

*Please attach this Supplement to the copies of the Official Statement in your possession and forward copies to the parties to whom you have previously delivered copies of such Official Statement.*

**SUPPLEMENT DATED AUGUST 25, 2022**

**TO**

**OFFICIAL STATEMENT DATED AUGUST 4, 2022**

**Relating to the issuance of:**

**\$6,350,000**

**BROOKFIELD WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY**  
*(A political subdivision of the State of Texas located within Denton County)*  
**UNLIMITED TAX ROAD BONDS, SERIES 2022**

**This Supplement to Official Statement, dated August 25, 2022 (the “Supplement”), is provided to update certain information contained in the Official Statement, dated August 4, 2022 (the “Official Statement”) to supplement the Official Statement cover page, replace the TAX MATTERS – Opinion section of the Official Statement, and replace APPENDIX C – Form of Bond Counsel’s Opinion of the Official Statement.**

**With the attached updated information, potential investors must review this Supplement in conjunction with the entire Official Statement. All terms not defined in this Supplement shall have the meanings set forth in the Official Statement.**

**The information contained in this Supplement is subject in all respects to the more complete information in the Official Statement, to the extent that such information is not otherwise amended or supplemented hereby. Except as amended or supplemented hereby, the Official Statement shall remain in effect. This Supplement should be affixed to all copies of the Official Statement.**

## **Official Statement Cover Page**

The second paragraph of the Official Statement cover page is replaced with the following language.

*“In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the Issuer (defined herein) after the date of initial delivery of the Bonds described below (the “Bonds”) with certain covenants contained in the Order (defined below) authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See “TAX MATTERS” herein.”*

## **Page 41 – TAX MATTERS – Opinion**

The following sentence replaces the first paragraph under TAX MATTERS – Opinion.

*“Winstead PC, Dallas, Texas, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See APPENDIX C – Form of Bond Counsel’s Opinion.”*

## **APPENDIX C – Form of Bond Counsel’s Opinion**

The third paragraph on page 2 of the Form of Bond Counsel Opinion attached as APPENDIX C to the Official Statement is replaced with the following language.

*“5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.”*

\* \* \*

**OFFICIAL STATEMENT DATED AUGUST 4, 2022**

**This Official Statement is subject to completion and amendment, and is intended solely for the purpose of soliciting initial bids on the Bonds (defined below). Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser (defined below).**

*In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (defined herein) after the date of initial delivery of the Bonds described below (the "Bonds") with certain covenants contained in the Order (defined below) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. (see "TAX MATTERS" herein).*

**THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**Rating:**  
**S&P: "AA"/BAM Insured**  
 (see "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Rating" and "BOND INSURANCE" herein)

**\$6,350,000**

**BROOKFIELD WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY**  
*(A political subdivision of the State of Texas located within Denton County)*

**UNLIMITED TAX ROAD BONDS, SERIES 2022**

Dated: August 15, 2022

Due: September 1, as shown below

The \$6,350,000 Unlimited Tax Road Bonds, Series 2022 (the "Bonds") are obligations solely of Brookfield Water Control and Improvement District of Denton County (the "District") and are not obligations of the State of Texas, Denton County, Texas, the City of Fort Worth, Texas, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. INVESTMENT IN THE BONDS IS SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrars, initially, UMB Bank, N.A., in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from August 15, 2022 (the "Dated Date") and will be payable on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds is payable on each March 1 and September 1, commencing March 1, 2023, until maturity or prior redemption. The Bonds will be issued only in fully registered form in principal denominations of \$5,000 or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity, as shown below.

The Bonds will be registered and delivered only in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

**MATURITY SCHEDULE**

					CUSIP Prefix: 112898 <sup>(a)</sup>				
Maturity Amount	Maturity (September 1)	Interest Rate	Initial Yield <sup>(c)</sup>	CUSIP Suffix <sup>(a)</sup>	Maturity Amount	Maturity (September 1)	Interest Rate	Initial Yield <sup>(c)</sup>	CUSIP Suffix <sup>(a)</sup>
\$ 145,000	2024	6.750%	2.100%	AA9	\$ 210,000	2032 <sup>(b)</sup>	4.000%	3.200%	AJ0
150,000	2025	6.500%	2.250%	AB7	220,000	2033 <sup>(b)</sup>	4.000%	3.300%	AK7
160,000	2026	6.500%	2.400%	AC5	230,000	2034 <sup>(b)</sup>	4.000%	3.400%	AL5
165,000	2027	6.500%	2.550%	AD3	245,000	2035 <sup>(b)</sup>	4.000%	3.500%	AM3
175,000	2028	6.500%	2.700%	AE1	255,000	2036 <sup>(b)</sup>	4.000%	3.600%	AN1
180,000	2029 <sup>(b)</sup>	4.000%	2.850%	AF8	270,000	2037 <sup>(b)</sup>	4.000%	3.700%	AP6
190,000	2030 <sup>(b)</sup>	4.000%	3.000%	AG6	285,000	2038 <sup>(b)</sup>	4.000%	3.800%	AQ4
200,000	2031 <sup>(b)</sup>	4.000%	3.100%	AH4	295,000	2039 <sup>(b)</sup>	4.000%	3.900%	AR2

\$1,340,000 4.000% Term Bond due September 1, 2043(b)(d) at a Price of 100.000% to Yield 4.000%(c) - CUSIP No. AV3(a)

\$1,635,000 4.000% Term Bond due September 1, 2047(b)(d) at a Price of 99.218% to Yield 4.050%(c) - CUSIP No. AZ4(a)

- (a) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (b) Bonds maturing on and after September 1, 2029, are subject to redemption at the option of the District prior to their maturity dates in whole or from time to time in part, on September 1, 2028, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."
- (c) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first optional redemption date. Accrued interest is to be added to the price.
- (d) Subject to mandatory sinking fund redemption. See "THE BONDS – Redemption Provisions – Mandatory Redemption."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" herein.



The Bonds are offered by the winning bidder for the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Winstead PC, Dallas, Texas, Bond Counsel. Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel to the District. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about September 6, 2022.

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**DISTRICT LOCATION MAP**

**PHOTOGRAPHS OF THE DISTRICT**

**APPENDIX A** – Annual Financial Report of the District for the year ended July 31, 2021

## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas, 75201.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser (as herein defined) and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

## SALE AND DISTRIBUTION OF THE BONDS

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") paying the interest rates shown on the cover page hereof, at a price of 97.000406% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.272080%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

## **Securities Laws**

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **Municipal Bond Insurance**

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM supplied by BAM and presented under the heading “BOND INSURANCE” and “Appendix D - Specimen Municipal Bond Insurance Policy”.

## **Municipal Bond Rating**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), has assigned its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price or marketability of the Bonds.

*(Continues on following page.)*

## OFFICIAL STATEMENT SUMMARY

**The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.**

### THE DISTRICT

*Description...*

In an order dated April 19, 2007, the Texas Commission on Environmental Quality (the “TCEQ”), pursuant to a Petition of Boa Sorte Limited Partnership, Rio Claro, Inc., JTLD Investments LLLP, and Mt. Baldy Limited Partnership, granted the creation of South Denton Water Control and Improvement District No. 1 (“WCID No. 1”) pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 51, Texas Water Code. The WCID No. 1 was created by the TCEQ to provide water supply and distribution facilities, wastewater collection and treatment facilities, and drainage improvements within the district’s area which covers 231.59 acres. On October 2, 2015, WCID No. 1, after due notice and hearing, converted to a fresh water supply district operating under Chapter 53, Texas Water Code. At an election held on May 7, 2016, the qualified electors of the WCID No. 1 granted to WCID No. 1 the rights, authority, privileges and functions of a road district under Article III, Section 52(b)(3) of the Texas Constitution; and the powers to purchase, construct, acquire, own and operate, repair, improve and extend sanitary sewer systems in accordance with the Texas Constitution and laws of the State of Texas, including particularly (but by no way of limitation) Section 53.121(b) of the Texas Water Code, as amended. In an order dated October 20, 2016, the TCEQ approved WCID No. 1’s request to change its name from South Denton Water Control and Improvement District No. 1 to Brookfield Fresh Water Supply District No. 1 (“FWSD No. 1”). On August 2, 2019, FWSD No. 1, after due notice and hearing, converted back to a water control and improvement district operating under Chapter 51, Texas Water Code, retaining its road powers. In an order dated August 4, 2020, the TCEQ approved the addition of drainage powers under Sections 51.331 through 51.332 of the Texas Water Code to the FWSD No. 1. In an order dated June 15, 2021, the TCEQ approved FWSD No. 1’s request to change its name from Brookfield Fresh Water Supply District No. 1 to Brookfield Water Control and Improvement District of Denton County (the “District”). The District currently operates under Chapters 49, 51 and 53 of the Texas Water Code, as amended.

*Location...*

The District encompasses approximately 231.59 acres and is located north of State Highway 114 in southwestern Denton County approximately 1 mile east of the Wise County line. The District is approximately 7 miles east of the City of Rhome and 27 miles of the central downtown business district of the City of Fort Worth, Texas. The District is located wholly within the extraterritorial jurisdiction of the City of Fort Worth. The District is located within the Northwest Independent School District.

*The Developer...*

DRH – HWY 114, LLC (the “Developer”), a Texas limited liability company is the primary developer of land within the District. The Developer is managed by D.R. Horton – Texas, Ltd. a Texas limited partnership. D.R. Horton – Texas, Ltd. is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange.

Brookfield Acquisitions, L.P., the original developer of the District, conveyed an approximately 7.349 acre tract of land bordering Highway 114, which was intended for commercial use, to 15306 HWY 114 LLC in December 2020. Brookfield Acquisitions, L.P. no longer owns land within the District.

*Status of Development...*

The District is currently being developed as Liberty Trails (a single-family residential development) by DRH – HWY 114, LLC. Completed development currently consists of approximately 10.105 acres of Liberty Trails Phase 1A (50 single-family residential lots), approximately 31.895 acres Liberty Trails Phase 1B (163 single-family residential lots), approximately 23.144 acres Liberty Trails Phase 2 (137 single-family residential lots) and approximately 27.239 acres Liberty Trails Phase 3 (155 single-family residential lots). Offsite water and wastewater improvements to serve the District have also been completed.

Liberty Trails Phase 4 and Phase 5 utilities are currently under construction on approximately 50.764 acres (135 and 144 single-family residential lots, respectively).



Amenities completed within the District include a club house, a swimming pool, paved sidewalks and a fishing pond.

No development has occurred on land intended for commercial use.

See “THE DISTRICT—Land Use—Status of Development.”

*Homebuilders...*

Homebuilding in the District is currently being conducted by D.R. Horton Express Homes, a homebuilder subsidiary of D.R. Horton, Inc. As of June 30, 2022, D.R. Horton Express Homes had completed 350 homes (including 2 model homes) and had 141 homes under construction in Liberty Trails Phases 1A, 1B, 2 and 3.

New homes floor plans range from 1,450 sq. ft. to 2,772 sq. ft., and new home prices range from \$311,000 to \$427,000 according to D.R. Horton Express Homes.

As of June 30, 2022, there were no other homebuilders active within the District.

