Wise County (“District 1”) writes to provide an update regarding the District’s existing and future water supply. In the past two months, the District has activated various drought stages under its Drought Contingency Plan as contractually required pursuant to water supply agreements with the District’s upstream water suppliers, the City of Rhome, Texas, and the Walnut Creek Special Utility District (“WCSUD”). Upstream supply and facility constraints within WCSUD’s water supply system have triggered the need to activate the District’s drought stage responses. The District is aware of the difficulties associated with drought stage activation, and, in conjunction with Rolling V Ranch Water Control and Improvement District No. 3 of Wise County (the “Master District”), which is responsible for the coordination and procurement of regional water supply for each of the Rolling V Ranch districts within its service area from the City of Rhome, along with developers within District 1 and the Master District, is working to procure additional water supply and reduce overall dependency on upstream water suppliers such as Rhome and WCSUD, as further described herein.

Summary

- During the summers of 2024 and 2025 District 1 experienced water supply limitations that were the result of upstream supply and facility constraints within WCSUD’s water supply system which required (by contract) the District to trigger its drought stage responses. These supply constraints were not the result of failures of District 1’s water system or the Master District’s water system, but were caused by the WCSUD system failures.
- The Master District has contracted capacity to serve current development, with capacity equal to (i) 973 living unit equivalents (“LUEs”) available to supply 862 platted/ developed lots (Reunion Phase 1, along with Bluestem Phases 1 and 2) within the portions of the Master District service area and District 1 service area lying within the extraterritorial jurisdiction (“ETJ”) of Rhome. Additionally, the City of Newark is contracted to provide 630 LUEs to supply 630 platted/developed lots within portions of the Master District service area lying within the ETJ of the City of Newark, Texas (“Newark”). The Newark and Rhome systems and water supply sources are completely separate from each other.
- Developers within District 1 cannot receive plat approval from Newark or Rhome for additional phases of lots without evidence of adequate water supply.
- In order to improve reliability and provide a better customer experience the developers are working with District 1 and the Master District to fund construction of additional ground water supply and distribution infrastructure to provide redundant water capacity and reduce dependence on upstream water supply.

- The developers are also working with Newark, Rhome, District 1, and the Master District, and other municipalities and local political subdivisions to secure long-term regional water supply solutions for Wise County.

Existing Water Supply

District 1 is the retail provider of water for all customers within District 2's boundaries and receives wholesale water supply from the Master District through Rhome and Walnut Creek SUD. The Master District receives water supply related to District 1 through a Wholesale Water Supply Agreement (the "RVR Water Agreement") with Rhome. Under the RVR Water Agreement, the Master District currently has reserved capacity equal to 584.8 gallons per minute ("gpm") (or 973 living unit equivalents LUEs). According to The Master District's engineer, the number of platted/developed lots within the Master District's service area within Rhome's extraterritorial jurisdiction ("ETJ") totals 862 (Reunion Phase 1 and Bluestem Phases 1 and 2).

Rhome receives the majority of its wholesale water supply from WCSUD pursuant a Water Services Agreement between Rhome and WCSUD. WCSUD is a regional water provider that receives raw surface water supply from Tarrant Regional Water District ("Tarrant Regional") and treats such water supply at its water treatment plant located on the eastern shore of Lake Bridgeport prior to selling to over 10,000 retail customers along with regional customers, including Rhome. WCSUD receives wholesale raw surface water supply pursuant to that certain Raw Water Supply Contract between Tarrant Regional and WCSUD.

The Master District has also contracted with Newark to provide 630 LUEs (or 378 gpm) of retail surface water supply to the portions of Rolling V Ranch Water Control Improvement District No. 1 of Wise County and Rolling V Ranch Water Control Improvement District No. 4 of Wise County located within Newark's ETJ and certificated service area (the "Newark Service Area"). According to the Master District's engineer, the number of platted and/or developed lots within the Master District's service area within Newark's Service Area totals 630. The portion of District 1 located south of Prairie View Elementary where K Hovnanian is building 173 lots in Reunion Phase 3 and 4 is anticipated to receive water service from Newark.

