

OFFICIAL STATEMENT DATED JUNE 8, 2023

IN THE OPINION OF SPECIAL TAX COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds are designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS - Purchase of Tax-Exempt Obligations by Financial Institutions."

NEW ISSUE - Book Entry Only

S&P Global Ratings (AGM Insured) "AA"
Moody's Investors Service, Inc. (AGM Insured) "A1"
Moody's Investors Service, Inc. (Underlying) "A1"

\$9,125,000

SIENNA MUNICIPAL UTILITY DISTRICT NO. 3

(A political subdivision of the State of Texas, located within Fort Bend County)

UNLIMITED TAX REFUNDING BONDS, SERIES 2023

Dated: July 1, 2023

Due: March 1, as shown on the inside cover

Interest Accrues From: Date of Delivery

The \$9,125,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2023 (the "Bonds") are obligations of Sienna Municipal Utility District No. 3 (the "District") and are not obligations of the State of Texas ("Texas"); Fort Bend County, Texas (the "County"); the City of Missouri City, Texas (the "City"); or any entity other than the District. Neither the faith and credit nor the taxing power of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds are dated July 1, 2023, and mature on March 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about July 18, 2023 (the "Date of Delivery")), with interest payable on September 1, 2023, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until stated maturity. The Bonds are not subject to redemption prior to stated maturity. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at stated maturity. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount.

The Bonds will be registered 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 as described herein. See "THE BONDS - Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM").



The Bonds, when issued, will constitute valid and binding obligations of the District, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

The proceeds of the Bonds will be applied to refund certain outstanding bonds of the District and to pay certain costs incurred in connection with the issuance of the Bonds in order to achieve gross and net present value savings in the District's annual debt service expense. See "PLAN OF FINANCING - Sources and Uses of Funds."

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS AS DISCUSSED UNDER "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter (herein defined), subject, among other things, to the approval of the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, and by Bracewell LLP, Houston, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Underwriter's Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about the Date of Delivery.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

\$9,125,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2023

Maturity (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 82622Q (b)
2024	\$ 15,000	4.000%	3.810%	AA6
2025	15,000	4.000%	3.770%	AB4
2026	15,000	4.000%	3.640%	AC2
2027	20,000	4.000%	3.600%	AD0
2028	20,000	4.000%	3.600%	AE8
2029	20,000	4.000%	3.600%	AF5
2030	2,920,000	4.000%	3.500%	AG3
2031	2,995,000	4.000%	3.520%	AH1
2032	3,105,000	4.000%	3.540%	AJ7

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the yields resulting when priced to maturity.

(b) CUSIP numbers have been assigned to this issue by the 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 owners of the Bonds.

The Bonds are not subject to redemption prior to stated maturity.

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 herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

This Official Statement is not to be used in connection with 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.

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 discussed herein since the date hereof. 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 such information actually comes to its attention, the other matters discussed herein, until delivery of the Bonds to the Underwriter and thereafter only as discussed under "OFFICIAL STATEMENT – Updating of Official Statement."

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX C."

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 Official Statement for any purpose.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT	1	Consolidation	15
SALE AND DISTRIBUTION OF THE BONDS	3	Legal Investment and Eligibility to Secure Public Funds in Texas.....	16
Underwriting	3	Registered Owners' Remedies	16
Prices and Marketability	3	PLAN OF FINANCING	17
Securities Laws	3	Use and Distribution of Bond Proceeds.....	17
MUNICIPAL BOND INSURANCE.....	3	Refunded Bonds	17
Bond Insurance Policy	3	Remaining Outstanding Bonds.....	17
Assured Guaranty Municipal Corp.	3	Sources and Uses of Funds.....	18
RATINGS.....	5	Refunding of the Refunded Bonds.....	18
OFFICIAL STATEMENT SUMMARY.....	6	THE DISTRICT	18
INTRODUCTION	11	Authority	18
THE BONDS	11	Description.....	18
General	11	Management of the District.....	19
Paying Agent/Registrar	11	Investment Policy.....	19
Book-Entry-Only System.....	11	Consultants	19
Registration, Transfer, and Exchange.....	13	DEVELOPMENT WITHIN THE DISTRICT	20
Mutilated, Lost, Stolen, or Destroyed Bonds.....	13	SIENNA	20
Redemption of the Bonds	13	Description of Project	20
Successor Paying Agent/Registrar	13	Sienna Point.....	21
Authority for Issuance	13	Development Agreement.....	21
Funds.....	14	DISTRICT DEBT	21
Source of Payment.....	14	Debt Service Requirement Schedule	21
Issuance of Additional Debt.....	14	Selected Financial Information (Unaudited)	22
No Arbitrage.....	14	Estimated Direct and Overlapping Debt Statement ..	23
Defeasance.....	15	Debt Ratios.....	23
Annexation by the City	15		

TAXING PROCEDURES	23	No-Litigation Certificate	44
Authority to Levy Taxes.....	23	No Material Adverse Change.....	44
Property Tax Code and County-wide Appraisal		TAX MATTERS	44
District	23	Tax Exemption	44
Property Subject to Taxation by the District	24	Additional Federal Income Tax Considerations.....	45
Tax Abatement.....	25	Tax Legislative Changes.....	45
Valuation of Property for Taxation	25	Purchase of Tax-Exempt Obligations by Financial	
District and Taxpayer Remedies.....	26	Institutions	45
Levy and Collection of Taxes.....	26	VERIFICATION OF MATHEMATICAL CALCULATIONS.....	46
Tax Payment Installments After Disaster.....	26	CONTINUING DISCLOSURE OF INFORMATION	46
Rollback of Operation and Maintenance Tax Rate	26	Annual Reports.....	46
District's Rights in the Event of Tax Delinquencies ..	27	Event Notices	46
TAX DATA.....	28	Availability of Information from EMMA.....	47
General	28	Limitations and Amendments.....	47
Tax Rate Limitation.....	28	Compliance with Prior Undertakings	47
Maintenance Tax.....	28	OFFICIAL STATEMENT	47
Contract Tax.....	28	General	47
Exemptions	28	Experts.....	47
Additional Penalties.....	28	Certification as to Official Statement.....	48
Estimated Overlapping Taxes	29	Updating of Official Statement.....	48
Assessed Valuation Summary	29	CONCLUDING STATEMENT	48
Historical Tax Collections	30		
Tax Rate Distribution	30	APPENDIX A - AERIAL PHOTOGRAPH OF THE	
Principal Taxpayers	30	DISTRICT	
THE SYSTEM	30	APPENDIX B - FINANCIAL STATEMENTS OF THE	
General	30	DISTRICT	
Historical Operations of the System.....	31	APPENDIX C - SPECIMEN MUNICIPAL BOND	
Regulation.....	31	INSURANCE POLICY	
Master District Contract.....	32		
Water Supply	32		
Wastewater Treatment.....	32		
Fire Protection	33		
THE FLOOD PROTECTION SYSTEM	33		
Design Standards and Atlas 14.....	33		
Flood Protection, Reclamation, and Drainage			
Facilities	33		
Construction of Future Internal Drainage			
Facilities	34		
INVESTMENT CONSIDERATIONS.....	35		
General	35		
Possible Flooding Events	35		
Extreme Weather Events	36		
Potential Impact of Natural Disaster.....	37		
Potential Effects of Oil Price Fluctuations on the			
Houston Area	37		
Factors Affecting Taxable Values and Tax			
Payments.....	37		
District Tax Levy and Overlapping District Taxes			
and Functions	37		
Tax Collection Limitations.....	39		
Registered Owners' Remedies and Bankruptcy	39		
Bond Insurance Risk Factors	39		
Marketability	40		
Future Debt.....	40		
Continuing Compliance with Certain Covenants.....	40		
Approval of the Bonds	40		
Changes in Tax Legislation.....	40		
2023 Legislative Session	40		
Environmental Regulations.....	41		
LEGAL MATTERS.....	43		
Legal Opinions.....	43		

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

SAMCO Capital Markets, Inc. (the "Underwriter") has agreed to purchase the Bonds from the District for \$9,344,383.54 (being the par amount of the Bonds, plus an original issue premium on the Bonds of \$287,147.35, and less an underwriter's discount of \$67,763.81). The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

The following statement is provided by the Underwriter. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter 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, dealer, or similar person or organization acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter 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 UNDERWRITER 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.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933 in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should 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

Bond Insurance Policy

Concurrently with the issuance of the Bonds, AGM will issue its Municipal Bond Insurance Policy for the Bonds (the "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 "APPENDIX C."

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At March 31, 2023:

- The policyholders' surplus of AGM was approximately \$2,742 million.
- The contingency reserve of AGM was approximately \$874 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for

the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under "MUNICIPAL BOND INSURANCE."

RATINGS

The Bonds received an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AGM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. 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 S&P, if in its judgment, circumstances so warrant.

The Bonds received an insured rating of "A1" (stable outlook) from Moody's solely in reliance upon the issuance and delivery of the Policy by AGM at the time of delivery of the Bonds. The Bonds have received an underlying rating of "A1" from Moody's. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. 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 Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned the Bonds other than the ratings discussed above.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- The IssuerSienna Municipal Utility District No. 3 (the "District"), a political subdivision of the State of Texas ("Texas"), is located in Fort Bend County, Texas (the "County"). See "THE DISTRICT."
- The IssueThe \$9,125,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2023 (the "Bonds") are dated July 1, 2023, and mature on March 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about July 18, 2023 (the "Date of Delivery")), at the rates set forth on the inside cover, and is payable September 1, 2023, and each March 1 and September 1 thereafter until stated maturity. See "THE BONDS."
- Redemption of the Bonds.....The Bonds are not subject to redemption prior to stated maturity.
- Source of Payment.....The Bonds are payable from the proceeds of a continuing direct 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 Texas; the County; the City of Missouri City, Texas (the "City"); or any entity other than the District. See "THE BONDS – Source of Payment."
- Payment RecordThe District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.
- Book-Entry-Only System.....The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrars, initially Regions Bank, an Alabama banking corporation, Houston, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
- Authority for Issuance.....The Bonds constitute the ninth series of unlimited tax bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$29,280,000 principal amount of unlimited tax bonds for refunding purposes; \$48,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "System"); and \$440,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing fire protection facilities to serve the District (the "Fire Protection Facilities").