*Infectious Disease  
Outbreak (COVID-19)...*

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

*(Continues on following page.)*

## THE BONDS

<i>Description...</i>	<p>\$6,350,000 Unlimited Tax Road Bonds, Series 2022 (the “Bonds”) are being issued as fully registered bonds pursuant to an order (the “Bond Order”) authorizing the issuance of the Bonds adopted on the date of the sale of the Bonds by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature on the dates and in the principal amounts and pay interest at the rates shown on the cover page hereof. The Bonds will be issued in book-entry form only in principal denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from August 15, 2022 and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. See “THE BONDS” and “BOOK-ENTRY-ONLY SYSTEM.”</p>
<i>Redemption...</i>	<p>Bonds maturing on and after September 1, 2029 are subject to redemption in whole or from time to time in part, at the option of the District, prior to their maturity dates on September 1, 2028, and on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”</p>
<i>Use of Proceeds...</i>	<p>Proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction of road improvements. Bond proceeds will also be used to finance 12 months of capitalized interest at the net effective interest rate and pay certain costs related to the issuance of the Bonds. See “THE BONDS – Purpose” and “ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS.”</p>
<i>Authority for Issuance...</i>	<p>The Bonds are issued pursuant to the Bond Order adopted on August 4, 2022 by the Board, the Texas Constitution and the general laws of the State of Texas, and an election held within the boundaries of the District. See "THE BONDS—Authority for Issuance." At elections held within the District on May 1, 2021, voters authorized a total of \$172,005,000 of unlimited tax bonds, consisting of \$91,050,000 for road purposes (the “Road Bonds”) and \$80,955,000 for water, sewer, and drainage purposes (the “Utility Bonds”). After the issuance of the Bonds, the District will have \$84,700,000 in Road Bonds and \$80,955,000 in Utility Bonds authorized but unissued. Voters in the District have also authorized \$113,812,500 in bonds for the purpose of refunding Road Bonds and \$101,193,750 in bonds for the purpose of refunding Utility Bonds. See "THE BONDS—Issuance of Additional Debt."</p>
<i>Source of Payment...</i>	<p>Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Fort Worth, Texas, Denton County, Texas, the State of Texas or any entity other than the District. See “THE BONDS—Source and Security for Payment.”</p>
<i>Outstanding Bonds...</i>	<p>The District has no bonds outstanding. The Bonds are the District’s first series of unlimited tax road bonds. The District has not issued unlimited tax utility bonds.</p>
<i>Payment Record...</i>	<p>The District has no bonds outstanding. The Bonds are the District’s first series of unlimited tax bonds. See “THE BONDS—Authority for Issuance.”</p>
<i>Qualified Tax-Exempt Obligations...</i>	<p>The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS.”</p>
<i>Municipal Bond Rating</i>	<p>The District did not apply for an underlying municipal bond rating. S&amp;P Global Ratings, a business unit of Standard &amp; Poor’s Financial Services LLC (“S&amp;P”), has assigned its municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM (see “SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Rating”).</p>

<i>Municipal Bond Insurance</i>	The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" herein."
<i>Bond Counsel...</i>	Winstead PC, Dallas, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
<i>General Counsel...</i>	Winstead, PC, Dallas, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton, L.L.P., Dallas, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Financial Advisor...</i>	Hilltop Securities Inc., Dallas, Texas. See "MANAGEMENT OF THE DISTRICT" and "PREPARATION OF OFFICIAL STATEMENT – Financial Advisor."
<i>Engineer...</i>	Pape-Dawson Engineers, Inc., Fort Worth, Texas. See "MANAGEMENT OF THE DISTRICT."
<i>Paying Agent/Registrar...</i>	UMB Bank, N.A., Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

### **RISK FACTORS**

**THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."**

*(Continues on following page)*

## SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022 Certified Estimate of Net Taxable Assessed Valuation	\$ 72,392,540 <sup>(1)</sup>
Direct Debt:	
Outstanding Bonds (road and utility bonds combined)	\$ -
The Bonds	6,350,000
Total Direct Debt	\$ 6,350,000
Estimated Overlapping Debt	\$ 963,068 <sup>(2)</sup>
Total Direct Debt and Estimated Overlapping Debt	\$ 7,313,068
Ratio of Direct Debt to:	
2022 Certified Net Taxable Assessed Valuation	8.77%
Ratio of Direct Debt and Estimated Overlapping Debt to:	
2022 Certified Net Taxable Assessed Valuation	10.10%
Average Annual Debt Service Requirement (2023-2047)	\$ 418,140
Maximum Annual Debt Service Requirement (2047)	\$ 457,600
Tax Rate Required to Pay Average Annual Debt Service (2023-2047) at a 98% Collection Rate Based upon the 2022 Certified Net Taxable Assessed Valuation	
	\$ 0.5894
Tax Rate Required to Pay Maximum Annual Debt Service (2026) at a 98% Collection Rate Based upon the 2022 Certified Net Taxable Assessed Valuation	
	\$ 0.6450
General Fund Balance as of 8/4/2022	\$ 69,166 <sup>(3)</sup>
Capital Projects Fund Balance as of 8/4/2022	\$ -
Road Debt Service Fund Balance as of 8/4/2022	\$ - <sup>(4)</sup>
Utility Debt Service Fund Balance as of 8/4/2022	\$ -
2021 District Tax Rate (per \$100 Assessed Valuation) <sup>(5)</sup>	
Road Debt Service	\$ -
Utility Debt Service	-
Maintenance and Operations	0.8775
Total Tax Rate	\$ 0.8775
Status of Estimated Home Construction as of June 30, 2022 <sup>(6)</sup>	
Vacant Finished Lots	14
Single Family Homes Completed (including 2 models)	350
Single Family Homes Under Construction	141

(1) As provided by Denton Central Appraisal District on July 25, 2022. Includes \$69,469,418 not under protest. See "TAXING PROCEDURES."

(2) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) - Estimated Overlapping Debt and Taxes."

(3) See "RISK FACTORS - Operating Funds."

(4) Any funds in the Road Bonds Debt Service fund are pledged only to pay the debt service on the Bonds and any additional road bonds. Neither Texas law nor the Bond Order require the District to maintain any minimum balance in the Road Bond Debt Service Fund. Upon delivery of the Bonds, the District will deposit the accrued interest from the Dated Date to the Delivery Date in the Road Bond Debt Service Fund. Additionally, upon delivery of the Bonds, the District will deposit 12 months of capitalized interest calculated at the net effective interest rate in the Road Bond Debt Service Fund. The District anticipates levying its first road debt service tax on September 2, 2022 at \$0.6170 per \$100 of assessed valuation.

(5) See "TAX DATA." The District adopted an \$0.8775 tax rate for Tax Year 2021 in September 2021. The tax rate consists entirely of a maintenance and operations tax rate of \$0.8775. Upon issuance of the Bonds, the District will establish a separate Road Bond Debt Service Fund. Taxes deposited to the Road Bond Debt Service Fund cannot be used to pay debt service on other District obligations that are not the Bonds or future road bonds. The District expects to adopt an \$0.8775 tax rate for Tax Year 2022 on September 2, 2022; including a \$0.2605 tax rate for maintenance and operations and a \$0.6170 tax rate for road bond debt service.

(6) As reported by the Developer.

## OFFICIAL STATEMENT

**\$6,350,000**

### **BROOKFIELD WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY**

*(A political subdivision of the State of Texas located within Denton County)*

### **UNLIMITED TAX ROAD BONDS**

#### **SERIES 2022**

This Official Statement provides certain information in connection with the issuance by Brookfield Water Control and Improvement District of Denton County (the “District”) of its \$6,350,000 Unlimited Tax Road Bonds, Series 2022 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including Chapters 49, 51 and 53 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”), adopted on the date of the sale of the Bonds by the Board of Directors of the District (the “Board”), and an election held within the District on May 1, 2021.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Winstead PC, General Counsel, 2728 N. Harwood Street, Suite 500, Dallas, Texas, 75201.

## **RISK FACTORS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Fort Worth, Texas; Denton County, Texas; the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS—Source and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

### **Economic Factors and Interest Rates**

A substantial percentage of the taxable value of the District results from the current market value of undeveloped land and of developed lots which are currently being marketed by D.R. Horton Express Homes for sale to future homeowners for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

### **Credit Markets and Liquidity in the Financial Markets**

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 27 miles from the central downtown business district of the City of Fort Worth, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Fort Worth metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City of Fort Worth, Texas and the nation could adversely affect development and home-building plans in the District and restrain the growth of or reduce the value of the District’s property tax base.

## **Competition**

The demand for and construction of single-family homes in the District, which is 27 miles from downtown Fort Worth, Texas, could be affected by competition from other residential developments including other residential developments located in the vicinity of the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Fort Worth, Texas. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the developers in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the developers will be implemented or, if implemented, will be successful.

## **Development and Home Construction in the District**

As of June 30, 2022, approximately 14 developed lots within the District remained vacant, 141 homes were under construction and 350 had been completed including 2 homes serving as models. Failure of builders to construct taxable improvements on developed lots could result in increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and the contractual obligations of the District. Future increases in value will result primarily from the construction and sale of homes by builders. See “THE DEVELOPER—Homebuilders.”

## **Dependence on Significant Taxpayers**

The Developer is currently a significant taxpayer within the District. Top taxpayers information for tax year 2022 is currently not available as per the Denton Central Appraisal District. Based on the 2021 certified tax rolls, the Developer and its affiliates were responsible for approximately 82.94% of the District’s 2021 taxes. The Developer is expected to be responsible for and own a smaller portion of the District’s taxable assessed value in tax year 2022 and future years. The ability of any significant taxpayer, such as the Developer, to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, one or more significant taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Order, nor is it required by Texas law, to maintain any particular balance in its Road Bond Debt Service Fund (defined herein) or any other funds to allow for any such delinquencies. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. Therefore, failure by one or more significant taxpayers to pay their taxes on a timely basis in amounts in excess of the District’s available funds could have a material adverse effect upon the District’s ability to pay debt service on the Bonds on a current basis. In addition, for so long as the District’s tax base continues to be concentrated in a relatively small number of taxpayers, the willingness and ability of such taxpayers to pay maintenance taxes and to make future operating advances may affect the flow of funds into the District’s General Fund.

## **Undeveloped Acreage/Vacant Lots**

There are approximately 58.113 developable acres of land within the District (not including the 92.383 acres already developed by the Developer for construction of 505 single-family residential lots) that have not been fully provided with water, wastewater and storm drainage facilities and roads. The Developer is currently undertaking the development of Liberty Trails Phase 4 and Phase 5 for an additional 135 and 144 single-family lots, respectively, on approximately 50.764 acres within the District. The District makes no representation as to when or if development of undeveloped acreage will occur. As of June 30, 2022, there were 14 vacant developed lots. See “THE DISTRICT—Land Use.”

Brookfield Acquisitions, L.P., the original developer of the District, conveyed an approximately 7.349 acre tract of land bordering Highway 114, which was intended for commercial use, to 15306 HWY 114 LLC in December 2020. No development has occurred on land intended for commercial use. Brookfield Acquisitions, L.P. no longer owns land within the District.

## **Overlapping Debt and Taxes**

The District cannot predict and has no control over future debt and tax plans of the overlapping jurisdictions. – See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Estimated Overlapping Debt and Taxes.” There can be no assurances that the composite of the tax rates imposed by all jurisdictions on property in the District will be competitive with the composite of the tax rates imposed on competing projects in the Denton and Wise Counties area. To the

extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. After issuance of the Bonds, the average annual debt service requirement is \$418,140 (2023 through 2047) and the maximum annual debt service requirement is \$457,600 (2047). The 2022 certified estimate of taxable assessed valuation of the District is \$72,392,540. Assuming no increase or decrease from the 2022 certified estimate of assessed valuation and no use of funds other than tax collections, a tax rate of \$0.5894 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the average annual debt service requirement and a tax rate of \$0.6450 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the maximum annual debt service requirement (see "DEBT AND FINANCIAL INFORMATION – Estimated Debt Service Requirements"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2022 certified estimate of taxable assessed valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event significant taxpayers do not timely pay their District taxes. Any increase in taxable values depends on the continuing construction and sale of homes and other taxable improvements within the District. See "TAXING PROCEDURES" and "TAX DATA-Tax Adequacy for Debt Service."