Use of Existing Water Supply to Serve Future Development

Development within the Master District's service area, including District 1, is subject to the subdivision and plat regulations of Newark and Rhome, as applicable, as well as development agreements with Newark and Rhome. Both Newark and Rhome condition approval of plats for new phases of development on the availability of sufficient water supply to serve the lots proposed for development in such plats. *See Sections 10A-4.2 and 10A-4.3, City of Newark Code of Ordinances; Section 10.08.003(a), City of Rhome Code of Ordinances.* According to District 3's engineer, the total water capacity currently reserved to the Master District totals 962.8 gpm. Pursuant to the Texas Commission on Environmental Quality ("TCEQ") rules, which require 0.6 gpm per LUE, such capacity is sufficient to serve 1,603 LUEs, which is adequate to serve the 1492 lots currently platted/developed within the Master District's service area.

In addition to requirements for adequate water supply imposed by Rhome and Newark, District 1 and the Master District understand that their primary developers, PMB Rolling V Land, LP, and its development affiliates (collectively, “PMB”), have committed not to seek plat approval for any new phases of development, and/or connection of such phases to the Master District or the District 1 water systems, until such phases may be accommodated by additional sources of water supply.

Improvements to Existing Water Supply

District 1 understands that WCSUD is aware of the downstream water supply constraints resulting from the condition of WCSUD’s water system and is actively working on several improvements to the WCSUD water system. Such improvements include, without limitation, (i) expanded water treatment capacity within WCSUD’s water treatment plant, (ii) the addition of 5 million gallons of water storage capacity, (iii) replacement of water pumps as necessary to increase water transmission capacity, and (iv) replacement of existing water transmission lines with new, larger-diameter lines as necessary to increase water transmission capacity. Some or all of these projects began construction in early 2024 and are being funded through the use of bond proceeds received from WCSUD’s September 25, 2023, sale of \$40,000,000 in water system revenue bonds. Additional information about WCSUD’s ongoing system improvement projects may be found at the following link: <https://walnutcreeksud.org/bond-projects>. Completion of these projects may enable WCSUD, and consequently, Rhome, to consistently deliver water supply to the Master District and District at normal levels and pressure.

Master District Procurement of Additional Groundwater Supply

On July 18, 2024, as part of its efforts to establish an additional supply of water capacity available to District 1, the Master District obtained approval from the Upper Trinity Groundwater Conservation District for the construction and operation of eight (8) groundwater wells (the “Water Well Project”). Construction of all wells has been completed and all well sites have been tested measuring flow capacity, and fulfill other requirements required to connect to Districts 1’s existing water system. Based on completed flow tests, the groundwater supply available from the Water Well Project is anticipated to provide approximately an additional 650 gpm (or an additional 1,083 LUEs) available to serve new development within the Master District’s service area or to serve as redundant capacity available to existing development in the event of future upstream surface water supply constraints.

The Master District also commenced the construction of two new water treatment plants (along with 530,000 gallons of associated water storage capacity) on April 10, 2025, and expects such facilities to be completed and operational in 2026.

Two of the above-mentioned ground water wells are anticipated to be connected to the Master District system and the District 2 system in the coming months, pending TCEQ approval of such connection, and will result in the immediate availability of additional water capacity, which will serve in the interim as redundant capacity available to existing development within the

Master District service area, until all 8 wells are connected to the Master District's system. The remaining groundwater wells, water treatment plants, and water storage facilities are anticipated to be connected to the Master District system in 2026, and upon completion, will provide the Master District with a total water supply capacity of 1,612.8 gpm (or 2,688 LUEs). The Master District may also continue to supplement its water supply capacity with additional ground water well supply subject to permitting requirements by the Upper Trinity Groundwater Conservation District.

Broader Community Water Procurement Efforts

District 1 and the Master District, along with PMB, are working with Rhome and Newark to identify opportunities to partner on additional water storage infrastructure that would benefit their respective service areas. In addition, District 2 and the Master District, along with PMB, are working with WCSUD, Rhome, Newark, as well as other municipalities, to secure regional water supply solutions, and are all participating in efforts to form the West Fork Public Utility Agency, a proposed new regional water agency that would be charged with securing, treating, and distributing reliable, long-term surface water supply to users within Wise County.

The Board appreciates your patience and is working diligently with the Master District and PMB to supplement existing contractual water supply and ensure reliable water service to District residents. If you have any questions, please contact the District's water operator, at 281-579-4500.

Thank you,

Powell Snelling

President, Board of Directors,

Rolling V Ranch Water Control and
Improvement District No. 1 of Wise County