Following the issuance of the Bonds, \$26,622,140.83 principal amount of unlimited tax bonds for refunding purposes will remain authorized and unissued. No authorized and unissued unlimited tax bonds remain for the purpose of acquiring or constructing the System or the Fire Protection Facilities.

The Bonds are issued pursuant to the resolution adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Bond Resolution"); the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; Article XVI, Section 59 of the Texas

Constitution; and an election held within the District on May 1, 1999. See “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”

- Use of Distribution of Bond Proceeds.....The proceeds from the sale of the Bonds, and legally available debt service funds, will be used to currently refund \$9,100,000 principal amount (the “Refunded Bonds”) of the following series of bonds previously issued by the District: \$18,665,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2015. Proceeds from the sale of the Bonds will also be used to pay costs associated with the issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements. See “PLAN OF FINANCING.”
- Remaining Outstanding Bonds.....The District has previously issued eight (8) series of unlimited tax bonds for refunding purposes and ten (10) series of unlimited tax bonds for the purpose of acquiring or constructing the System (one of which was also for the purpose of acquiring or constructing the Fire Protection Facilities). At delivery of the Bonds, \$14,570,000 principal amount of such bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “PLAN OF FINANCING – Remaining Outstanding Bonds.”
- Municipal Bond Insurance.....Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE.”
- RatingsS&P Global Ratings (AGM Insured): “AA.” Moody’s Investors Service, Inc. (“Moody’s”) (AGM Insured): “A1.” Moody’s (Underlying): “A1.” See “RATINGS.”
- Qualified Tax-Exempt Obligations.....The Bonds are designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions.”
- Bond CounselAllen Boone Humphries Robinson LLP, Houston, Texas.
- Special Tax CounselBracewell LLP, Houston, Texas.
- Underwriter’s CounselMcCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial AdvisorRobert W. Baird & Co. Incorporated, Houston, Texas.
- Verification Agent.....Robert Thomas CPA, LLC, Minneapolis, Minnesota.
- Paying Agent/RegistrarRegions Bank, an Alabama banking corporation, Houston, Texas.

THE DISTRICT

- Description.....The District was created by the Texas Natural Resource Conservation Commission (now known as the Texas Commission on Environmental Quality (the “TCEQ”)) on March 10, 1997, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 1,229 acres. The District is located wholly within the County, approximately 22 miles southwest of the central business district of the City of Houston, Texas. The District is approximately one (1) mile west of the intersection of the Fort Bend Parkway Toll Road and Texas State Highway 6; approximately eight (8) miles west of the intersection of Texas State Highway 6 and Texas State Highway 288; and approximately seven (7) miles east of the intersection of Texas State Highway 6 and U.S. Highway 59. The District is located wholly within Fort Bend Independent School District, SPLID (herein defined), Fort Bend County Drainage District, and the extraterritorial jurisdiction of the City. See “THE DISTRICT.”
- SiennaThe District is part of an approximate 10,230-acre master-planned community known as “Sienna.”

Beginning in 1997, Johnson Development Corp. ("JDC"), through several partnerships, acquired and developed approximately 4,500 acres within Sienna. This area includes four (4) internal municipal utility districts, including the District, and a management district. This area also includes an approximate 214-acre rural estate subdivision known as "The Woods at Sienna."

In December 2013, Toll-GTIS Property Owner, LLC ("Toll Brothers") purchased approximately 3,800 acres within the southern region of Sienna (the "Toll Brothers Development"). The Toll Brothers Development encompasses four (4) internal municipal utility districts and approximately 32 acres in the District. Toll Brothers engaged an affiliate of JDC as fee developer to develop its property. Development and homebuilding are currently underway on the Toll Brothers Development. See "SIENNA - Description of the Project."

Sienna Point.....Approximately 1,035 acres outside of Sienna are not located within any municipal utility district and have been developed as a rural estate subdivision known as "Sienna Point." Sienna Point contains 273 lots, all of which have been completed.

Development AgreementThe development of Sienna, including the District, and Sienna Point is governed by the Sienna Plantation Joint Development Agreement, dated February 19, 1996, as amended by ten (10) amendments (collectively, the "Development Agreement") pursuant to which the City, developers, and major landowners stipulated to the City's regulatory authority over the development of Sienna and Sienna Point, established certain restrictions and commitments related to the development of Sienna and Sienna Point, set forth a formula for determining the timing of annexation of land within Sienna and Sienna Point by the City, and identified and established a master plan for the development of Sienna and Sienna Point. The development of all land within Sienna and Sienna Point is governed by the provisions of the Development Agreement. See "SIENNA - Development Agreement."

Development Within the DistrictApproximately 987 acres (2,460 lots) within the District have been developed as various single-family residential subdivisions. As of May 1, 2023, all of such lots contained completed homes. The remaining land within the District is comprised of approximately 118 acres consisting of a portion of an 18-hole golf course, as well as a clubhouse, and approximately 124 undevelopable acres (some of which is owned by JDC and its affiliates). Development within the District has concluded.

Regional Facilities.....Sienna Regional Municipal Utility District (the "Master District") is the municipal utility district providing the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater treatment plant, regional wastewater collection trunk lines, and regional stormwater collection trunk lines, necessary to serve its participating districts, including the District, and provides water supply to The Woods at Sienna. See "THE SYSTEM."

Flood Protection System and Overlapping Districts and TaxesSienna Parks & Levee Improvement District of Fort Bend County, Texas ("SPLID"), is the levee improvement district created to provide the levee, detention ponds, external drainage channel, and various interior drainage channels necessary to serve Sienna, including the District. SPLID comprises approximately 9,832 acres, of which approximately 8,520 acres are within Sienna. SPLID has financed, and intends to continue to finance, facilities to accomplish flood protection and accommodate stormwater drainage within SPLID. SPLID currently levies a tax on property located within its boundaries, which is in addition to the tax levied by the District. For the 2022 tax year, SPLID levied a total tax rate of \$0.4325 per \$100 of assessed valuation. As of May 1, 2023, SPLID had \$177,240,000 principal amount of unlimited tax bonds outstanding. See "TAX DATA - Estimated

Overlapping Taxes," "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments," and "THE FLOOD PROTECTION SYSTEM."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, PARTICULARLY "INVESTMENT CONSIDERATIONS."

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Assessed Valuation	\$ 960,701,011	(a)
(100% of the Market Valuation as of January 1, 2022)		
2023 Preliminary Assessed Valuation.....	\$ 1,070,142,568	(b)
(100% of the Preliminary Market Valuation as of January 1, 2023)		
Direct Debt:		
The Remaining Outstanding Bonds	\$ 14,570,000	(c)
The Bonds.....	<u>\$ 9,125,000</u>	
Total	\$ 23,695,000	
Estimated Overlapping Debt.....	<u>\$ 66,804,372</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 90,499,372	(d)
Direct Debt Ratios:		
As a Percentage of the 2022 Assessed Valuation		2.47 %
As a Percentage of the 2023 Preliminary Assessed Valuation.....		2.21 %
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2022 Assessed Valuation		9.42 %
As a Percentage of the 2023 Preliminary Assessed Valuation.....		8.46 %
Debt Service Fund Balance (as of April 26, 2023)	\$ 2,028,030	(e)
General Fund Balance (as of April 26, 2023).....	\$ 7,232,509	
2022 Tax Rate per \$100 of Assessed Valuation:		
Debt Service.....	\$ 0.3250	
Maintenance & Operations.....	<u>0.1375</u>	
Total	\$ 0.4625	
Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2024-2032).....	\$ 3,079,257	(f)
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$ 3,222,400	(f)
Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2024-2032) at 95% Tax Collections:		
Based on the 2022 Assessed Valuation.....	\$ 0.34	
Based on the 2023 Preliminary Assessed Valuation	\$ 0.31	
Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030) at 95% Tax Collections:		
Based on the 2022 Assessed Valuation.....	\$ 0.36	
Based on the 2023 Preliminary Assessed Valuation	\$ 0.32	
Single-Family Homes as of May 1, 2023		2,460 (g)

-
- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2022, as provided by the Fort Bend Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Represents the preliminary assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Appraisal District. No taxes will be levied on this amount. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Excludes the Refunded Bonds.
- (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund (herein defined). See "THE BONDS – Funds."
- (f) See "DISTRICT DEBT – Debt Service Requirement Schedule."
- (g) See "DEVELOPMENT WITHIN THE DISTRICT."

\$9,125,000
SIENNA MUNICIPAL UTILITY DISTRICT NO. 3
UNLIMITED TAX REFUNDING BONDS, SERIES 2023

INTRODUCTION

This Official Statement of Sienna Municipal Utility District No. 3 (the “District”) is provided to furnish information with respect to the issuance of the \$9,125,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to the resolution adopted by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”); the general laws of the State of Texas (“Texas”), including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; Article XVI, Section 59 of the Texas Constitution; and an election held within the District on May 1, 1999.

There follows herein descriptions of the Bonds, the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

THE BONDS

General

The Bonds are dated July 1, 2023, and mature on March 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about July 18, 2023 (the “Date of Delivery”)), with interest payable on September 1, 2023, and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until stated maturity. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of the Paying Agent/Registrar (herein defined) upon surrender of the Bonds for payment at stated maturity. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the “Paying Agent/Registrar”). The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Paying Agent/Registrar’s books on the Record Date.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (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 (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the “SEC”), and the current procedures of DTC to be followed in dealing with Direct and Indirect 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 required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at 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 holder of ownership interest of each actual purchase of each Bond (the "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-Only System 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 effect 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 Issue 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).

Redemption proceeds, principal, and interest 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 the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments 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 Book-Entry-Only System transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Direct and Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Resolution will be given only to DTC.

Registration, Transfer, and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

Redemption of the Bonds

The Bonds are not subject to redemption prior to stated maturity.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Authority for Issuance

The Bonds are issued pursuant to the Bond Resolution; the general laws of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; Article XVI, Section 59 of the Texas Constitution; and an election held within the District on May 1, 1999.

Before the Bonds are 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 herein.

Funds

The Bond Resolution confirms the District's debt service fund (the "Debt Service Fund"). The Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Remaining Outstanding Bonds (herein defined), the Bonds, and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Fort Bend Central Appraisal District (the "Appraisal District") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Remaining Outstanding Bonds, the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of Texas; Fort Bend County, Texas (the "County"); the City of Missouri City, Texas (the "City"); or any entity other than the District.