### **Landowners/Developer/Homebuilders Under No Obligation to the District**

There are no commitments from or obligations of the Developers or homebuilders within the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers and the other landowners for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such condition may have on their ability to pay taxes. See "THE DEVELOPER."

### **Operating Funds**

The District's only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District levied a 2021 maintenance tax of \$0.8775 per \$100 of taxable assessed valuation. The District's general fund balance as of August 4, 2022 was \$69,166. The revenue produced from a \$0.2605 maintenance tax in 2022, expected to be adopted on September 2, 2022, or a reduced maintenance tax rate in subsequent years may not be sufficient to offset the operating expenses of the District. The District expects to levy its initial debt service tax in 2022. Continued maintenance of positive general fund balance may depend upon (1) cash subsidies from the Developer and (2) continued development and increased amounts of maintenance tax revenue. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

### **Tax Collections Limitations and Foreclosure Remedies**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Estimated Overlapping Debt and Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

## **Registered Owners' Remedies and Bankruptcy Limitations**

The Bond Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Registered Owners upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Statutory language authorizing local governments such as the District to sue or be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy code ("Chapter 9"). Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Registered Owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. The District may not be forced into bankruptcy involuntarily.

## **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, unlimited tax utility bonds and unlimited tax road bonds, and to borrow for any valid corporate purpose. Pursuant to an election held on May 1, 2021, the District electors authorized a total of \$80,955,000 principal amount of unlimited tax bonds for water, sewer and drainage facilities ("Utility Bonds"), and \$91,050,000 principal amount of unlimited tax bonds for roads ("Road Bonds"). The District is also authorized to issue unlimited tax refunding bonds in an amount equal to \$101,193,750 for the purpose of refunding Utility Bonds and \$113,812,500 for the purpose of refunding Road Bonds, including the Bonds. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation and tax anticipation notes. After issuance the Bonds, the District will have \$84,700,000 unlimited tax bonds for road facilities authorized but unissued and \$80,955,000 of unlimited tax bonds for water, wastewater and storm drainage facilities authorized but unissued. The District believes that such remaining authorization of unlimited tax bonds for water, wastewater, storm drainage, and roads purposes will be sufficient to finance improvements for the remainder of the District. See "THE BONDS—Issuance of Additional Debt." In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See "THE BONDS—Authority for Issuance." The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

Pursuant to developer financing agreements, prior to the issuance of the Bonds, the District owes the Developer approximately \$21,710,000 plus interest for engineering and construction of water, wastewater and storm drainage facilities and roads and related improvements. After the issuance of the Bonds the remaining balance owed to the Developer by the District will be approximately \$16,457,000. The District expects to issue additional bonds to reimburse the Developer and to finance water, wastewater, storm drainage facilities, and roads to serve the remaining 58.113 undeveloped acres within the District when feasible from time-to-time in order to fully develop the District.

The District may also issue additional bonds to finance a water irrigation system, as well as to pay for certain drainage and erosion control projects. The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or



otherwise to limit the amount of bonds which may be issued but currently must comply with formulas promulgated by the Attorney General of the State of Texas (the "Attorney General") with regard to bonds issued for road purposes, and the Texas Commission on Environmental Quality ("TCEQ"), with regard to bonds issued for water, sanitary sewer and drainage purposes, pertaining to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. The total amount of bonds and other obligations of the District issued for road purposes, together with the District's proportionate amount of overlapping road debt, may not exceed one-fourth of the assessed valuation of the real property in the District. All bonds issued by the District must be approved by the Attorney General of the State of Texas. With certain limited exceptions, any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the TCEQ. See "THE BONDS—Authority for Issuance—Issuance of Additional Debt."

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the City of Fort Worth; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

### **Environmental Regulations**

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state, and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### **Infectious Disease Outbreak – COVID-19**

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19.

Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

### **Dependence on the Oil and Gas Industry**

Recently, unprecedented volatility in the oil and gas industry due to the unused supply of oil as a result of COVID-19 stay-at-home orders and other mitigation efforts resulted in historic low prices in a key segment of the nation's oil trading. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of taxpayers and the property values in the District, resulting in less local tax revenue. See "RISK FACTORS – Infectious Disease Outbreak – COVID-19." Texas may be particularly at risk from any global slowdown in the oil and gas industry, given the prevalence of international trade in Texas and the risk of contraction in the oil and gas industry and spillover effects into other industries. Should oil prices remain depressed over a long period of time or other adverse developments in economic conditions were to occur, particularly in the oil and gas industry, these businesses could be adversely impacted.

### **Marketability of the Bonds**

The District has no understanding with the initial purchaser of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

### **Extreme Weather Events**

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, freeze, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See "LEGAL MATTERS" and "TAX MATTERS."

## **THE BONDS**

### **General**

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bond Order will authorize the issuance and sale of the Bonds and prescribe the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

### **Description**

The Bonds will be dated and accrue interest from August 15, 2022, with interest payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until maturity or prior redemption. Interest will be payable on the basis of a 360-day year of twelve 30-day months. The Bonds mature on September 1 in each of the years and in

the amounts, and pay interest at the rates, shown on the cover page hereof. The Bonds will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”), in its nominee name of Cede & Co., pursuant to the book-entry system described herein. See “BOOK-ENTRY-ONLY SYSTEM.”

### **Authority for Issuance**

At an election held within the District on May 1, 2021, voters of the District authorized the issuance of \$91,050,000 principal amount of unlimited tax bonds for purposes of providing roadways and the Bonds are issued pursuant to such authorization.

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas including Chapters 49, 51 and 53 of the Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”), adopted on the date of the sale of the Bonds by the Board of Directors of the District (the “Board”), and an election held within the District on November 2, 2021.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

### **Source and Security for Payment**

The Bonds and any additional unlimited tax road bonds issued in the future, will be payable from and secured by a pledge of the proceeds of an annual road ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. The District may also levy a separate annual utility ad valorem tax, without legal limitation as to rate or amount, upon all taxable property located within the District for the payment of unlimited tax utility bonds. Taxes collected and deposited to the road bond debt service fund cannot be used to pay debt service on unlimited tax utility bonds. Likewise, taxes collected and deposited to the utility bond debt service fund cannot be used to pay debt service on the Bonds or any future road bonds. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations of the District and are not obligations of the City of Fort Worth, Texas, Denton County, Texas, the State of Texas or any entity other than the District.

### **Outstanding Bonds**

The District has no bonds outstanding. The Bonds are the District’s first series of unlimited tax road bonds. The District has not issued unlimited tax utility bonds.

### **Funds**

The Bond Order creates a Series 2022 Road Capital Projects Fund (the “Construction Fund”) and a Series 2022 Road Debt Service Fund (the “Road Bond Debt Service Fund”). Accrued interest and twelve months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Road Bond Debt Service Fund. All remaining proceeds of the Bonds will be deposited in the Construction Fund or used to pay costs of issuance. The Road Bond Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds. Amounts on deposit in the Road Bond Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar (as herein defined), to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds. The District currently does not have a separate utility bond debt service fund for the payment of debt service on unlimited tax utility bonds

### **Redemption Provisions**

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2028, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District, provided that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed shall be selected by the Paying Agent/Registrar from the Bonds which have not previously been called for redemption, by lot or other customary method of random selection. However, if during any period in which ownership of the Bonds is determined only by a book entry at a securities depository, if fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected in accordance with arrangements between the District and the securities depository. See “BOOK-ENTRY-ONLY SYSTEM.”

*Mandatory Redemption:* The Bonds maturing on September 1, in the years 2043 and 2047 (the “Term Bonds”) are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption:

<u>Term Bonds Due September 1, 2043</u>		<u>Term Bonds Due September 1, 2047</u>	
<u>Redemption Date</u>	<u>Principal Amounts</u>	<u>Redemption Date</u>	<u>Principal Amounts</u>
September 1, 2040	\$310,000	September 1, 2044	\$380,000
September 1, 2041	\$325,000	September 1, 2045	\$400,000
September 1, 2042	\$345,000	September 1, 2046	\$415,000
September 1, 2043 (maturity)	\$360,000	September 1, 2047 (maturity)	\$440,000

The Paying Agent/Registrar shall select by lot the Term Bonds within the applicable stated maturity to be redeemed. Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with money in the Road Debt Service Fund at a price no exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bond or portions thereof so redeemed shall no longer be regarded as outstanding except for purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

**Method of Payment of Principal and Interest**

The Board has appointed UMB Bank, N.A., having a designated payment office in Dallas, Texas, as the initial paying agent/registrar for the Bonds (the “Paying Agent/Registrar.”). The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.” Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year. The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such payment date.

**Registration and Transfer**

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners’ income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.” So long as any Bonds remain outstanding, the District will maintain at least one Paying Agent/Registrar in the State of Texas for the purpose of maintaining the bond register on behalf of the District.

**Replacement of Paying Agent/Registrar**

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar’s records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be either a duly qualified and competent bank or trust company organized under the laws of the State of Texas.

## **Legal Investment and Eligibility to Secure Public Funds in Texas**

The following is an excerpt of Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) authorizes bonds of the District (including the Bonds) to be eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

## **Issuance of Additional Debt**

The District expects to issue additional bonds to finance road and water, wastewater and storm drainage facilities as soon as feasible and from time-to-time in order to fully reimburse the Developer for advances made by the Developer to construct roads and water, wastewater, and storm drainage facilities. The District’s voters have authorized the issuance of a total of \$80,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities, and \$91,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and could authorize additional amounts. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to \$101,193,750 for the purpose of refunding Utility Bonds and \$113,812,500 for the purpose of refunding Road Bonds, including the Bonds. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation and tax anticipation notes. After issuance of the Bonds, the District will have \$84,700,000 unlimited tax bonds authorized but unissued for road facilities and \$80,955,000 of unlimited tax bonds authorized but unissued for water, wastewater and storm drainage purposes. See “RISK FACTORS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. The District does not employ any formula with respect to the issuance of additional bonds, but currently must comply with formulas promulgated by the Attorney General of the State of Texas (the "Attorney General") with regard to bonds issued for road purposes, and the Texas Commission on Environmental Quality (“TCEQ”), with regard to bonds issued for water, sanitary sewer and drainage purposes, pertaining to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. The total amount of bonds and other obligations of the District issued for road purposes, together with the District’s proportionate amount of overlapping road debt, may not exceed one-fourth of the assessed valuation of the real property in the District. All bonds issued by the District must be approved by the Attorney General of the State of Texas. With certain limited exceptions, any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the TCEQ.

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the City of Fort Worth in whose extraterritorial jurisdiction the District is located; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The District does not have the statutory authority to issue bonds supported by ad valorem taxes for the development of parks and recreational facilities.

## **Remedies in Event of Default**

Texas law and the Bond Order provide that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any registered owner (“Registered Owner(s)”) shall be entitled at any time to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board to observe and perform any covenant, obligation or condition prescribed by the Bond Order. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

If the District defaults in the payment of principal, interest, or the redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observance or performance of any other covenants, obligations or conditions prescribed in the Bond Order, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. Except for a mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. Further, certain traditional legal remedies also may not be available. See “RISK FACTORS—Registered Owners’ Remedies and Bankruptcy Limitations.”