Issuance of Additional Debt

The District has previously issued eight (8) series of unlimited tax bonds for refunding purposes and ten (10) series of unlimited tax bonds for the purpose of acquiring or constructing a waterworks, wastewater, and storm drainage system to serve the District (the "System") (one of which was also for the purpose of acquiring or constructing fire protection facilities to serve the District (the "Fire Protection Facilities")).

The Bonds constitute the ninth series of unlimited tax bonds issued by the District for refunding purposes. Voters in the District have authorized a total of \$29,280,000 principal amount of unlimited tax bonds for refunding purposes; \$48,800,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; and \$440,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Fire Protection Facilities.

Following the issuance of the Bonds, \$26,622,140.83 principal amount of unlimited tax bonds for refunding purposes will remain authorized and unissued. No authorized and unissued unlimited tax bonds remain for the purpose of acquiring or constructing the System or the Fire Protection Facilities.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ (herein defined), if applicable).

Under certain limited circumstances, the District is also authorized to construct, develop, and maintain park and recreational facilities. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS - Future Debt."

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and the redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of Texas a sum of money equal to principal of, premium, if any, and all interest to accrue on the Bonds to maturity or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States, (b) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished 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.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Annexation by the City

Chapter 42 of the Texas Local Government Code provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City, the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of the City. In the Development Agreement (herein defined), the City agrees that the City shall not annex the property in the District before such time as (i) at least 95% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities, and (ii) JDC (through its affiliated entities) has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. Additionally, the District and the City entered into a strategic partnership agreement (the "Agreement") pursuant to Section 43.0751 of the Texas Local Government Code. Pursuant to the Agreement, the City will not annex the property in the District until (i) at least 90% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities, and (ii) JDC (through its affiliated entities) has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. These conditions have been met, therefore the City may annex and dissolve the District at any time. If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District within 90 days. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. See "DEVELOPMENT WITHIN THE DISTRICT" and "SIENNA - Development Agreement."

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 System) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from 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 un-matured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are 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 or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which 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.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

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PLAN OF FINANCING

Use and Distribution of Bond Proceeds

The proceeds from the sale of the Bonds, and legally available debt service funds, will be used to currently refund \$9,100,000 principal amount (the “Refunded Bonds”) of the following series of bonds previously issued by the District: \$18,665,000 Sienna Municipal Utility District No. 3 Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”). Proceeds from the sale of the Bonds will also be used to pay costs associated with the issuance of the Bonds. The sale of the Bonds and the refunding of the Refunded Bonds will result in an annual and net present value savings in the District’s current annual debt service requirements.

Refunded Bonds

The principal amounts and maturity dates of the Refunded Bonds are set forth as follows:

<u>Series 2015 Refunding Bonds</u>	
<u>Principal Amount</u>	<u>Maturity Date</u>
\$ 2,915,000	03/01/2030
3,020,000	03/01/2031
<u>3,165,000</u>	03/01/2032
\$ 9,100,000	

Redemption date: July 18, 2023

Remaining Outstanding Bonds

The District has previously issued eight (8) series of unlimited tax bonds for refunding purposes and ten (10) series of unlimited tax bonds for the purpose of acquiring or constructing the System (one of which was also for the purpose of acquiring or constructing the Fire Protection Facilities). At delivery of the Bonds, \$14,570,000 principal amount of such bonds will remain outstanding (the “Remaining Outstanding Bonds”).

The Remaining Outstanding Bonds are summarized in the table below:

	Original Principal Amount	Outstanding Principal Amount (a)	Less: Refunded Bonds	Remaining Outstanding Bonds
Series 2015 Refunding Bonds	\$ 18,665,000	\$ 16,235,000	\$ 9,100,000	\$ 7,135,000
Series 2017 Refunding Bonds	3,715,000	2,970,000	-	2,970,000
Series 2019 Refunding Bonds	3,785,000	1,755,000	-	1,755,000
Series 2022 Refunding Bonds	<u>3,570,000</u>	<u>2,710,000</u>	-	<u>2,710,000</u>
	\$ 29,735,000	\$ 23,670,000	\$ 9,100,000	\$ 14,570,000

(a) As of the delivery of the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES OF FUNDS:

Principal Amount of the Bonds.....	\$ 9,125,000.00
Net Original Issue Premium on the Bonds.....	287,147.35
Debt Service Fund Transfer.....	<u>180,000.00</u>
Total Sources of Funds.....	\$ 9,592,147.35

USES OF FUNDS:

Deposit for Payment of the Refunded Bonds.....	\$ 9,273,152.78
Insurance Premium, Issuance Expenses, and Underwriter’s Discount.....	318,381.16
Additional Proceeds.....	<u>613.41</u>
Total Uses of Funds.....	\$ 9,592,147.35

Refunding of the Refunded Bonds

The Refunded Bonds, and the interest due thereon, are to be paid on the redemption date from funds to be deposited with the paying agent/registrars for the Refunded Bonds, Zions Bancorporation, National Association (formerly known as Amegy Bank, N.A.), Houston, Texas (the “Refunded Bonds Paying Agent/Registrar”). The Bond Resolution provides that from the proceeds of the sale of the Bonds, and legally available debt service funds, the District will deposit with the Refunded Bonds Paying Agent/Registrar the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Refunded Bonds Paying Agent/Registrar in a segregated payment account (the “Payment Account”). At the time of delivery of the Bonds, the Verification Agent (herein defined) will verify to the District, and other involved parties, that the monies held in the Payment Account are sufficient to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” By the deposit of the cash with the Refunded Bonds Paying Agent/Registrar and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding.

THE DISTRICT

Authority

The District is a municipal utility district created by an order of the Texas Natural Resource Conservation Commission (now known as the Texas Commission on Environmental Quality (the “TCEQ”)) dated March 10, 1997. The creation of the District was confirmed at an election held within the District on January 17, 1998. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, and pursuant to Article XVI, Section 59 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water, the collection, transportation, and treatment of wastewater, and the control and diversion of stormwater.

Under certain limited circumstances, the District is also authorized to construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. The District presently receives fire protection services pursuant to a contract with the City, for which the District pays a fee per house. See “THE SYSTEM.”

Description

The District contains approximately 1,229 acres. The District is located wholly within the County, approximately 22 miles southwest of the central business district of the City of Houston, Texas (“Houston”). The District is approximately one (1) mile west of the intersection of the Fort Bend Parkway Toll Road and Texas State Highway 6; approximately eight (8) miles west of the intersection of Texas State Highway 6 and Texas State Highway 288; and approximately seven (7) miles east of the intersection of Texas State Highway 6 and U.S. Highway 59. The District is located wholly within Fort Bend Independent School District, SPLID (herein defined), Fort Bend County Drainage District, and the extraterritorial jurisdiction of the City.

Management of the District

The District is governed by the Board, consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the Directors own land within the District. The directors serve four (4)-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board, along with their occupations are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Don Trull	President	2024
Beth Wolf	Vice President	2024
James Browne	Assistant Vice President	2026
Kathy Bender	Secretary	2026
Teri Clayton	Assistant Secretary	2024

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are 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 portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory, and legal services as follows:

Tax Assessor/Collector: The District's tax assessor and collector is Tax Tech, Inc., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal District and bills and collects such levy.

Bookkeeper: The District's bookkeeper is McLennan & Associates, Houston, Texas.

Utility System Operator: The District's operator is Si Environmental, LLC, Houston, Texas.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ended February 28, 2023, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are included as "APPENDIX B."

Engineer: The District's engineer in connection with the design and construction of the facilities within the District is LJA Engineering, Inc., Houston, Texas (the "Engineer").

Bond & General Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. See "LEGAL MATTERS."

Financial Advisor: Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

Special Consultants Related to Issuance of the Bonds

Special Tax Counsel: The District has engaged Bracewell LLP, Houston, Texas, as special tax counsel (“Special Tax Counsel”) in connection with the issuance of the Bonds. The fees to be paid to Special Tax Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds.

Verification Agent: Robert Thomas CPA, LLC has been engaged as verification agent (the “Verification Agent”). At the time of delivery of the Bonds, the Verification Agent will verify to the District, and other involved parties, certain matters related to the issuance of the bonds and the refunding of the Refunded Bonds. See "VERIFICATION OF MATHEMATICAL CALCULATIONS."

DEVELOPMENT WITHIN THE DISTRICT

Approximately 987 acres (2,460 lots) within the District have been developed as various single-family residential subdivisions. As of May 1, 2023, all of such lots contained completed homes. The remaining land within the District is comprised of approximately 118 acres consisting of a portion of an 18-hole golf course, as well as a clubhouse, and approximately 124 undevelopable acres (some of which is owned by Johnson Development Corp. (“JDC”) and its affiliates). Development within the District has concluded.

SIENNA

Description of Project

The District is part of an approximate 10,230-acre master-planned community known as “Sienna,” which is governed by the terms and conditions of the Development Agreement. In the Development Agreement, the City and the landowners stipulate the City’s regulatory authority over the development of the community, establish certain restrictions and commitments, set forth a formula for determining the timing of annexation of land by the City, and identify and establish a master plan for the development of Sienna. This master-planned area consists of three (3) distinct developments: Sienna by JDC (through several partnerships), approximately 4,500 acres; Sienna by Toll-GTIS Property Owner, LLC (“Toll Brothers”), approximately 3,800 acres; and Avalon at Sienna by Taylor Morrison of Texas, Inc., approximately 187 acres.

JDC is a Houston-based residential and commercial land development company. JDC has been actively developing communities for over 40 years. In addition to Sienna, JDC has developed several master-planned communities.

The approximate 4,500 acres of Sienna developed by JDC (through several partnerships) began in 1997. This area includes four (4) internal municipal utility districts and a management district: Sienna Municipal Utility District No. 2 (“SMUD2”); the District; Sienna Municipal Utility District No. 10 (“SMUD10”); Sienna Municipal Utility District No. 12 (“SMUD12”); and Sienna Management District (“SMD”). This area also includes an approximate 214-acre rural estate subdivision known as “The Woods at Sienna.”