## **Defeasance**

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

## **Annexation**

The District is located entirely within the extraterritorial jurisdiction of the City of Fort Worth, Texas (the “City”). Under Texas law, a municipality may annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district subject to compliance by the municipality with various requirements of Chapter 43 of the Texas Local Government Code (“Chapter 43”). Under Chapter 43, (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the district through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the

landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. The District has an estimated population of 137, thus triggering the petition process discussed in clause (a) above. The above-described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the district. The City and the District are not currently parties to a strategic partnership agreement, but the City, the District and Brookfield Acquisitions, L.P. are parties to the Development Agreement (defined below).

If the District is annexed, the City must assume the assets, functions, and obligations of the District (including the Bonds) and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur. Additionally, the power of the City to annex the District is restricted by the Development Agreement.

Brookfield Acquisitions, L.P. has entered into an Amended Development Agreement with the City of Fort Worth effective as of February 15, 2017 and joined by the District on February 16, 2017 (the “Development Agreement”), which supersedes a previous development agreement between such parties and which sets forth certain additional parameters under which the City might annex the District. The Development Agreement provides that the property within the District shall be immune from annexation by the City until the earlier to occur of: (i) the dissolution of the District, other than by annexation of the City, (ii) the date that construction of all water, sewer, drainage, and roadway facilities to serve 90% of the District property has occurred and bonds have been issued by the District to reimburse the Developer for such facilities, or (iii) February 17, 2037. The term of the Development Agreement and terms contained therein setting forth the parameters under which the City might annex the District may be extended or altered by mutual agreement of the parties thereto, which would also extend or alter the District’s immunity from annexation, but no representation is made concerning the likelihood of such an extension or alteration.

### **Consolidation**

The District has the legal authority to consolidate with other districts and in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. No representation is made concerning whether the District will consolidate with any other district, and the District currently has no plans to do so.

## **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (defined herein) believe the source of such information to be reliable, but neither of the District nor the Financial Advisor take any responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurances that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct Participants (defined herein), (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation

and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.



## BOND INSURANCE

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue a Municipal Bond Insurance Policy for the Bonds (a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### **Capitalization of BAM**

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.5 million, \$187.1 million and \$303.4 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### **Additional Information Available from BAM**

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at

www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **Bond Insurance Risks**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bond shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the revenues pledged in the Bond Order. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term rating on the Bonds will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Rating" herein for a description of the rating.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

*(Continues on following page)*

## ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to pay the construction costs associated with the items shown below. Additionally, a portion of the proceeds from the sale of the Bonds will be used to pay certain non-construction costs associated with the issuance of the Bonds, and accrued interest due to the Developer. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor (each hereinafter defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. Any surplus funds may be expended for any lawful purpose for which surplus construction funds may be used. No TCEQ approval is required for road bonds, such as the Bonds.

<b>CONSTRUCTION COSTS (Developer Contribution Items)</b>	
1. Liberty Trails Phase 1A Paving and Grading	\$ 1,644,703
2. Liberty Trails Phase 1B Paving and Grading	2,179,384
3. Liberty Trails Phase 2 Paving and Grading	736,919
4. Liberty Trails Phase 3 Paving and Grading	691,611
<b>TOTAL CONSTRUCTION COSTS</b>	<b><u>\$ 5,252,618</u></b>
<b>NON-CONSTRUCTION COSTS</b>	
1. Legal and Fiscal Professional Fees	\$ 250,625
2. Attorney General Review Fee	6,350
3. Other Bond Issuance Expenses	53,025
4. Bond Discount	190,474
5. Capitalized Interest (12 months at the net effective interest rate)	271,277
6. Developer Interest	325,631
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b><u>\$ 1,097,382</u></b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$ 6,350,000</u></b>

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

## THE DISTRICT

### General

In an order dated April 19, 2007, the Texas Commission on Environmental Quality (the "TCEQ"), pursuant to a Petition of Boa Sorte Limited Partnership, Rio Claro, Inc., JTLD Investments LLLP, and Mt. Baldy Limited Partnership, granted the creation of South Denton Water Control and Improvement District No. 1 ("WCID No. 1") pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 51, Texas Water Code. The WCID No. 1 was created by the TCEQ to provide water supply and distribution facilities, wastewater collection and treatment facilities, and drainage improvements within the district's area which covers 231.59 acres. On October 2, 2015, WCID No. 1, after due notice and hearing, converted to a fresh water supply district operating under Chapter 53, Texas Water Code. At an election held on May 7, 2016, the qualified electors of the WCID No. 1 granted to WCID No. 1 the rights, authority, privileges and functions of a road district under Article III, Section 52(b)(3) of the Texas Constitution; and the powers to purchase, construct, acquire, own and operate, repair, improve and extend sanitary sewer systems in accordance with the Texas Constitution and laws of the State of Texas, including particularly (but by no way of limitation) Section 53.121(b) of the Texas Water Code, as amended. In an order dated October 20, 2016, the TCEQ approved WCID No. 1's request to change its name from South Denton Water Control and Improvement District No. 1 to Brookfield Fresh Water Supply District No. 1 ("FWSD No. 1"). On August 2, 2019, FWSD No. 1, after due notice and hearing, converted back to a water control and improvement district operating under Chapter 51, Texas Water Code, retaining its road powers. In an order dated August 4, 2020, the TCEQ approved the addition of drainage powers under Sections 51.331 through 51.332 of the Texas Water Code to the FWSD No. 1. In an order dated June 15, 2021, the TCEQ approved FWSD No. 1's request to change its name from Brookfield Fresh Water Supply District No. 1 to Brookfield Water Control and Improvement District of Denton County (the "District"). The District currently operates under Chapters 49, 51 and 53 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and, the construction, operation and maintenance of macadamized, graveled or paved roads and improvements, including storm drainage, in aid of those roads. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is not empowered to fund parks and recreational facilities with taxes, independently or with one or more conservation and reclamation districts. The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) consent from the City of Fort Worth, in whose extraterritorial jurisdiction the District is located; (3) approval of master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered seeking authorization to engage in fire-fighting activities at this time, but may do so in the future. If additional debt obligations for fire-fighting purposes are issued in the future by the District, such issuance may adversely affect the investment security of the Bonds.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s utility system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE WATER, WASTEWATER AND DRAINAGE SYSTEM—Regulation.”

**Location**

The District encompasses approximately 231.59 acres and is located north of State Highway 114 in southwestern Denton County approximately 1 mile east of the Wise County line. The District is approximately 7 miles east of the City of Rhome and 27 miles of the central downtown business district of the City of Fort Worth, Texas. The District is located wholly within the extraterritorial jurisdiction of the City of Fort Worth. The District is located within the Northwest Independent School District. See “RISK FACTORS—Estimated Overlapping Debt and Taxes.”

**Land Use**

The following table has been provided by the Developer and represents the current approved land use within the District.

Phase	Acreage	Planned Single Family Lots	Lots Under Construction	Finished Lots	Vacant Lots	Homes Under Construction	Completed Homes
<i>Liberty Trails:</i>							
Phase 1A	10.105	50	0	50	2	0	48
Phase 1B	31.895	163	0	163	9	2	152
Phase 2	23.144	137	0	137	3	7	127
Phase 3	27.239	155	0	155	0	132	23
Phase 4	25.339	135	135	0	0	0	0
Phase 5	25.425	144	144	0	0	0	0
Subtotal:	143.147	784	279	505	14	141	350
<i>Future Development:</i>							
Commercial	7.349	n/a	n/a	n/a	n/a	n/a	n/a
<i>Open Space, District Facilities, Amenity Center(s) and Other Undevelopable Acreage</i>							
	81.094	n/a	n/a	n/a	n/a	n/a	n/a
TOTALS	231.590	784	279	505	14	141	350

**Status of Development**

Single-Family Residential: A portion of the District is currently being developed as Liberty Trails, a predominantly single-family residential development. Development currently consists of approximately 92.383 acres of Liberty Trails Phases 1A, 1B, 2 and 3 (505 single-family residential lots). As of June 30, 2022, there were 350 completed single-family homes (including 2 model homes), 141] new homes under construction and 14 vacant developed lots available for home construction.

According to D.R. Horton Express Homes, new homes floor plans range from 1,450 sq. ft. to 2,772 sq. ft., and new home prices range from \$311,000 to \$427,000 according to D.R. Horton Express Homes.

*Recreation:* Amenities completed within the District include a club house, a swimming pool, paved sidewalks and a fishing pond.

### **Future Development**

Approximately 58.113 developable acres of land currently within the District are not yet fully served with water distribution and supply, wastewater collection and treatment, storm drainage facilities and paving. While the Developer and 15306 HWY 114 LLC anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to fully reimburse the Developer for water, wastewater, storm drainage facilities and roads constructed to date, and to accomplish full development of the District. The District's consulting engineer ("the Engineer") has stated that under current development plans, the remaining authorized but unissued bonds should be sufficient to finance the construction of water, wastewater, storm drainage facilities, and roads to complete the District's water and wastewater and roads systems for full development of the District. See "THE ROAD SYSTEM," "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" and "RISK FACTORS—Future Debt."

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective purchasers of the Bonds should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate. Prospective purchasers are urged to inspect the District in order to acquaint themselves with the nature of the business activities of the Developer. See "RISK FACTORS—Landowners/Developer/Homebuilders Under No Obligation to the District."

### **The Developer**

DRH – HWY 114, LLC (the "Developer"), a Texas limited liability company is the primary developer of land within the District. The Developer is managed by D.R. Horton – Texas, Ltd. a Texas limited partnership. D.R. Horton – Texas, Ltd. is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Brookfield Acquisitions, L.P., the original developer of the District, conveyed an approximately 7.349 acre tract of land bordering Highway 114, which was intended for commercial use, to 15306 HWY 114 LLC in December 2020. No development has occurred on land intended for commercial use. Brookfield Acquisitions, L.P. no longer owns land within the District.

The Developer is not responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District, description of their financing arrangements or financial condition described herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their properties within the District, or any other assets, at any time. Further, the Developer’s financial condition is subject to change at any time.

**Homebuilders**

Homebuilding in the District is currently being conducted by D.R. Horton Express Homes, a homebuilder subsidiary of D.R. Horton, Inc. As of June 30, 2022, D.R. Horton Express Homes had completed 350 homes (including 2 model homes) and had 141 homes under construction in Liberty Trails Phases 1A, 1B, 2 and 3.

As of June 30, 2022, there were no other homebuilders active within the District.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members own land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Madeleine Mitchell	President	May 2026
Vacant	Vice President	
Abraham Achar	Secretary	May 2024
Shelly Elieson	Assistant Secretary	May 2024
Kayla “Alley” Caldwell	Assistant Secretary	May 2024

**District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

*Bond & General Counsel:* Winstead PC, Dallas, Texas serves as Bond Counsel and General Counsel to the District. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

*Disclosure Counsel:* McCall Parkhurst & Horton L.L.P., Dallas, Texas, has been engaged by the District to serve as “Disclosure Counsel” for the District. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

*Financial Advisor:* Hilltop Securities Inc., Dallas, Texas, serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

*Tax Assessor/Collector:* The Denton Central Appraisal District (the “Appraisal District”) has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.” The District has contracted with Denton County Tax-Assessor-Collector, to perform the tax collection function.

*Engineer:* The District’s consulting engineer is Pape-Dawson Engineers, Inc., Fort Worth, Texas.

*Bookkeeper:* The District has contracted with Dye & Toverly, LLC, Plano, Texas, for bookkeeping services.

Utility System Operator: The operator of the District’s internal water and wastewater system is the City of Fort Worth.