In December 2013, Toll Brothers purchased approximately 3,800 acres within the southern region of Sienna (the “Toll Brothers Development”). The Toll Brothers Development encompasses four (4) internal municipal utility districts (and approximately 32 acres in the District): Sienna Municipal Utility District No. 4 (“SMUD4”); Sienna Municipal Utility District No. 5 (“SMUD5”); Sienna Municipal Utility District No. 6 (“SMUD6”); and Sienna Municipal Utility District No. 7 (“SMUD7”). Toll Brothers engaged an affiliate of JDC as fee developer to develop its property. Development and homebuilding are currently underway on the Toll Brothers Development.

Sienna Regional Municipal Utility District (the “Master District”) is the municipal utility district providing the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater treatment plant, regional wastewater collection trunk lines, and regional stormwater collection trunk lines, necessary to serve the Participating Districts (herein defined), and provides water supply to The Woods at Sienna.

SPLID encompasses approximately 9,832 acres, approximately 8,520 of which are within Sienna.

To date, development within Sienna has occurred primarily within SMUD2; SMUD3; SMUD4; SMUD6; SMUD10; SMUD12; the District; and The Woods at Sienna. As of May 15, 2023, single-family residential development within Sienna, in aggregate, includes approximately 10,530 completed homes; approximately 177 homes under construction; approximately 349 vacant and developed lots; approximately 307 lots under development; and 104 rural estate lots in The Woods at Sienna.

The District’s tax is levied only on the property located within the District. Therefore, the investment security and quality of the Bonds is dependent upon the successful development of property located within the District, and the payment and collection of taxes levied thereon. Neither the faith and credit nor the taxing power of any of the internal districts comprising Sienna, other than the District, is pledged to the payment of any obligation of the District, including the Bonds. Development within the District is discussed under “DEVELOPMENT WITHIN THE DISTRICT.” See “INVESTMENT CONSIDERATIONS” and “SIENNA – Development Agreement.”

Sienna Point

Approximately 1,035 acres outside of Sienna are not located within any municipal utility district and have been developed as a rural estate subdivision known as “Sienna Point.” Sienna Point contains 273 lots, all of which have been completed.

Development Agreement

The development of all land within Sienna, including the District, and Sienna Point that is located within the City, or its extraterritorial jurisdiction, is subject to the terms and conditions of the Sienna Plantation Joint Development Agreement with the City dated February 19, 1996, as amended ten (10) times (collectively, the "Development Agreement") which stipulates the City's regulatory authority over the development of Sienna and Sienna Point, establishes certain restrictions and commitments related to the development of Sienna and Sienna Point, sets forth detailed design and construction standards, stipulates a formula for determining the timing of annexations of land within Sienna and Sienna Point by the City, and identifies and establishes a master plan for the development of Sienna and Sienna Point. The Development Agreement may be amended at any time by the mutual agreement of the parties thereto.

The Development Agreement limits the number of residential units within Sienna and Sienna Point to 21,000 units, of which no more than 2,720 units may be multi-family units. In addition, there can be no more than 1,100 acres of commercial development within Sienna and Sienna Point, and no more than an additional 300 acres of Rural Estate Lots (as defined in the Development Agreement) after the development of Sienna Point.

The City provides fire and police protection to the residents in the District subject to the payment for such services by the District. See “THE SYSTEM – Fire Protection.”

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the current total debt service requirements of the District, less the debt service requirements on the Refunded Bonds, plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service (a)	Less: Refunded Debt Service	Plus: The Bonds		Total Debt Service
			Principal	Interest	
2023	\$ 428,003	\$ 227,500	\$ -	\$ 43,597	\$ 244,100
2024	3,058,695	455,000	15,000	364,700	2,983,395
2025	3,060,773	455,000	15,000	364,100	2,984,873
2026	3,063,509	455,000	15,000	363,500	2,987,009
2027	3,078,058	455,000	20,000	362,800	3,005,858
2028	3,088,755	455,000	20,000	362,000	3,015,755
2029	3,241,625	455,000	20,000	361,200	3,167,825
2030	3,297,125	3,297,125	2,920,000	302,400	3,222,400
2031	3,253,750	3,253,750	2,995,000	184,100	3,179,100
2032	3,244,125	3,244,125	3,105,000	62,100	3,167,100
Total	\$ 28,814,418	\$ 12,752,500	\$ 9,125,000	\$ 2,770,497	\$ 27,957,415

(a) As of the delivery of the Bonds.

Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2024-2032).....	\$	3,079,257
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$	3,222,400

Selected Financial Information (Unaudited)

2022 Assessed Valuation	\$ 960,701,011	(a)
(100% of the Market Valuation as of January 1, 2022)		
2023 Preliminary Assessed Valuation.....	\$ 1,070,142,568	(b)
(100% of the Preliminary Market Valuation as of January 1, 2023)		
Direct Debt:		
The Remaining Outstanding Bonds	\$ 14,570,000	(c)
The Bonds.....	\$ <u>9,125,000</u>	
Total	\$ 23,695,000	
Estimated Overlapping Debt	\$ <u>66,804,372</u>	(d)
Total Direct and Estimated Overlapping Debt.....	\$ 90,499,372	(d)
Direct Debt Ratios:		
As a Percentage of the 2022 Assessed Valuation	2.47 %	
As a Percentage of the 2023 Preliminary Assessed Valuation.....	2.21 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2022 Assessed Valuation	9.42 %	
As a Percentage of the 2023 Preliminary Assessed Valuation.....	8.46 %	
Debt Service Fund Balance (as of April 26, 2023)	\$ 2,028,030	(e)
General Fund Balance (as of April 26, 2023).....	\$ 7,232,509	
2022 Tax Rate per \$100 of Assessed Valuation:		
Debt Service.....	\$ 0.3250	
Maintenance & Operations.....	<u>0.1375</u>	
Total	\$ 0.4625	
Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2024-2032).....	\$ 3,079,257	(f)
Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030)	\$ 3,222,400	(f)
Tax Rate per \$100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2024-2032) at 95% Tax Collections:		
Based on the 2022 Assessed Valuation.....	\$ 0.34	
Based on the 2023 Preliminary Assessed Valuation	\$ 0.31	
Tax Rate per \$100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds and the Bonds (2030) at 95% Tax Collections:		
Based on the 2022 Assessed Valuation.....	\$ 0.36	
Based on the 2023 Preliminary Assessed Valuation	\$ 0.32	
Single-Family Homes as of May 1, 2023	2,460	(g)

-
- (a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2022, as provided by the Appraisal District. See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Represents the preliminary assessed valuation of all taxable property located within the District as of January 1, 2023, as provided by the Appraisal District. No taxes will be levied on this amount. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) Excludes the Refunded Bonds.
 - (d) See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."
 - (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. See "THE BONDS – Funds."
 - (f) See "DISTRICT DEBT – Debt Service Requirement Schedule."
 - (g) See "DEVELOPMENT WITHIN THE DISTRICT."

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes. Totals may not sum due to rounding.

Taxing Jurisdiction	Outstanding Debt as of	Overlapping Debt	
	April 30, 2023	Percent	Amount
The County	\$ 820,682,050	0.98 %	\$ 8,003,310
Fort Bend Independent School District	1,523,860,000	1.78 %	27,115,272
SPLID	177,240,000	17.75 %	31,453,067
Fort Bend County Drainage District	23,615,000	0.99 %	232,723
Total Estimated Overlapping Debt.....			<u>\$ 66,804,372</u>
The District (a)			<u>\$ 23,695,000</u>
Total Direct & Estimated Overlapping Debt (a).....			<u>\$ 90,499,372</u>

(a) Includes the Bonds and excludes the Refunded Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of the 2022 Assessed Valuation	2.47 %
As a Percentage of the 2023 Preliminary Assessed Valuation.....	2.21 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of the 2022 Assessed Valuation	9.42 %
As a Percentage of the 2023 Preliminary Assessed Valuation.....	8.46 %

(a) Includes the Bonds and excludes the Refunded Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District in sufficient amount to pay principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See “INVESTMENT CONSIDERATIONS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as discussed under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and the System, and for the payment of certain contractual obligations. See “TAX DATA – Maintenance Tax,” “TAX DATA – Contract Tax,” and “THE SYSTEM – Master District Contract.”

Property Tax Code and County-wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility of appraising property for all taxing units within the County. Such appraisal values will be subject to review and change by the Fort Bend County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate. See “TAXING PROCEDURES – Valuation of Property for Taxation.”

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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 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 will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may 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.

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 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. For the 2023 tax year, the District granted a \$30,000 exemption for persons over 65 years of age and for disabled persons.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market value of residential homesteads from ad valorem taxation. 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 adoption of a homestead exemption may be considered each year, but must be adopted by before July 1. The District has never adopted a homestead exemption. See "TAX DATA - Exemptions."

Freeport Goods and Goods-in-Transit Exemption: 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 2013 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 2012 and subsequent years, such Goods-in-Transit Exemption includes 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 (1) 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 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 official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) 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 the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated any part of the area within the District as a reinvestment zone.

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. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use 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 taxes for the previous three (3) years, for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county wide basis. The District, however, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of Texas (the "Governor"). This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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 timely petition for review in district court. 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 compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also 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.

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. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three (3) equal installments within six (6) months of the delinquency date.

Additionally, the Property Tax Code authorizes a taxing jurisdiction, such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code classifies districts differently based on the current maintenance and operations tax rate or on the percentage of build-out that the District has completed. Districts that have adopted a maintenance and operations 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate 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 of the United States, 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 designated itself as a Developed 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.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. 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 Texas and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, 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. 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, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay principal of and interest on the Bonds. See "THE BONDS" and " INVESTMENT CONSIDERATIONS." For the 2022 tax year, the District levied a total tax rate of \$0.4625 per \$100 of assessed valuation made up of the following: a tax rate of \$0.3250 per \$100 of assessed valuation for debt service purposes and a tax rate of \$0.1375 per \$100 of assessed valuation for maintenance and operation purposes.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance & Operations:	\$1.10 per \$100 assessed valuation.
Contract:	Unlimited (no legal limit as to rate or amount).

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. On May 1, 1999, the Board was authorized by a vote of the District's electors to levy such maintenance and operations tax in an amount not to exceed \$1.10 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds, the Bonds, and any parity bonds which may be issued in the future.

For the 2022 tax year, the District levied a tax rate of \$0.1375 per \$100 of assessed valuation for maintenance and operation purposes.

Contract Tax

The District's obligation to pay its share of the costs of operating the Master District facilities is secured by the unlimited taxing power of the District. See "THE SYSTEM – Master District Contract."

For the 2022 tax year, the District did not levy a tax rate for contractual obligation purposes.

Exemptions

For the 2023 tax year, the District granted a \$30,000 exemption from ad valorem taxation of residence homestead of individuals who are over 65 years of age or disabled. To date, the District has not adopted a general residential homestead exemption. See "TAXING PROCEDURES."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either; (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code.

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Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed valuation that would be required to meet certain debt service requirements on the Remaining Outstanding Bonds and the Bonds if no growth in the District’s tax base occurs beyond the 2022 assessed valuation of \$960,701,011 or the 2023 preliminary assessed valuation of \$1,070,142,568. The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement on the Outstanding Bonds and	
the Bonds (2024-2032)	\$ 3,079,257
Tax Rate of \$0.34 on the 2022 Assessed Valuation Produces	\$ 3,103,064
Tax Rate of \$0.31 on the 2023 Preliminary Assessed Valuation Produces	\$ 3,151,570
Maximum Annual Debt Service Requirement on the Outstanding Bonds and	
the Bonds (2030)	\$ 3,222,400
Tax Rate of \$0.36 on the 2022 Assessed Valuation Produces	\$ 3,285,597
Tax Rate of \$0.32 on the 2023 Preliminary Assessed Valuation Produces	\$ 3,253,233

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2022 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>Tax Rate per \$100 of Assessed Valuation</u>
The District (a)	\$ 0.462500
The County (b)	0.451200
Fort Bend Independent School District	1.134600
SPLID	<u>0.012900</u>
Total	\$ 2.480800

(a) See "TAX DATA – Tax Rate Distribution."

(b) Includes the 2022 tax rate for Fort Bend County Drainage District of \$0.012900 per \$100 of assessed valuation.

Assessed Valuation Summary

The following represents the type of property comprising the District’s 2018-2022 tax rolls, as certified by the Appraisal District.

<u>Type of Property</u>	<u>2022 Assessed Valuation</u>	<u>2021 Assessed Valuation</u>	<u>2020 Assessed Valuation</u>	<u>2019 Assessed Valuation</u>	<u>2018 Assessed Valuation</u>
Land	\$ 181,629,708	\$ 181,776,638	\$ 182,046,138	\$ 176,288,688	\$ 175,815,848
Improvements	818,177,043	702,854,745	684,191,321	673,580,202	672,528,230
Personal Property	6,916,000	7,373,320	6,918,490	6,670,310	7,570,440
Exemptions	<u>(46,021,740)</u>	<u>(38,557,757)</u>	<u>(39,660,270)</u>	<u>(26,077,178)</u>	<u>(24,677,510)</u>
Total	\$ 960,701,011	\$ 853,446,946	\$ 833,495,679	\$ 830,462,022	\$ 831,237,008

Historical Tax Collections

The following represents the historical tax collections for the District’s 2018-2022 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections for Current Year	Current Year Ended 09/30	Collections as of 04/27/2023
2018	\$ 831,237,008	\$ 0.5100	\$ 4,239,309	99.43 %	2019	99.86 %
2019	830,462,022	0.5100	4,235,356	99.47 %	2020	99.83 %
2020	833,495,679	0.5100	4,250,828	99.26 %	2021	99.71 %
2021	853,446,946	0.4950	4,224,562	99.34 %	2022	99.69 %
2022	960,701,011	0.4625	4,443,242	98.05 %	2023	98.05 %

(a) Total tax rate per \$100 of assessed valuation. See “TAX DATA – Tax Rate Distribution.”

Tax Rate Distribution

The following represents the components of the tax rate for the District’s 2018-2022 tax years.

	2022	2021	2020	2019	2018
Debt Service	\$ 0.3250	\$ 0.3700	\$ 0.3800	\$ 0.3800	\$ 0.3900
Maintenance & Operations	<u>0.1375</u>	<u>0.1250</u>	<u>0.1300</u>	<u>0.1300</u>	<u>0.1200</u>
Total	\$ 0.4625	\$ 0.4950	\$ 0.5100	\$ 0.5100	\$ 0.5100

Principal Taxpayers

The following represents the principal taxpayers on the District’s 2022 tax roll, as certified by the Appraisal District.

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll
Sienna/Johnson Development LP (a)	Land	\$ 2,837,580
CenterPoint Energy Electric	Personal Property	2,711,680
LGI Sienna LLC	Land & Improvements	2,529,310
Teddy’s House LLC	Land & Improvements	1,990,530
American Homes 4 Rent Properties Eight LLC	Land & Improvements	1,739,320
Homeowner	Land & Improvements	1,628,290
Homeowner	Land & Improvements	1,532,700
Homeowner	Land & Improvements	1,485,290
Homeowner	Land & Improvements	1,273,230
Homeowner	Land & Improvements	<u>1,240,000</u>
Total		\$ 18,967,930
Percent of Respective Tax Roll		1.97 %

(a) An affiliate of JDC. See “SIENNA – Description of Project” and “DEVELOPMENT WITHIN THE DISTRICT.”

THE SYSTEM

General

The internal water distribution, wastewater collection, and stormwater facilities to serve the District are provided by the District. Water supply, wastewater treatment and major trunk water lines, wastewater collection, and storm sewer facilities to serve the District are being provided by the Master District through the Master District Contract (herein defined). The Master District was created by the TCEQ and, pursuant to the Master District Contract, has the responsibility to provide such facilities necessary to serve the Participant Districts (herein defined). Flood protection and certain stormwater drainage facilities are being provided by SPLID.

Historical Operations of the System

The following is a schedule of revenues and expenditures associated with operations of the System. The figures below for 2019-2023 were obtained from the District's financial statements for the fiscal years ended February 28, 2019, through February 28, 2023. A copy of the District's financial statements for the fiscal year ended February 28, 2023, is included as "APPENDIX B" and reference to which is hereby made. The District is required by statute to have an independent certified public accountant audit the District's financial statements annually, such audited financial statements are filed with the TCEQ.

	For Fiscal Year Ended February 28				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 832,309	\$ 742,433	\$ 829,558	\$ 815,352	\$ 759,256
Sewer service	899,241	894,337	898,081	915,976	859,420
Fire service	647,477	642,989	643,413	625,212	654,847
Property taxes	1,319,068	1,070,207	1,088,032	1,077,099	1,000,505
Penalties and interest	37,191	25,773	26,266	55,362	64,212
Tap connection and inspection	1,894	1,706	3,510	1,725	35,457
Surface water	955,056	797,677	891,827	878,784	775,464
Interest earnings	124,560	124,560	124,560	124,560	124,560
Miscellaneous	23,069	24,270	14,041	19,023	21,971
Investment earnings	<u>153,032</u>	<u>3,744</u>	<u>23,246</u>	<u>112,163</u>	<u>114,416</u>
Total revenues	\$ 4,992,897	\$ 4,327,696	\$ 4,542,534	\$ 4,625,256	\$ 4,410,108
Expenditures					
Current service operations					
Professional fees	\$ 250,697	\$ 109,945	\$ 127,847	\$ 153,651	\$ 303,797
Contracted services	694,106	634,037	609,635	592,674	559,705
Repairs and maintenance	450,711	466,988	314,616	272,164	263,833
Utilities	-	1,212	-	-	-
Surface water	955,056	797,677	891,827	878,784	775,464
Administrative	86,725	85,615	72,150	77,969	87,906
Capital contributions	122,718	8,143	14,000	204,606	144,749
Other	38,831	25,022	25,426	10,842	21,023
Capital outlay	-	-	755,932	667,904	251,909
Intergovernmental					
Monthly connection charges	684,418	730,759	777,680	757,160	762,527
Contractual obligations	2,005	-	571	569	6,601
Master district replacement fund	99,537	79,551	91,786	90,784	79,918
Fire protection services	657,148	641,177	656,739	655,191	654,847
Contribution for regional facilities	-	-	-	-	<u>2,446,182</u>
Total expenditures	\$ 4,041,952	\$ 3,580,126	\$ 4,338,209	\$ 4,362,298	\$ 6,358,461
Revenues over/(under) expenditures	<u>\$ 950,945</u>	<u>\$ 747,570</u>	<u>\$ 204,325</u>	<u>\$ 262,958</u>	<u>\$ (1,948,353)</u>
Internal transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Beginning of year fund balance	\$ 6,667,353	\$ 5,919,783	\$ 5,715,458	\$ 5,452,500	\$ 7,400,853
End of year fund balance	<u>\$ 7,618,298</u>	<u>\$ 6,667,353</u>	<u>\$ 5,919,783</u>	<u>\$ 5,715,458</u>	<u>\$ 5,452,500</u>

Regulation

Sienna Parks & Levee Improvement District of Fort Bend County, Texas ("SPLID"), provides flood protection to Sienna, including the District, with levees, flood plain reclamation (fill), detention, internal and outfall drainage facilities, and pump stations (the "Flood Protection System"). Construction and operation of the System and the Flood Protection System as they now exist or as it may be expanded from time to time is subject to the regulatory jurisdiction of several federal, state, and local authorities. The TCEQ exercises continuing supervisory authority over the District. Discharge of treated sewage and stormwater runoff is subject to the regulatory authority of the TCEQ and the U.S. Environmental

Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the County, and, in some instances, SPLID, the TCEQ and the U.S. Army Corps of Engineers. The City and the County also exercise regulatory jurisdiction over the System.

Master District Contract

SMUD2, the District, SMUD4, SMUD5, SMUD6, SMUD7, SMUD10, SMUD12, SMD (collectively referred to as the "Participating Districts"), and the Master District executed the "Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer and Storm Sewer Facilities" (the "Master District Contract"). Under the Master District Contract, the Master District is obligated to provide the water supply and wastewater treatment facilities, as well as the regional water distribution, regional wastewater treatment plant, regional wastewater collection trunk lines, and regional stormwater collection trunk lines, necessary to serve the Participating Districts. To provide funds necessary to acquire the needed facilities, each Participating District is required under the contract to pay connection charges to the Master District in amounts sufficient to enable the Master District to provide such services. The connection charge, which is subject to recalculation periodically, is determined by dividing the current estimated costs of all the aforementioned regional facilities to be constructed minus the payments which have previously been received for connections purchased, by the anticipated number of connections remaining to be purchased, within such Participating District. Between recalculation dates, the ENR Construction Cost Index may be applied as an escalator to the connection charge. In lieu of payment of connection charges, the Participating Districts, with the approval of the Master District, may construct facilities for the Master District which after completion are conveyed to the Master District as a credit against connection charges. Currently, the connection charge to each of Participating District is \$5,380/per equivalent single-family connection ("ESFC").