## **THE WATER, WASTEWATER AND DRAINAGE SYSTEM**

### **Regulation**

Construction and operation of the District’s water, wastewater and storm drainage system (the “Utility System”) as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency.

### **City of Fort Worth, Texas**

Pursuant to a Water and Wastewater Utility Services Transfer Agreement dated March 1, 2017 (the “Transfer Agreement”), by and between the District and the City of Fort Worth, Texas, a political subdivision and municipal corporation of the State of Texas (the “City”), among other parties, the City holds the water certificate of convenience and necessity over the District and is the retail provider of water services to the District. As the holder of the water certificate of convenience and necessity and pursuant to the Transfer Agreement, the City pledges to provide adequate and continuous retail water service as required to serve the needs of the property owners within the District at the City’s generally applicable rates charged to comparable classes of customers outside the City’s corporate limits.

The City is also the retail provider of sanitary sewer services to the District pursuant to an Agreement Concerning Sewer Service to Alpha Ranch and Brookfield Developments dated March 7, 2017 (the “Sewer Contract”). Pursuant to the Sewer Contract, the City pledges to deliver certain wastewater treatment services as required to serve the needs of the property owners within the District.

### **Water Supply**

All water is provided by an extension of the City of Fort Worth water infrastructure. No major water supply infrastructure is required for the development of the District.

### **Wastewater Treatment**

All water treatment is provided by the City of Fort Worth. No major wastewater treatment infrastructure is required for the development of the District.

### **Water Distribution, Wastewater Collection and Storm Drainage Facilities and Roads**

All water distribution and wastewater collection systems will be provided by an extension of the City of Fort Worth’s infrastructure system. No major infrastructure is required of the District for build out.

### **Flood Protection**

According to the District’s engineer, none of the developable land is within the 100-year floodplain. The District contains certain areas within the 100-year floodplain and those areas are designated as drainage ways and easements. No lots are proposed within the 100-year floodplain.

## **THE ROAD SYSTEM**

Construction of the District’s roads is subject to certain regulation by the City, pursuant to the Development Agreement between the City and Brookfield Acquisitions, L.P. dated February 15, 2017, and joined by the District on February 16, 2017. See “THE BONDS – Annexation.” Pursuant to that agreement, all roads within the District are to be operated and maintained by the District, unless Denton County agrees to maintain such roads by formal action of the Denton County Commissioners Court. To date, no such action has occurred, and the Road System is currently operated and maintained by the District.

Roads within the District are constructed with reinforced concrete pavement with curbs on moisture conditioned and lime stabilized subgrade. Pembine Lane is currently the principal collector entering the project off of TX Highway 114. The

local interior streets within the project and are typically 50 feet right-of-way with feet wide (between curbs). The Road System also includes streetlights, landscape and hardscape. Franchise utilities (power, phone, gas and cable) are typically located adjacent to the roadway. Public utilities such as water, wastewater and storm drainage are typically located within street rights of way.

**DISTRICT OPERATING STATEMENT**

Principal of and interest on the Bonds are payable solely from the proceeds of an unlimited tax levied against all taxable property within the District’s boundaries.

The District intends to convey all of its right, title and interest to and maintenance, operation and repair obligations for the water and sewer systems to the City of Fort Worth pursuant to the Transfer Agreement and the Sewer Contract. The District therefore will not receive revenue from providing water and wastewater service. Although the District is currently dependent on the Developer’s advances for operating funds, the District estimates that it will in future years operate on a positive cash flow basis without water and sewer revenues from customers, even though the amount of its net revenues may be less without net utility system revenues. However, the District cannot predict that the District’s net revenues subsequent to such conveyance will be sufficient to fund its future obligations and expenses or that an increase in its maintenance tax may not be required in the future. See APPENDIX A and APPENDIX B.

Under Chapter 49, Subchapter G, Texas Water Code, the District has not previously been required to obtain an audit of its finances. The District is, however, required to file an Annual Financial Report with the TCEQ, on a form adopted by the TCEQ. A copy of the District’s Annual Financial Report for the fiscal year ended July 31, 2021, prepared by the District’s Bookkeeper, is provided in APPENDIX A. The information in the Annual Financial Report is not comparable to or the equivalent of an audited comprehensive annual financial report. After issuance of the Bonds, the District will be required to obtain an audit beginning with the fiscal year ending July 31, 2022. The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to perform certain agreed-upon procedures related to the use of proceeds from the Bonds to reimburse the Developer. The District has engaged McCall Gibson Swedlund Barfoot PLLC to prepare the audit for the fiscal year ending July 31, 2022. Reference is made to APPENDIX A for further and complete information on the Annual Financial Report.

**FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)**

**Assessed Value, Debt Ratios and Fund Balances**

2022 Certified Estimate of Net Taxable Assessed Valuation	\$ 72,392,540 <sup>(1)</sup>
Gross Direct Debt Outstanding upon Issuance of the Bonds	\$ 6,350,000
Ratio of Gross Direct Debt to 2022 Certified Taxable Assessed Valuation	8.77%
Road Bond Debt Service Fund Balance (at Delivery Date of the Bonds)	\$ 287,274 <sup>(2)</sup>
General Fund Balance as of August 4, 2022	\$ 69,166 <sup>(3)</sup>

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(1) As provided by the Denton Central Appraisal District (the "Appraisal District").  
 (2) Any funds in the Road Bonds Debt Service Fund are pledged only to pay the debt service on the Bonds and any additional road bonds. Neither Texas law nor the Bond Order require the District to maintain any minimum balance in the Road Bond Debt Service Fund. Upon delivery of the Bonds, the District will deposit the accrued interest from the Dated Date to the Delivery Date in the Road Bond Debt Service Fund. Additionally, upon delivery of the Bonds, the District will deposit 12 months of capitalized interest calculated at the net effective interest rate in the Road Bond Debt Service Fund. The District anticipates levying its first road debt service tax on September 2, 2022 at \$0.6170 per \$100 of assessed valuation.  
 (3) Until collection of the 2021 ad valorem property taxes, the District was wholly dependent on developer advances for operating funds. The District levied \$80,522 in maintenance and operations taxes in Tax Year 2021. See "RISK FACTORS - Operating Funds."

**Investments of the District**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its



portfolio. Funds of the District are invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

**Anticipated Issuance of Additional Debt**

The District may issue any additional unlimited tax debt with in the next 12 months if the taxable assessed valuation increases to allow for the issuance of additional unlimited tax debt.

On May 1, 2021, the District’s voters authorized the issuance of a total of \$80,955,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and storm drainage facilities, and \$91,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and could authorize additional amounts. The District is also authorized to issue unlimited tax refunding bonds in an amount equal to \$101,193,750 for the purpose of refunding Utility Bonds and \$113,812,500 for the purpose of refunding Road Bonds, including the Bonds. The Board is further empowered to borrow money for any lawful purpose and to issue bond anticipation and tax anticipation notes. After issuance of the Bonds, the District will have \$84,700,000 unlimited tax bonds authorized but unissued for road facilities and \$80,955,000 of unlimited tax bonds authorized but unissued for water, wastewater and storm drainage purposes. See “RISK FACTORS—Future Debt.”

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. The District does not employ any formula with respect to the issuance of additional bonds, but currently must comply with formulas promulgated by the Attorney General of the State of Texas (the "Attorney General") with regard to bonds issued for road purposes, and the Texas Commission on Environmental Quality (“TCEQ”), with regard to bonds issued for water, sanitary sewer and drainage purposes, pertaining to assessed valuation and tax rates of the District that may limit the amount of bonds which may be issued in the future. The total amount of bonds and other obligations of the District issued for road purposes, together with the District’s proportionate amount of overlapping road debt, may not exceed one-fourth of the assessed valuation of the real property in the District. All bonds issued by the District must be approved by the Attorney General of the State of Texas. With certain limited exceptions, any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must additionally be approved by the TCEQ.

**Outstanding Unlimited Tax Road Bonds**

The Bonds are the District’s first issue of unlimited tax road bonds.

**Outstanding Unlimited Tax Utility Bonds**

The District has never issued unlimited tax utility bonds.

**Unlimited Tax Bonds Voted Authorization**

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Previously Issued</u>	<u>Amount Being Issued</u>	<u>Unissued Balance</u>
Utility Bonds	5/1/2021	\$ 80,955,000	\$ -	\$ -	\$ 80,955,000
Refunding Utility Bonds	5/1/2021	101,193,750	-	-	101,193,750
Road Bonds	5/1/2021	91,050,000	-	6,350,000	84,700,000
Refunding Road Bonds	5/1/2021	113,812,500	-	-	113,812,500
Total		<u>\$ 387,011,250</u>	<u>\$ -</u>	<u>\$ 6,350,000</u>	<u>\$ 380,661,250</u>

(Continues on following page)

**Debt Service Requirements**

The following sets forth the debt service requirements on the Bonds.

Calendar Year Ending 31-Dec	The Bonds <sup>(1)</sup>			% of Principal Retired
	Principal	Interest	Total D/S	
2022	\$ -	\$ -	\$ -	
2023	-	286,426	286,426	
2024	145,000	274,238	419,238	
2025	150,000	264,450	414,450	
2026	160,000	254,700	414,700	7.17%
2027	165,000	244,300	409,300	
2028	175,000	233,575	408,575	
2029	180,000	222,200	402,200	
2030	190,000	215,000	405,000	
2031	200,000	207,400	407,400	21.50%
2032	210,000	199,400	409,400	
2033	220,000	191,000	411,000	
2034	230,000	182,200	412,200	
2035	245,000	173,000	418,000	
2036	255,000	163,200	418,200	39.76%
2037	270,000	153,000	423,000	
2038	285,000	142,200	427,200	
2039	295,000	130,800	425,800	
2040	310,000	119,000	429,000	
2041	325,000	106,600	431,600	63.15%
2042	345,000	93,600	438,600	
2043	360,000	79,800	439,800	
2044	380,000	65,400	445,400	
2045	400,000	50,200	450,200	
2046	415,000	34,200	449,200	93.07%
2047	440,000	17,600	457,600	100.00%
	<u>\$ 6,350,000</u>	<u>\$ 4,103,488</u>	<u>\$ 10,453,488</u>	

(1) Interest Rate calculated at a net effective interest rate of 4.27%.

Maximum Annual Debt Service Requirement (2047) .....	\$457,600
Average Annual Debt Service Requirements (2023-2047).....	\$418,140

(Continues on following page)

**Estimated Overlapping Debt and Taxes**

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an approximate calculation of overlapping debt for the 2021 tax year and the tax rates imposed for the 2021 tax year by all taxing jurisdictions overlapping the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

Taxing Jurisdiction	2021 Certified Taxable Assessed Value <sup>(1)</sup>	2021 Total Tax Rate <sup>(1)</sup>	Total GO Debt as of 7/15/2022	Estimated % Applicable	District's Overlapping Debt as of 7/15/2022
The District	\$ 9,176,342	\$ 0.8775	\$ 6,350,000 <sup>(2)</sup>	100.00%	\$ 6,350,000
Denton County	127,010,590,822	0.2331	550,825,000	0.01%	39,796
Northwest Independent School District	25,980,836,220	1.2920	1,355,220,496	0.07%	923,272
		<u>\$ 2.4026</u>			<u>\$ 7,313,068</u>

Ratio of Direct and Overlapping Debt to the District's 2022 Certified Estimate of Net Taxable Assessed Valuation<sup>(3)</sup> ..... 10.10%

(1) Taxable Assessed Values and Tax Rates as reported by Denton Central Appraisal District; as well as the Tarrant Appraisal District and the Wise County Appraisal District for purposes of Northwest Independent School District. Tax Year 2022 tax rates to be adopted no later than September 2022.