The Master District bills each Participating District on a monthly basis for amounts sufficient to pay the Master District's costs and expenses of operating and maintaining its regional facilities. The Master District is currently charging each Participating District \$21.60 per ESFC per month for both water and sewer services and \$0.25 per 1,000 gallons of usage to fund renewal and replacement of Master District facilities. The obligation of the District to make monthly payments to the Master District is secured by the taxing power of the District, and the obligation of each other Participating District to make monthly payments is secured by the taxing powers of such Participating District.

Water Supply

The District's source of water supply is surface water from the City through the Master District. Pursuant to the Groundwater Reduction Plan, of which the Master District is a participant, the City is the permitted entity for water supply. The City owns and operates a 20,000,000 gallons per day ("gpd") surface water plant located within Sienna. In addition, the Master District has an emergency interconnect with the City.

The Master District owns and operates Sienna Water Plant Nos. 1, 2, and 3, which currently consist of five (5) wells totaling 5,900 gallons per minute ("gpm"), 4,412,000 gallons of ground water storage tank capacity, 320,000 gallons of hydropneumatic tank capacity, 30,257 gpm of booster pump capacity, an auxiliary diesel-powered generator at each site, and related appurtenances. Currently, such plants are rated to serve 18,286 equivalent single-family residential connections ("ESFCs"). As of March 2023, the Master District was serving approximately 12,032 active ESFCs, which is sufficient to serve the District. However, future expansions to the water supply system will be necessary to serve the ultimate build-out of Sienna. The Master District also provides water supply to The Woods at Sienna.

Wastewater Treatment

Currently, Sienna is split into two (2) wastewater treatment regions, the North and South regions. The Master District provides wastewater treatment to both regions. The District is located in the North region.

The Master District leases and operates a 902,000 gpd WWTP located in the North region ("WWTP No. 3") (sufficient to serve 4,100 ESFCs at 220 gpd/ESFC). As of March 2023, the Master District was serving approximately 3,962 active ESFCs in the North region. In October 2019, approximately 450,000 gpd of flow in the North region was diverted from WWTP No. 3 to the City's Steep Bank/Flat Bank WWTP. Once an expansion is completed to the City's Steep Bank/Flat Bank WWTP, the balance of the flow will be diverted from WWTP No. 3 and it will be decommissioned. The project is expected to be completed in the first quarter of 2024. Currently, there is approximately 500,000 gpd of available permitted treatment capacity at WWTP No. 3, which represents more than 18 months of development at the current pace in the North Region.

To serve the South region, the Master District owns and operates a 1,800,000 gpd wastewater treatment plant ("WWTP"). The plant is currently treating flows of approximately 1,506,000 gpd, approximately 84% of its permitted flow. There is approximately 300,000 gpd of available permitted treatment capacity at the plant, which represents more than 18 months of development at the current pace.

In May 2018, the Master District issued \$25,010,000 principal amount of contract revenue bonds through the Texas Water Development Board for the construction of permanent wastewater capacity to serve Sienna, including the District.

The District, pursuant to the Master District Contract, is responsible for its pro rata share of such project, which the District financed with a cash contribution. The Master District has begun construction on a 600,000 gpd expansion to the plant, which is expected to be completed in the second quarter of 2024. See “THE SYSTEM – Master District Contract.”

Fire Protection

Pursuant to a contract between the District and the City, fire protection is provided to residents of the District by the Missouri City Fire Department from a 8,400 square foot fire station located on Sienna Parkway. A second 7,700 square foot fire station is located along Sienna Parkway. Residents of the District currently pay \$21.50 per month for fire protection from the City.

THE FLOOD PROTECTION SYSTEM

Design Standards and Atlas 14

As noted above, the design of the Flood Protection System is subject to regulations promulgated by the County and Fort Bend County Drainage District, among others. A main design concept at the core of the design standards applicable to the Flood Protection System is the “100-year flood plain.” The “100-year flood plain” is a hypothetical engineering and meteorological concept that defines the geographical area of land that is predicted to be inundated from a flood with a 1% chance of occurring in any particular year. The County and Fort Bend County Drainage District design standards require homes to be built with foundational slabs at least two (2) feet above the 100-year Base Flood Elevation (“BFE”) for areas mapped within a Special Flood Hazard Area (“SFHA”) as delineated on a Flood Insurance Rate Map (100-year flood plain), and federal regulations require homes to be built above this 100-year water surface elevation to be eligible for federal flood insurance subsidies.

The current County and Fort Bend County Drainage District design standards, and the geographical area within the District that comprises the 100-year flood plain, are based on various historical rainfall and river hydrological data sources. In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. On January 1, 2020, the County adopted Atlas 14 criteria for all new development within the County. However, existing development was exempt from these requirements.

The Flood Protection System and homes in the District have been constructed in compliance with all design standards in effect at the time of construction. Moreover, even absent any additional improvements to the current Flood Protection System, the Engineer estimates, but does not guarantee, that based on the design standards at the time of construction that required foundational slabs to be built at least one (1) foot above the FEMA BFE for areas mapped in a SFHA, any 100-year flood event meeting Atlas 14 estimates would be unlikely to result in structural flooding of any buildings and facilities within the District (i.e. based on the current state of the Flood Protection System, an Atlas 14 100-year flooding event would likely not be more than 1.5 feet greater than a 100-year flooding event estimated by past design standards).

Notwithstanding the information provided above regarding the Flood Protection System, the Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the “100-year flood plain” is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years. In fact, the greater Houston area has experienced three (3) 500-year flooding events since 2015 (i.e. a flooding event that has a 0.2% chance of occurring in any particular year). In addition, not every structure in SPLID is equally protected by the Flood Protection System. While all structures within SPLID have been built to the design standards in effect at the time of their construction, some structures within SPLID will always be at greater risk of structural flooding as compared to others.

Although flooding in SPLID could occur for a variety of reasons, SPLID’s engineer has identified the three (3) most likely flooding scenarios that could occur within SPLID: (1) an overtopping of the levee, (2) a failure (or breach) of the Flood Protection System, or (3) localized rainfall in excess of the 100-year event. See “INVESTMENT CONSIDERATIONS – Possible Flooding Events.”

Flood Protection, Reclamation, and Drainage Facilities

Approximately 8,520 of Sienna’s approximate 10,230 acres are located within SPLID. The system consists of two (2) independent levee and outfall drainage networks, as well as flood plain reclamation (fill) sites for certain land within SPLID not protected by a levee.

Sienna North Levee and Drainage System: SPLID's Amended Plan of Reclamation covers approximately 2,516 acres (the "North Levee System"), including the District. The original construction of the levee and related outfall structures and channels were completed in 2004.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within the North Levee System was removed from the 100-year flood plain of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Insurance Rate Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the Flood Protection System, SPLID's engineer has defined "internal" SFHAs (100-year flood plain). This flood plain is designated as at least one (1) foot below the lowest floor slab elevation for residential construction, as required by applicable federal and local regulations.

SPLID has completed the construction of all components of the North Levee System to accommodate full development of the land within that system. According to SPLID's engineer, the existing levee and drainage outfall Flood Protection System is sufficient to serve the development within the North Levee System area, including the lots under development. See "THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14."

As discussed under "INVESTMENT CONSIDERATIONS – Extreme Weather Events," the area within the North Levee System has experienced unanticipated water infiltration in the past. One (1) confirmed source of infiltration was a reversed flow of flood water through the gates at the North Levee System stormwater outfall structures. According to SPLID's engineer, improvements to those structures made after Hurricane Harvey will prevent reversed water flows in the future. SPLID's engineer suspects that a second source of infiltration was groundwater. To remediate this suspected water infiltration source as well as provide the required pumping capacity for Brazos River events when the gates are closed, SPLID has constructed two (2) 100,000 gpm pump stations to serve the North Levee System. According to SPLID's engineer, these pumping facilities should be sufficient to handle calculated infiltration sources for a flooding event similar to Hurricane Harvey.

SPLID anticipates making further improvements to the North Levee System, as discussed under "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

Sienna South Levee and Drainage System: SPLID's initial Plan of Reclamation covers approximately 6,465 acres (the "South Levee System"). The original levee and related outfall structures and channels were completed in 1984.

According to SPLID's engineer, as a result of the construction of the facilities financed by SPLID, all land located within the South Levee System was removed from the FEMA SFHA of the Brazos River. Such area located within SPLID is now designated by the applicable FEMA Flood Hazard Boundary Map as lying within a designated "shaded Zone X," which designates an area protected from the Brazos River BFE by a levee. As a result of SPLID's construction of the levee, internal detention and drainage systems, SPLID's engineer has defined "internal" SFHAs (100-year flood plain) that comply with current design standards. The lowest foundational slab elevation for residential construction, as required by applicable federal and local regulations, are at least one (1) foot above the designated flood plain.

As discussed under "INVESTMENT CONSIDERATIONS – Extreme Weather Events," the area within the South Levee System has experienced inundation related to rain and rain events. SPLID has undertaken several projects to prevent future flooding events. Among the projects that have been completed to serve the South Levee System are (1) expansion of several drainage channels, which will provide additional storage in the case of a high rain event, (2) additional back-up control gates to major outfalls and (3) the purchase of mobile pumps to aid in flood-fighting. In addition to these projects, SPLID has initiated a capital improvement plan (the "CIP") to address the high river and flooding events that have impacted its protection area. The CIP sets out to strengthen SPLID's protections through additional facilities and redundancies to make the existing facilities more resilient. See "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

According to SPLID's engineer, the existing levee, drainage outfall system, and pump station are sufficient to provide flood plain reclamation, flood protection and outfall drainage necessary to serve the existing development within the South Levee System area, including the lots under development. See "THE FLOOD PROTECTION SYSTEM – Design Standards and Atlas 14" and "THE FLOOD PROTECTION SYSTEM – Construction of Future Internal Drainage Facilities."

An engineering or regulatory determination that an area is above the BFE is no assurance that homes built in such areas will not be flooded. If substantial or frequent flooding of homes were to occur in SPLID the marketing of homes and the future growth of property values in SPLID could be adversely affected.

Construction of Future Internal Drainage Facilities

The Flood Protection System currently provides flood protection from overflows of the Brazos River to the majority of the land within SPLID. The Flood Protection System also provides detention and outfall drainage facilities to maintain internal water surface elevations in the developed areas below the acceptable criteria levels. SPLID's original development plans contemplated that as development continued in SPLID, the District, the municipal utility districts within the boundaries of

SPLID, and/or developers within SPLID would construct additional pump stations, detention facilities and outfall drainage facilities to maintain water surface elevations at acceptable criteria levels. While these development plans remain in place, following Hurricane Harvey and partially in response to new data provided by Atlas 14, the District modified its development plans to improve the Flood Protection System to allow it to better manage extreme weather events such as Hurricane Harvey. In order to implement these modified plans and accelerate improvements to the levee and pump systems in SPLID, in 2018 SPLID held an election and received voter approval authorizing \$139,000,000 in additional levee improvement bonds. SPLID issued its first series of bonds pursuant to such authorization in April 2019, and SPLID currently plans to issue the remaining portion of this authorization and construct the projects authorized by the election within five (5) to seven (7) years. For a discussion on the effectiveness of SPLID's development plans on the mitigation of future flooding events, see "INVESTMENT CONSIDERATIONS – Possible Flooding Events." While not an exhaustive list, SPLID is currently undertaking the following major projects to protect the land within its boundaries:

Stormwater Pump Station: SPLID is currently constructing the second phase of a second stormwater pump station to serve the South Levee System. Such pump station will provide additional capacity to remove water from within the levee in the event that the area within South Levee System is experiencing a high rain event while the outfall gates are closed due to a high river event. Upon completion of the pump station, the South Levee System will be served by two (2) pump stations with a combined pumping capacity of 799,500 gpm. The second phase of the second pump station is anticipated to be completed in 2023.

Additional Control Gates: SPLID has installed 42 additional control gates (11 of which will serve the North Levee System and 31 of which will serve the South Levee System) to protect the Flood Protection System in case of a high river event.

Outfall Structure: SPLID has completed construction of its third major outfall structure, which serves the South Levee System. Such outfall structure allows for additional water to flow out of the South Levee System area during a heavy rain event, when the control gates are open. The structure is needed to comply with the additional standards put in place due to Atlas 14. The outfall structure was completed in November 2022.

Detention Pond Expansion: SPLID has a detention pond to provide additional capacity to serve the South Levee System. Such facility assists SPLID in a high rain event. The second phase of the detention pond was completed in June 2022. An additional phase of the detention pond is anticipated to be completed in 2024.

SPLID, and the District, make no guarantee that such improvements will prevent any future flooding events that occur within its boundaries. Additionally, the District makes no representations regarding the timing of completion for any of the projects outlined above.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of Texas; the County; the City; or any entity other than the District. The Bonds will be secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the commercial and retail industries, not only due to general economic conditions, but also due to the particular factors discussed below.

Possible Flooding Events

The District lies within SPLID, which provides flood protection for Sienna. The District is subject to the following flood risks:

Overtopping, Levee Failure and Excessive Rainfall: SPLID's levee and drainage system have been designed and constructed to meet all current regulatory standards. See "THE SYSTEM" and "THE FLOOD PROTECTION SYSTEM." However, the levee system does not protect against all flooding scenarios. There are three (3) instances in which flooding could occur in the District: (1) an overtopping of the levee, (2) a failure (or breach) of the levee system or (3) localized rainfall in excess of the 100-year event.

An overtopping of the levee could occur if the Brazos River or its tributaries reach flood stages higher than the 100-year event. The "100-year event" means the river elevation has a statistical 1% chance of occurring in any given year. Current FEMA regulations require an earthen levee to be constructed a minimum of three (3) feet above the level of a 100-year event. The 100-year event elevation for the Brazos River adjacent to SPLID's levee, ranges from 58.72 feet above mean sea level to 66.40 feet above mean sea level. According to SPLID's engineer, overtopping of SPLID's levee system may occur

from river events with a recurrence interval of less than 0.2% (500-year event) based on the effective FEMA models for the Brazos River in the County.

In addition to the risk of overtopping, a portion of SPLID would experience flooding if the levee failed (or breached) while the Brazos River (or its tributaries) were at a flood stage of less than the 100-year event. In order to mitigate the risk, SPLID performs weekly inspections of the levee to observe any visible deterioration of the levee that is in need of repair. Further, flooding in SPLID could occur if there was a failure of the pump system during a rain event and at the same time the water level in the Brazos River required the gates to be closed. In this event, water could not get out of the internal system fast enough, causing the internal channels and lakes to overflow.

In addition, SPLID could experience flooding if a localized rainfall event in excess of the 100-year event were to happen within the levee. The statistical chance of this happening is 1% in any given year. Hurricane Harvey produced this kind of rainfall event, which resulted in significant street flooding and some structural flooding within SPLID. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events."

During significant high river events in 2016, 2017, and 2018 the Brazos River eroded a portion of the riverbank below the river and a portion of the South Levee System. SPLID is currently designing an erosion control system to prevent additional erosion that may threaten the levee. The cost of these improvements is estimated to be approximately \$15,000,000.

Inability to Mitigate All Flooding Risks: The Flood Protection System does not protect against, and no flood protection system can protect against, all flooding scenarios. Further, because any definition of the composition of the "100-year flood plain" is based on statistical averages, it is possible that 100-year flooding events can occur more often than every 100 years.

SPLID experienced two (2) consecutive 100-year Brazos River flood events in April and May of 2016. During the April 2016 event (also known as the Tax Day event), three (3) gates on the North Pump Station Outfall were significantly damaged by debris due to elevated river levels. This led to an infiltration of the Flood Protection System through the damaged gates. This flood event continued into May 2016 (also known as the Memorial Day event) when another 100-year flood event impacted SPLID. The length of time of this river event, coupled with infiltration through the broken gates, caused several of the pumps to fail. However, SPLID immediately mitigated the flood risk by bringing in temporary drainage pumps, which allowed SPLID to pump out water resulting from the river infiltration until October 2016, when the Brazos River levels eventually returned to below flood stage. During the duration of the 2016 flood events, no structures were damaged or compromised due to floodwaters entering SPLID. Further, it should be noted SPLID has made significant improvements to the pumps and pumping structure, including purchasing 14 additional stand-by pumps, in order to improve flood fighting ability and further minimize flood risk. See "INVESTMENT CONSIDERATIONS – Extreme Weather Events" for a description of the four (4) 100-year flood events experienced by the District since 2015.

Not every structure in SPLID is equally protected by the Flood Protection System. While all structures within SPLID have been built to the design standards in effect at the time of their construction, structures with foundational slabs at a lower elevation within the District may be at greater risk of structural flooding as compared to structures with foundational slabs at a higher elevation, and some areas in SPLID may be more prone to flooding events than other areas.

Changing Conditions: Atlas 14 rainfall data has begun to replace the historical rainfall data upon which the design of the Flood Protection System was based. Additional and more detailed rainfall data may be provided in the future that could cause the assumptions upon which current design standards are based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Further, weather and rainfall patterns are subject to a variety of environmental factors. Changing environmental conditions and changing rainfall patterns could also cause the assumptions and design standards upon which the Flood Protection System is based to be inaccurate and cause the Flood Protection System to be insufficient to mitigate future flooding events. Neither SPLID nor the District can make a prediction regarding the effect that any such future changing conditions would have on the Flood Protection System or its ability to mitigate future flooding events. See "THE FLOOD PROTECTION SYSTEM."

Extreme Weather Events

The greater Houston area has experienced multiple 100-year flood events since 2015, including Hurricane Harvey, which made landfall along the Texas gulf coast on August 26, 2017, and brought historic levels of rainfall during the succeeding four (4) days.

The 100-year flood events in 2015 and 2016, while severe, did not cause any structural flooding in the District or SPLID.

Hurricane Harvey produced an estimated 40 inches of rain in SPLID over a four (4)-day period, well in excess of the 100-year threshold across most of the Houston metropolitan area. Additionally, the County Judge called for a mandatory evacuation of SPLID due to the rise of the Brazos River and the risk of a breach or overtopping of SPLID's levee system. Rainfall from Hurricane Harvey did not result in an overtopping or breach of the District's levee system.

According to SPLID's engineer, during Hurricane Harvey SPLID experienced significant street flooding and approximately 67 homes, including 58 homes within the District, had structural flooding or water damage. All flooding was due to the rainfall amounts in SPLID exceeding the design capacity of internal drainage facilities. No flooding occurred due to a breach or overtopping of SPLID's levee system.

The District cannot predict the effect that additional extreme weather events may have upon the District or SPLID's levee and drainage system. Additional extreme weather events have the potential to cause damage within SPLID that could have a negative effect on assessed valuations in the District which could cause tax rates to rise. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – *Maximum Impact on District Tax Rates.*"

Potential Impact of Natural Disaster

The District is located near the Texas Gulf Coast and has been and could again be impacted by high winds, heavy rains, and flooding caused by hurricane, tornado, tropical storm, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed valuation of such taxable properties could be substantially reduced, resulting in a decrease in the assessed valuation of the District and an increase in the District's tax rates. See "TAXING PROCEDURES – Property Tax Code and County-wide Appraisal District" and "TAXING PROCEDURES – Valuation of Property for Taxation."