(2) Includes the Bonds.

(3) The District's 2022 Certified Estimate of Net Taxable Assessed Valuation as reported by Denton Central Appraisal District is \$72,392,540.

*(Continues on following page)*

## TAX DATA

### **Debt Service Tax**

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and any future road bonds. The District may also levy a tax to provide funds to pay the principal and interest on any future utility bonds. In 2021 the District did not levy a tax to pay debt service on bonds issued for road purposes or utility purposes as the District had no debt outstanding. See “TAX DATA—Tax Rate Distribution,” and “Tax Roll Information,” below and “TAXING PROCEDURES.” The Districts anticipates levying its first debt service tax on September 2, 2022 at \$0.6170 per \$100 of assessed valuation.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters.

A maintenance tax election was conducted on November 6, 2007. The voters of the District authorized, among other things, the Board to levy a maintenance tax unlimited as to rate or amount per \$100 of taxable assessed valuation for operation and maintenance purposes, including but not limited to planning, constructing, acquiring, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment of water, sewer and drainage of the District and for paying costs of proper services, engineering and legal fees and organization and administrative expenses, in accordance with the constitution and laws of the State of Texas, including particularly (but not by way of limitation) Section 49.107 of the Texas Water Code.

A maintenance tax is in addition to unlimited debt service taxes which the District is authorized to levy for paying principal of and interest on the Bonds. In 2021 the District levied a tax equivalent to \$0.8775 per \$100 of taxable assessed valuation for maintenance and operation purposes. The District expects to adopt an \$0.8775 tax rate for Tax Year 2022 on September 2, 2022; including a \$0.2605 tax rate for maintenance and operations and a \$0.6170 tax rate for road bond debt service.

### **Contract Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax to make payments under a contract, if the provisions of the contract have been approved by a majority of the qualified voters of the District, and such tax is approved by the TCEQ. To date, the voters in the District have not approved contracts between the District and other parties and the levy of a tax without legal limitation as to rate or amount in support thereof. Such tax would be in addition to taxes which the District is authorized to levy for paying principal of and interest on its road bonds and water and sewer bonds, and taxes for the maintenance and operations of the District.

### **Tax Exemptions**

The District has not adopted any optional exemptions for property located within the District. See “TAXING PROCEDURES”.

*(Continues on following page)*

**Tax Rate Distribution**

Tax Year	Calendar Year	Taxable Assessed Valuation	Total Tax Rate	Distribution		Total Tax Levy	Maintenance & Operations Tax Levy	Total Debt Service Tax Levy
				Maintenance Tax Rate	Debt Service Tax Rate			
2020	2021	\$ 2,010,898	\$ 0.8775	\$ 0.8775	\$ -	\$ 17,646	\$ 17,646	\$ -
2021	2022	9,176,342	0.8775	0.8775	-	80,522	80,522	-

The District levied an ad valorem property tax for the first time in 2020.

**Historical Tax Collections**

The District currently levies a tax of \$0.8775 per \$100 of assessed valuation for maintenance and operations purposes and \$0 for the payment of principal and interest of unlimited tax bonds.

Tax Year	Calendar Year	Taxable Assessed Valuation	Total Tax Rate	Total Tax Levy	% Current Collections	% Total Collections
2020	2021	\$ 2,010,898	\$ 0.8775	\$ 17,646	100.00%	100.00%
2021	2022	9,176,342	0.8775	80,522	100.00%	100.00%

**Tax Roll Information**

The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.”

	2022	2021	2020
Land	\$ 33,768,517	\$ 9,317,869	\$ 3,360,734
Improvements	39,111,535	32,427	28,209
Personal Property	14,970	-	-
Minerals	-	-	-
Exemptions	(502,482)	(173,954)	(1,378,045)
Net Taxable Assessed Valuation	\$ 72,392,540	\$ 9,176,342	\$ 2,010,898

*(Continues on following page)*

## **Principal Taxpayers**

Principal taxpayers information for Tax Year 2022 is currently not available as per the Denton Central Appraisal District. Based on the 2021 certified tax rolls, the Developer and its affiliates were responsible for approximately 82.94% of the District's 2021 taxes.

## **Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet estimated average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2022 Certified Estimate of Net Taxable Assessed Valuation of \$72,392,540. The calculations contained in the following table merely represent the tax rates required to pay debt service on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-eight percent (98%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

Annual Debt Service Requirement (2023)	\$ 286,426
Average Annual Debt Service Requirement (2023-2047)	\$ 418,140
Maximum Annual Debt Service Requirement (2047)	\$ 457,600
Based upon the 2022 Certified Estimate of Net Taxable Assessed Valuation	
Tax Rate Required to Pay Annual Debt Service Requirement (2023)	\$ 0.4037
Tax Rate Required to Pay Average Annual Debt Service Requirement (2023-2047)	\$ 0.5894
Tax Rate Required to Pay Maximum Annual Debt Service Requirement (2047)	\$ 0.6450

## **TAXING PROCEDURES**

### **Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional road bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully herein under "THE BONDS — Source and Security for Payment." The Board is also authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on any future utility bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS—Future Debt." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA."

### **Property Tax Code and County-Wide Appraisal District**

The Texas Property Tax Code (the "Property Tax Code") requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Denton Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Denton County, including the District. Such appraisal values are subject to review and change by the Denton County Appraisal Review Board (the "Appraisal Review Board"). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Denton County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

### **Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal

property other than on personal property rendered for taxation, business inventories and the property of privately owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt certain property owned by qualified organizations engaged primarily in charitable purposes, residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District has not adopted 65 and older or disabled exemptions. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% and, subject to certain conditions, the surviving spouse of such a veteran, is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. In addition, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2013 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken no official action to allow taxation of all such goods-in-transit personal property.

### **General Residential Homestead Exemption**

The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the market value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never granted a general residential homestead exemption.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

## **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to comply with the Property Tax Code. The District may challenge the level of appraisal of a certain category of property, the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption. The District may not, however, protest a valuation of any individual property.

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

## **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations tax rate.

### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's maintenance and operations tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor or the President (herein defined), alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the maintenance and operations tax threshold applicable to Special Taxing Units.



## *Developing Districts*

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the maintenance and operations tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's maintenance and operations tax rate.

## *The District*

For the 2022 tax year, the District has designated itself as a Developing District. For future years, a determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

## **Agricultural, Open Space, or Timberland Deferment**

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who could continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including such taxes for a period of three (3) years for agricultural use and five (5) years for timberland or open space land prior to the loss of the designation. As of Tax Year 2022, approximately 6.329 acres within the District qualified for the agricultural exemption under the Property Tax Code.

## **Tax Abatement**

Denton County may designate all or part of the District as a reinvestment zone, and the District, and Denton County, as applicable, may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, none of the area within the District has been designated as a reinvestment zone.

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

## **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt and Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both except as described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two (2) years after the deed issued at foreclosure is filed of record and all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—Tax Collections Limitations and Foreclosure Remedies."

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Certain legal matters will be passed upon for the District by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under "TAX MATTERS," including the alternative minimum tax on corporations.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **Legal Review**

In its capacity as Bond Counsel, Winstead PC, has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS,” “MANAGEMENT OF THE DISTRICT—District Consultants—Bond Counsel,” “TAXING PROCEDURES,” “LEGAL MATTERS (insofar as it relates to the opinion of Bond Counsel),” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION (except for the subheading “Compliance with Prior Undertakings”)” solely to determine whether such information fairly summarizes the law referred to therein. In its capacity as General Counsel to the District, Winstead PC has reviewed the information appearing in this Official Statement under the captioned sections “THE BONDS—Annexation,” “—Consolidation,” “THE DISTRICT—General,” “THE WATER, WASTEWATER AND DRAINAGE SYSTEM” and “THE ROAD SYSTEM” solely to determine whether such sections fairly summarize the matters contained therein. Such firm has not independently verified factual information contained in this Official Statement, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms’ limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

## **TAX MATTERS**

### **Opinion**

Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. See APPENDIX C – Form of Bond Counsel’s Opinion.

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Orders subsequent to the issuance of the Bonds. The Orders contain covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel’s knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the

Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

### **Original Issue Discount**

Certain of the Bonds (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

### **Original Issue Premium**

Certain maturities of the Bonds (the “Premium Bonds”) may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity (“Bond Premium”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Collateral Tax Consequences Summary**

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, owners of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the owner at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio of the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Changes in Law**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

The District has designated the Bonds as “qualified tax-exempt obligations” for purposes of section 265(b)(3)(B) of the Code. “Qualified tax-exempt obligations” under section 265(b)(3) of the Code affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **NO-LITIGATION CERTIFICATE**

With the delivery of the Bonds, the authorized members of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board

## **NO MATERIAL ADVERSE CHANGE**

The obligations of the Initial Purchaser to take and pay for the Bonds, and the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

## PREPARATION OF OFFICIAL STATEMENT

### **Sources and Compilation of Information**

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Financial Advisor**

Hilltop Securities Inc., is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Hilltop Securities Inc., has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

*Appraisal District:* The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Denton Central Appraisal District and is included herein in reliance upon the authority of such acting as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this Official Statement relating to engineering and to the description of the District's road system and water and wastewater system and, in particular that information included in the sections entitled "THE DISTRICT," "THE ROAD SYSTEM," and "THE WATER, WASTEWATER AND DRAINAGE SYSTEM" has been provided by Pape-Dawson Engineers, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "DISTRICT OPERATING STATEMENT," the Annual Financial Report in "APPENDIX A" and the General Fund and Operating Budget of the District for the year ending July 31, 2023 in "APPENDIX B" has been provided by Dye and Toverly, LLC and is included herein in reliance upon the authority of such company as experts in the tracking and managing the various funds of municipal utility districts.

### **Updating the Official Statement**

If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customer.

## **Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing such certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of municipal securities outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, the District in the Bond Order, has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District that will be customarily prepared by the District and publicly available, which will consist of an annual audited financial statement. The District will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2022. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Website or filed with the SEC, as permitted by the Rule. The updated information will include audited financial statements. If audited financial statements are not available by the required time, the District will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles the District may be required to employ from time to time pursuant to State law or regulation.

The District’s fiscal year end is July 31. Accordingly, audited financial statements must be provided by July 31 of each year (or unaudited financial statements if audited financial statements are not available), unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### **Specified Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all

of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, and (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under Annual Reports.

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the United States Securities and Exchange Commission amends or repeals the applicable provisions of such Rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

The District has not previously entered into a continuing disclosure undertaking under SEC Rule 15c2-12.

*(Continues on following page)*



## MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Brookfield Water Control and Improvement District of Denton County, as of the date shown on the first page hereof.

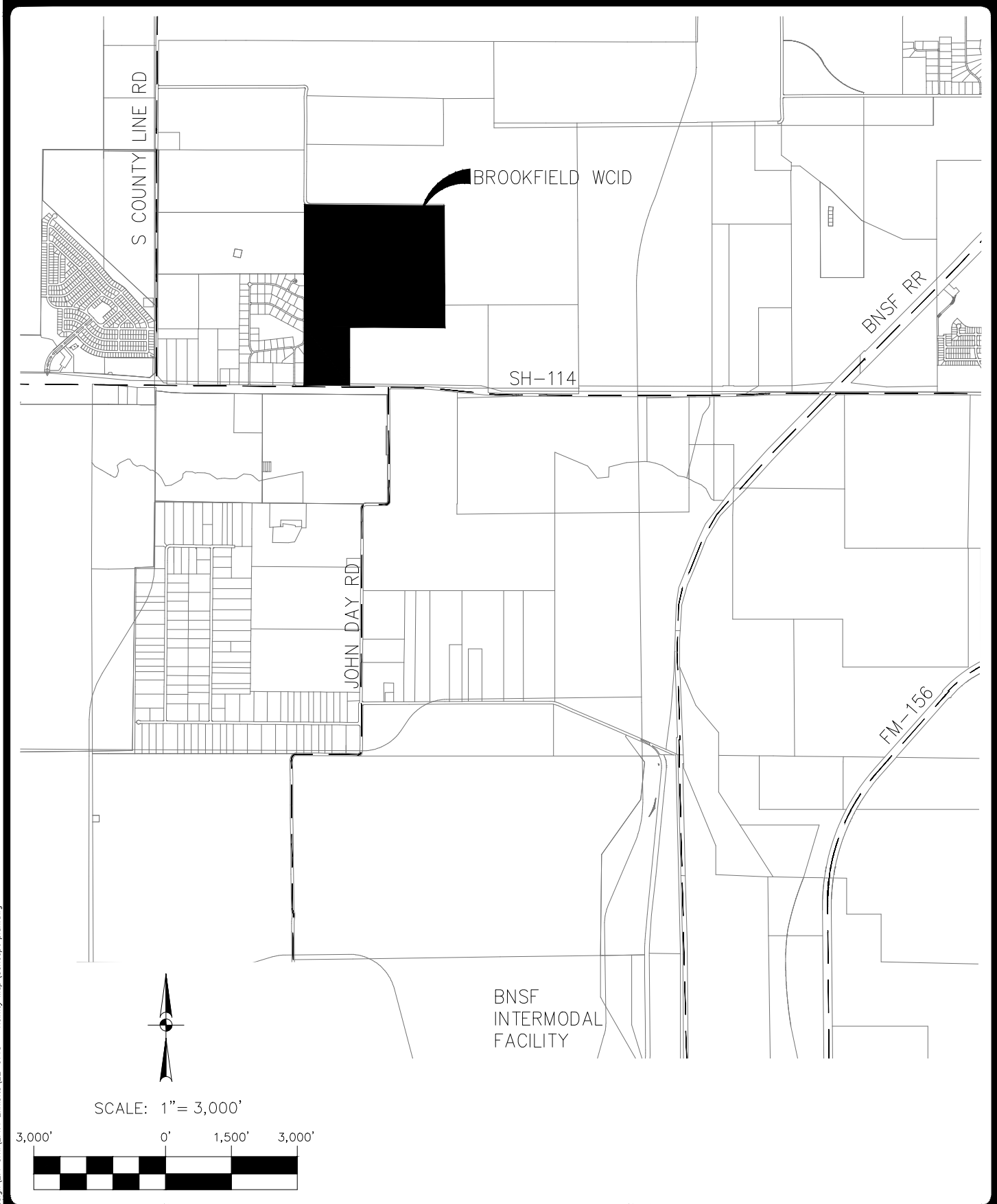
/s/ Madeleine Mitchell  
President, Board of Directors

ATTEST:

/s/ Abraham Achar  
Secretary, Board of Directors

## **DISTRICT LOCATION MAP**

Date: Jul 16, 2022, 10:05am User ID: mceaser  
File: S:\Projects\61112\00\2.0 Design\2.4 Civil\2.4.4 Exhibits\22-0718 - Vicinity Map\Concept plan.dwg



JOB NO. 61112-00  
DATE JULY 2022  
DESIGNER \_\_\_\_\_  
CHECKED \_\_\_\_\_ DRAWN \_\_\_\_\_  
EXHIBIT \_\_\_\_\_

# BROOKFIELD WCID

## VICINITY MAP

**Pape-Dawson**  
**ENGINEERS**

FORT WORTH | SAN ANTONIO | AUSTIN | HOUSTON | DALLAS  
6500 W FWY, STE 700 | FT. WORTH, TX 76116 | 817.870.3668  
TEXAS ENGINEERING FIRM REGISTRATION #470

## **PHOTOGRAPHS OF THE DISTRICT**





## **APPENDIX A**

### **Financial Statement of the District for the year ended July 31, 2021**

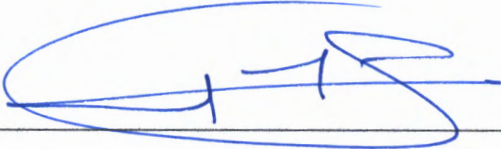
The information contained in this appendix includes the Annual Financial Report of Brookfield Water Control and Improvement District of Denton County for the fiscal year ended July 31, 2021.

Authorization for the Filing of:

Texas Commission on Environmental Quality  
Annual Financial Report No. TCEQ-0722  
Fiscal Year Ended 7/31/2021

This Authorization is for the filing of the Texas Commission on Environmental Quality Annual Financial Report No. TCEQ-0722 for the Fiscal Year Ended 7/31/2021 that was compiled by our bookkeeping firm Dye & Toverly, LLC, signed by and filed on 9/1/2021. A copy will be sent to your attorney upon signing of this authorization.

We, the board **Brookfield Fresh Water Supply District No. 1** reviewed and agree with the figures presented in this report, believing them to be true to the best of our knowledge. We have not reviewed the financial records ourselves and we are aware that this Financial Report is in accordance with TCEQ Rules and that this form is in the place annual audit that would be prepared by an outside firm.

Signed:  Title: Secretary

Date: 10/8/21





*Dye & Tovery, LLC*

P.O. Box 863657  
Plano, TX 75086-3657  
Telephone (972) 612-0088  
Facsimile (972) 612-0098

September 1, 2021

To the Board of Directors of  
Brookfield Fresh Water Supply District No. 1  
c/o Winstead P.C.  
2728 N. Harwood, Ste 500  
Dallas, TX 75201

Management is responsible for the accompanying financial statements of Brookfield Fresh Water Supply District No. 1 (a government entity), which comprise a statement of assets and liabilities – cash basis as of July 31, 2021, and the related statement of receipts and disbursements – cash basis for the year then ended, included in the accompanying prescribed form. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of the Texas Commission on Environmental Quality (TCEQ,) and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

The supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

This report is intended solely for the information and use of management and board of directors of Brookfield Fresh Water Supply District No. 1, and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

We are not independent with respect to Brookfield Fresh Water Supply District No. 1.

Dye & Tovery, LLC

Physical Address:  
2321 Coit Road, Suite B  
Plano, TX 75075

Email Addresses:  
kathi@DyeToveryCPA.com  
kerry@DyeToveryCPA.com  
brandi@DyeToveryCPA.com  
kathleen@DyeToveryCPA.com  
debbie@DyeToveryCPA.com



# ANNUAL FINANCIAL REPORT

Of

Legal Name of District or Authority:	Brookfield Fresh Water Supply District No. 1
For the Fiscal Year Ended:	07/31/2021
Preparer:	Kathi Dye
Title:	District Bookkeeper
Date:	9-1-21
Telephone Number: (AC)	(972) 612-0088

c/o Winstead, P.C. 2728 N Harwood, Ste 500	Dallas, TX	75201
District's Mailing Address	City, State	Zip Code

## AUDIT REPORT EXEMPTION

Texas Water Code §49.198. AUDIT REPORT EXEMPTION (effective September 1, 2011)

§49.198(a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

§49.198(a)(1) The district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;

§49.198(a)(2) The district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$250,000 during the fiscal period; and

§49.198(a)(3) The district's cash and temporary investments were not in excess of \$250,000 during the fiscal period.

§49.198(b) The annual financial report must be accompanied by an affidavit attesting to the accuracy and authenticity of the financial report signed by a duly authorized representative of the district.

§49.198(c) The annual financial report and affidavit in a format prescribed by the executive director must be on file with the executive director within 45 days after the close of the district's fiscal year.

§49.198(d) Districts governed by this section are subject to periodic audits by the executive director.

If the accompanying financial statements are compiled by a certified public accountant, see SSARS-1 and SSARS-7 for the applicable standards for reporting on compiled financial statements.

# FILING AFFIDAVIT

To: Texas Commission on Environmental Quality

Under the penalties of perjury, I certify that I have inspected the attached balance sheet, statement of receipts and disbursements, including the accompanying schedules and statements, and to the best of my knowledge and belief, they are a true, correct, and complete representation of the financial condition of:

Brookfield Fresh Water Supply District No. 1 as of  
*(Name of District)*

07/31/2021 I also certify that the above district has complied in full  
*(Date of Fiscal Year End)*

with all filing of audits, affidavits, and financial reports requirements of Section 49.194 of the Texas Water Code by filing copies of this Annual Financial Report in the district's office, located at:

2728 N. Harwood St., Ste 500; Dallas TX 75201

*(Address of District)*

Kathi Dye, Bookkeeper - See Accts' Compilation Report

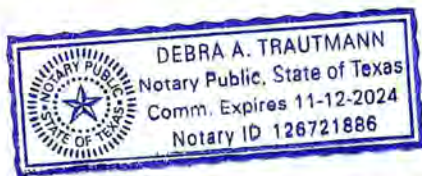
*(Typed Name and Title)*

Kathi Dye 9-1-21  
*(Signature of Affiant)* *(Date)*

Subscribed and Sworn to before me by this 1st day of September

in the year 2021 In and For Collin County, Texas

Debra A. Trautmann 11-12-2024  
*(Typed Name of Notary)* *(My Commission Expires On)*



District Name: **Brookfield Fresh Water Supply District No. 1**

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**MISCELLANEOUS DISCLOSURES AND MAILING INFORMATION**

as of the District's Fiscal Year-End

**A. Disclosures to comply with Rule 30 TAC 293.95(b)**

(1) Was there any developer activity to prepare for residential or commercial development? "Developer activity" means construction performed or actions taken in preparation for construction (i.e., plans, permits) to provide services for or access to present or future residential or commercial water, sewer or drainage facilities.  Yes  No

If yes, have payments for these facilities been made by (an) other party (ies) on behalf of the district?  Yes  No

These payments are estimated to cumulatively be:

Cost	Amount
Organization Costs	279,187
Construction Costs	21,416,525
Administration Cost	3,280,729
<b>Total Costs</b>	<b>24,976,441</b>

(2) Was the Board aware of any other types of contingent or actual liabilities (e.g., claims, lawsuits) which are not disclosed elsewhere in this report?  Yes  No

If yes, explain:

**B. Disclosures to comply with V.T.C.A. Water Code §49.054(e) and §49.455(j).** The Texas Commission on Environmental Quality must be notified of any changes in boundaries, board members, board terms, and addresses. Guidance for filing this information and a District Registration Form may be obtained by calling 512-239-4691.

**C. Additional Information.**

This report should be sent to:

District Creation Review Team,  
MC-152  
Texas Commission on Environmental Quality  
P.O. Box 13087 Austin, TX 78711-3087

Phone Number: 512-239-4691

Fax Number: 512-239-6190

STATEMENT OF ASSETS AND LIABILITIES – CASH BASIS

July 31,2021

Asset Type		Amount
Cash on Hand		
Cash in Bank (Schedule A)		14,603
Investment (Schedule B)		
Total Cash and Investments <sup>i</sup>		14,603
Accrued Interest Receivable - Optional (Schedule B)		
Inventory		
General Fixed Assets		
Other Assets		
(Explain):	Accounting Service Deposit	500
<b>Total Assets:<sup>ii</sup></b>		<b>15,103</b>

LIABILITIES AND EXCESS		Amount
Notes Payable		
Refundable Deposits		
Developer Advances		
Other Liabilities		
(Explain):	Payroll Liabilities	597
Total Liabilities		597
Excess Assets Over Liabilities		14,506
Total Liabilities and Excess <sup>iii</sup>		15,103

**Note to Preparer:**

<sup>i</sup> "Total Cash and Investments" must equal "Cash and Investments – End of Year "on the Statement of Receipts and Disbursement", page 5.

<sup>ii</sup> Must equal "Total Liabilities and Excess"

<sup>iii</sup> Must equal "Total Assets"

# STATEMENT OF RECEIPTS AND DISBURSEMENTS – CASH BASIS

Receipts	Amount
Service Revenues	
Tax Receipts	17,637
Penalty and Interest Received	11
Interest Received on Investments	
Loans or Advances	19,270
All Other Receipts	
(Explain):	
<b>Total Receipts</b>	<b>36,918</b>

Less Disbursements	Amount
Purchased Services for Resale	
Payroll	7,428
Legal, Accounting, or Contract Service	8,851
Supplies and Materials	108
Maintenance	
Note Payments and Repayment of Advances	
All other Disbursements (Schedule C)	8,494
<b>Total Disbursements</b>	<b>24,881</b>
Excess of Receipts Over (under) Disbursements	12,037
Cash and Investments - Beginning of Year	2,566
Cash and Investment - End of Year (see Note 1 Page 4)	14,603

**Note to Preparer:** In addition to all disbursements related to the purchase of consumable supplies and materials, certain assets of insignificant value may be considered consumable and accordingly recognized under the account classification "Supplies and Materials." Please refer to Explanation of Terms, General Fixed Assets, pages 7 and 8 of this report, for additional clarification.

## SCHEDULE A 1 – CASH IN BANK<sup>i</sup>

Name of Bank	Account Number	Purpose of Account	Balance
Plains Capital Bank	Gen Fd - Operating		14,603
TOTAL			14,603

## SCHEDULE B – INVESTMENTS<sup>ii</sup>

Type of Investment	Name of Bank	Certificate Number	Interest Rate	Maturity Date	Principal Balance	(Optional) Accrued Interest
			0.00%			
			0.00%			
			0.00%			
			0.00%			
TOTALS						

## SCHEDULE C – SCHEDULE OF ALL OTHER DISBURSEMENTS<sup>iii</sup>

Description of Disbursements <sup>iv</sup>	Amount	
Election Expense	442	
Insurance	6,055	
Meeting Expense	1,950	
Miscellaneous	47	
TOTAL		8,494

<sup>i</sup> Please refer to Explanation of Terms, Cash in Bank, page 7 of this report, for proper reporting.

<sup>ii</sup> Please refer to Explanation of Terms, Investments, page 8 of this report, for proper reporting of “Principal Balance” and “Accrued Interest.”

<sup>iii</sup> Please refer to Explanation of Terms, All Other Disbursements, page 7 of this report, for proper reporting of “All Other Disbursements.”

<sup>iv</sup> A description should be given for each type of transaction and the amount of payments attributable to this type of disbursement. It may not be necessary to list each transaction separately.

# EXPLANATION OF TERMS

**All Other Disbursements** - This classification should be used only for payments, which cannot be classified properly in the six remaining accounts listed on the Statement of Receipts and Disbursements. Schedule C, page 6, should be completed for any report, which utilizes the "All Other Disbursements" classification.

**Cash Basis** - The financial statements contained in this report are to be prepared on the cash basis of accounting. They are not intended to be in conformity with Generally Accepted Accounting Principles (GAAP). Only transactions involving the exchange of cash should be included in these statements. No liabilities should be recorded unless they arise from the transfer of money. Exceptions to this rule are listed in "Investments" and "General Fixed Assets" below. Receipts and disbursements should not be recorded until payment is made. For the purpose of the Statement of Receipts and Disbursements, movement of funds between checking accounts and investments should not be considered as receipts or disbursements.

**Cash on Hand** - Petty cash, checks, money orders, and bank drafts not on deposit.

**Cash in Bank** - (From Schedule A) - Cash deposited in the district's checking account(s). The reserves, restrictions, or limitations as to its availability should be so stated. The total amount shown on Schedule A must reflect the reconciled balance as of the fiscal year end and reported under the account classification "Cash in Bank" on the Balance Sheet.

**Developer Advances** - Amounts owed to a developer for cash placed in the district's account or otherwise paid to the district. However, amounts payable to a developer for which repayment is contingent upon a bond sale (or some other event) should not be included as a liability of the district. Please see the Miscellaneous Disclosures, page 3 of this report, for disclosure of these contingent liabilities.

**Disbursements** - All transactions involving the disbursement of the district's fund should be included in the disbursements section. Payments made on behalf of the district by a third party should not be listed as a disbursement for the purpose of this statement. See the Miscellaneous Disclosures, page 3, of this report, for disclosures of these payments.

**Excess Assets Over Liabilities** - The difference between "Total Assets" and "Total Liabilities." If liabilities exceed assets, this number should be shown as a negative amount.

**General Fixed Assets** - A fixed asset is one which the cost exceeds \$50 and has a productive life longer than one year. "Fixed" denotes the intent to continue use or possession; it does not indicate the immobility of the asset. An asset of cost not in excess of \$50 should be considered consumable and accordingly recognized under the account classification "Supplies and Materials" on the Statement of Receipts and Disbursements. A fixed asset purchased through the issuance of a short-term note payable should be reported as an asset at its full cost even though no cash transaction may have taken place. Likewise, the corresponding note payable should be reported in the liability section of the Balance Sheet. Fixed assets donated to the district by a developer should be included as "General Fixed Assets" on the Balance Sheet. However, no amounts should be recorded on the Statement of Receipts and Disbursements for this type of transaction. The Credit offset to the fixed asset will be included in "Excess Assets over Liabilities" on the Balance Sheet.

**Investments (From Schedule B)** - List the types of investments (certificates of deposit, savings accounts, securities) which generate income in the form of interest. This should not include any amounts listed on Schedule A as "Cash in Bank." The total amount shown on Schedule B for "Principal Balance" must be reported under the account classification "Investments" on the Balance Sheet. At the option of the preparer, any interest earned on investments but not yet received may be reported as "Accrued Interest" on Schedule B and in the Asset section of the Balance Sheet. Under no circumstance should accrued interest be included in "Interest Received



on Investments” under “Receipts” on page 5. “Interest Received on Investments” should include only amounts actually received during the fiscal year.

**Inventories** - The cost of materials and other items purchased for use during the fiscal year by which are not completely consumed by the end of the fiscal year.

**Notes Payable** - The total outstanding principal of short-term loans, which mature within one year of their issuance.

**Other Liabilities** - Only liabilities arising from the receipt of cash which cannot be properly classified in one of the other liability accounts should be listed in this classification along with a brief explanation of this liability. Accounts payable, accrued interest, and contracts payable should not be listed as liabilities in this report.

**Receipts** - All transactions involving the receipt of cash during the fiscal year should be included in the Receipts section. Only those amounts actually received during the fiscal year should be included. Amounts received for which repayment is contingent upon a bond sale (or some other event) should be included here. (See "Developer Advances" above for treatment of the contingent liability.)

**Refundable Deposits** - This amount reflects a liability arising from the receipt of deposits from customers, which will be refunded to the customer at some future date, based on the terms and conditions of the deposit agreement.

**Rounding Instructions** - Please round to the nearest whole dollar amount. For example:

\$467.50 should be rounded up to \$468 and \$3,678.49 should be rounded down to \$3,678.

## **APPENDIX B**

### **General Fund and Operating Budget of the District for the year ending July 31, 2023**

The information contained in this appendix includes the Approved Budget of Brookfield Water Control and Improvement District of Denton County for the fiscal year ending July 31, 2023.

# Brookfield WCID of Denton County Profit & Loss Budget Overview

August 2022 through July 2023

	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	TOTAL FYE 2023	Budget FYE 2022	10 mos. Actual FYE 2022
<b>Ordinary Income/Expense</b>															
<b>Income</b>															
4000 · Property Tax Revenue	0	0	5,000	10,000	15,000	20,000	15,000	10,000	4,781	0	0	0	79,781 *	78,912	75,350
5391 · Interest income	50	50	50	50	50	50	50	50	50	50	50	50	600	12	22
<b>Total Income</b>	<b>50</b>	<b>50</b>	<b>5,050</b>	<b>10,050</b>	<b>15,050</b>	<b>20,050</b>	<b>15,050</b>	<b>10,050</b>	<b>4,831</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>80,381</b>	<b>78,924</b>	<b>75,371</b>
<b>Expense</b>															
6050 · Tax Appraisal Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	739
7001 · Accounting	810	810	810	810	810	810	810	810	810	810	810	810	9,720	9,600	6,945
7070 · Auditing	0	8,000	0	0	0	0	0	0	0	0	0	0	8,000	0	0
7200 · Director's Fees	800	800	800	800	800	800	800	800	800	800	800	800	9,600	10,740	6,921
7275 · Election Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	500	0
7460 · Insurance	0	0	0	0	0	0	0	0	0	0	3,113	0	3,113	3,065	3,113
7500 · Legal	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000	0	0
7520 · Meeting exp	150	150	150	150	150	150	150	150	150	150	150	150	1,800	1,800	1,650
<b>Total Expense</b>	<b>5,760</b>	<b>13,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>5,760</b>	<b>8,873</b>	<b>5,760</b>	<b>80,233</b>	<b>25,705</b>	<b>19,368</b>
<b>Net Ordinary Income</b>	<b>(5,710)</b>	<b>(13,710)</b>	<b>(710)</b>	<b>4,290</b>	<b>9,290</b>	<b>14,290</b>	<b>9,290</b>	<b>4,290</b>	<b>(929)</b>	<b>(5,710)</b>	<b>(8,823)</b>	<b>(5,710)</b>	<b>148 **</b>	<b>53,219</b>	<b>56,003</b>
<b>Net Income</b>	<b>(5,710)</b>	<b>(13,710)</b>	<b>(710)</b>	<b>4,290</b>	<b>9,290</b>	<b>14,290</b>	<b>9,290</b>	<b>4,290</b>	<b>(929)</b>	<b>(5,710)</b>	<b>(8,823)</b>	<b>(5,710)</b>	<b>148</b>	<b>53,219</b>	<b>56,003</b>

\*Property Tax Revenue is based on an O&M Tax Rate of 0.1383%.

\*\*District has \$68,000 invested in Logic Fund.

**APPENDIX C**

**Form of Bond Counsel's Opinion**

*An opinion in substantially the following form will be delivered by Winstead PC, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law. #*

*The opinion will be issued on firm letterhead.*

\_\_\_\_\_, 2022

**BROOKFIELD WATER CONTROL AND IMPROVEMENT DISTRICT  
OF DENTON COUNTY  
UNLIMITED TAX ROAD BONDS, SERIES 2022  
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$6,350,000**

Ladies and Gentlemen:

We have acted as “Bond Counsel” to Brookfield Water Control and Improvement District of Denton County (the “District”) in connection with the issuance of the bonds described above (the “Bonds”) for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds or with respect to the sufficiency of security or marketability of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the “Board”); an order of the Board authorizing the Bonds adopted on August 4, 2022 (the “Order”); the Official Notice of Sale; the awarded bid; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a “Federal Tax Certificate”), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have examined executed Bond No. T-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.

3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District, necessary to pay the interest on and principal of the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's financial advisor, and the initial purchaser of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions

represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, the sufficiency of the security for, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

**APPENDIX D**

**Specimen Municipal Bond Insurance Policy**





**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

Financial Advisory Services  
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