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 valuations in the District would be adversely affected. There can be no assurance the District will not sustain damage from meteorological events.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Factors Affecting Taxable Values and Tax Payments

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 assessed valuation of all taxable property located within the District is \$960,701,011 and the 2023 preliminary assessed valuation of all taxable property located within the District is \$1,070,142,568. See "TAX DATA." After issuance of the Bonds, the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$3,222,400 (2030) and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds will be \$3,079,257 (2024-2032). Assuming no increase to nor decrease from the 2022 assessed valuation of all taxable property located within the District (\$960,701,011), tax rates of \$0.36 and \$0.34 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds, and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds, respectively. Assuming no increase to nor decrease from the 2023 preliminary assessed valuation of all taxable property located within the District (\$1,070,142,568), tax rates of \$0.32 and \$0.31 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Remaining Outstanding Bonds and the Bonds, and the average annual debt service requirement on the Remaining Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

District Tax Levy and Overlapping District Taxes and Functions

The District is located within SPLID. SPLID has constructed certain improvements to remove land within SPLID from the flood plain and to accommodate stormwater drainage within SPLID. As of May 1, 2023, SPLID had \$177,240,000 principal amount of unlimited tax bonds outstanding. The principal of and interest on SPLID bonds are payable from the proceeds

of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within SPLID, including the District but not the area in the City of Missouri City Tax Increment Reinvestment Zone No. 3 (the "TIRZ"). For the 2022 tax year, SPLID levied a debt service tax rate of \$0.3150 per \$100 of assessed valuation, plus a maintenance and operations tax rate of \$0.1175 per \$100 of assessed valuation, for a total tax rate of \$0.4325 per \$100 of assessed valuation. Since SPLID's debt is payable from an unlimited tax, the full and timely payment of such tax by the owners of property located within SPLID will directly affect SPLID's ability to meet its debt obligations. Furthermore, the absence of continued development and growth of taxable values in SPLID or other factors could result in increases in SPLID's tax rate.

The combined tax rates of the District and SPLID (which total \$0.8950 per \$100 of assessed valuation) are higher than the tax levy of many municipal utility districts in the Houston metropolitan area.

In the event that SPLID's debt service tax rate of \$0.3150 per \$100 of assessed valuation, plus its maintenance and operations tax rate of \$0.1175 per \$100 of assessed valuation, prove to be insufficient to enable SPLID to meet debt service requirements on its indebtedness and/or its maintenance and operating requirements, SPLID would be required to increase its tax rate to a level sufficient to meet such requirements. SPLID's 2022 assessed valuation is \$5,406,632,402. SPLID's 2023 preliminary assessed valuation is \$6,391,935,179.

In April of 2008, the City approved the creation of the TIRZ, encompassing approximately 582 acres. The TIRZ is located in the southern portion of the City along Texas State Highway 6. A portion of SPLID lies within the boundaries of the TIRZ. The purpose of the TIRZ is to fund certain infrastructure costs for new commercial, retail, office, multi-family and town center facilities located within its boundaries. The TIRZ will collect ad valorem tax revenue from the City, the County, Fort Bend County Drainage District, Houston Community College System, and SPLID on the incremental increase in assessed valuation within the TIRZ from January 1, 2007, to January 1, 2037.

As described under "SIENNA," the development and construction activity completed within Sienna as of May 15, 2023, in aggregate, includes the development of approximately 10,530 completed homes; approximately 177 homes under construction; approximately 349 vacant and developed lots; approximately 307 lots under development; and 104 rural estate lots in The Woods at Sienna, plus certain amenities and commercial improvements. Such development and construction activity, together with development and construction activity anticipated to occur within Sienna in the future, are expected to contribute to increases in Sienna's assessed valuation. The District cannot guarantee whether any of the land development projects which are planned for or are underway in the District will be successful or whether the assessed valuation of the land located within the District will increase sufficiently to justify continued payment of the District tax by property owners. Increases in SPLID's tax rate so that the combined tax rate between the District and SPLID rises above \$0.8950 per \$100 valuation would have an adverse impact upon future development within the District and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District.

SPLID has agreed to contribute 100% of its tax increment on the area that lies within the TIRZ to the City for the life of the TIRZ or 30 years, whichever is less. SPLID's participation in the TIRZ has the effect of reducing the tax revenues that are available to SPLID to finance SPLID facilities during the life of the TIRZ. For the 2022 tax year, SPLID's tax increment on the area that lies within the TIRZ equaled approximately \$254,755,322 and will generate approximately \$762,355 in revenues, assuming the collection of 95% of taxes levied at SPLID's total tax rate for the 2022 tax year of \$0.4325 per \$100 of assessed valuation, which revenues will be contributed to the TIRZ. After the TIRZ is dissolved or after 30 years, SPLID will collect and retain the tax revenue on all of the land within SPLID previously within the TIRZ.

As discussed under "THE SYSTEM – Master District Contract," on March 9, 2004, the District executed the Master District Contract that requires the Master District to supply water to the District and to provide wastewater treatment service to the District. The Master District Contract defines the means by which the District's pro rata share of the cost of such service (as well as the pro rata share of each of the other Participating Districts) will be determined. The Master District Contract obligates the District to pay such pro rata share, in the form of monthly charges per connection and one-time connection charges for each equivalent single-family connection, from the proceeds of ad valorem taxes levied for such purpose or from any other lawful source of District income. The District has never levied a tax to make its payments to the Master District. Any tax levied by the District to make such payments would be in addition to the other taxes levied by the District. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – *Maximum Impact on District Tax Rates.*"

The tax rate that may be required to service debt on any bonds issued by the District or SPLID is subject to numerous uncertainties such as the growth of taxable values within such districts, the impact of the TIRZ, the amount of the bonds issued, regulatory approvals, construction costs, and market interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Participating Districts, including the District, will be competitive with the tax rates of competing projects. 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.

Tax Collection Limitations

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 parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by 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; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Bond Insurance Risk Factors

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 Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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 moneys received pursuant to the applicable bond documents. 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 ratings on the Bonds are dependent in part on the financial strength of the bond insurer and its claim 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 ratings on 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 “MUNICIPAL BOND INSURANCE” and “RATINGS.”

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District or the Underwriter (herein defined) has made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Marketability

The District has no understanding with the initial purchaser of the Bonds (the “Underwriter”) regarding the reoffering yields or prices of the Bonds, and the District 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Future Debt

Following the issuance of the Bonds, \$26,622,140.83 principal amount of unlimited tax bonds for refunding purposes will remain authorized and unissued. No authorized and unissued unlimited tax bonds remain for the purpose of acquiring or constructing the System or the Fire Protection Facilities.

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

The District has fully reimbursed JDC for expenditures to acquire or construct the System and the Fire Protection Facilities.

Under certain limited circumstances, the District is also authorized to construct, develop, and maintain park and recreational facilities. See “DEVELOPMENT WITHIN THE DISTRICT,” “THE SYSTEM,” and “THE BONDS – Issuance of Additional Debt.”

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained herein.

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending, or future legislation.

2023 Legislative Session

The 88th Regular Legislative Session convened on January 10, 2023, and concluded on May 29, 2023. The 88th Legislative 1st Special Session convened on May 29, 2023. The Governor may call additional special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters

which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose 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.

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial, and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight (8)-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three (3) separate federal ozone standards: the one (1)-hour (124 parts per billion (“ppb”)) and eight (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight (8)-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight (8)-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area “anti-backsliding” requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ’s “redesignation substitute” for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA’s decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA’s April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court’s ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one (1)-hour and eight (8)-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one (1)-hour and eight (8)-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the

inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Water Supply & Discharge Issues: Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) stormwater discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than 90 contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a five (5)-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District, along with all other Sienna districts, is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for and received coverage under the MS4 Permit from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the United States Army Corps of Engineers ("USACE") if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four (4) categories of waters that are considered "waters of the United States," and thus federally regulated under

the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective on June 22, 2020, and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” The rule was published in the *Federal Register* on January 18, 2023, and became effective on March 20, 2023. The adoption of the new rule is currently the subject of ongoing litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of Texas, payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect. Special Tax Counsel will also render an opinion to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible its opinion and Special Tax Counsel will be solely responsible for its opinion. Bond Counsel’s and Special Tax Counsel’s fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Bond Counsel has reviewed the information discussed under “THE BONDS” (except under the subheading “Book-Entry-Only System”), “PLAN OF FINANCING – Refunding of the Refunded Bonds,” “THE DISTRICT – Authority,” “TAXING PROCEDURES,” “THE SYSTEM – Master District Contract,” “SIENNA – Development Agreement,” “LEGAL MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein. Special Tax Counsel has reviewed the information appearing under “LEGAL MATTERS” (insofar as such section relates to the legal opinion of Special Tax Counsel) and “TAX MATTERS” herein solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state law with regard to the sale of the Bonds. Bond Counsel and Special Tax Counsel have not independently verified factual information contained in this Official Statement, nor have such firms 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 firm’s 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.

Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the 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.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by the President of the Board and the Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of 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 herein, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership, and disposition of the Bonds.

Tax Exemption

In the opinion of Special Tax Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Special Tax Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such other parties, which Special Tax Counsel has not independently verified. If the District fails to comply with the covenants in the Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs. Special Tax Counsel's opinion will also rely on the opinions of the Attorney General of the State of Texas and Bond Counsel as to the validity of the Bonds.

Except as stated above, Special Tax Counsel will express no opinion as to the amount of interest on the Bonds or any federal, state, or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Resolution upon the advice or with the approving opinion of Special Tax Counsel. Special Tax Counsel will express no opinion with respect to Special Tax Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion of interest of the Bonds from gross income for federal income tax purposes.

Special Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Special Tax Counsel's knowledge of facts as of the date thereof. Special Tax Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Tax Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Special Tax Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Special Tax Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership, and disposition of the Bonds.

For tax years beginning after December 31, 2022, an “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale, or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption, or other disposition of such Premium Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

Purchase of Tax-Exempt Obligations by Financial Institutions

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code also provides an exception for financial institutions for tax-exempt obligations that are properly designated or deemed designated by an issuer as “qualified tax-exempt obligations.”

The Bonds are designated as “qualified tax-exempt obligations” based, in part, on the District’s representation that the amount of the Bonds, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than “qualified 501(c)(3) bonds” or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or

reasonably anticipated to be issued by or on behalf of the District during calendar year 2023, is not expected to exceed \$10,000,000. Further, the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2023.

Notwithstanding the designation of the Bonds as “qualified tax-exempt obligations” under this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor on behalf of the District relating to (a) computation of the adequacy of the principal or redemption price of and interest on the Refunded Bonds and (b) computation of the yields on the Bonds and was verified by the Verification Agent. The computations were independently verified by the Verification Agent, based upon certain assumptions and information supplied by the Underwriter on behalf of the District, and the District. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of future events.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 specified material events, to certain information to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included under “DISTRICT DEBT” (except under the subheading “Estimated Direct and Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX B.” The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

The District’s current fiscal year end is February 28. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

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 (10) 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 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 or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, 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 or other

obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligations” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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, operations, conditions, or prospects or 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 registered owners 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 from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. 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 discussed under “CONTINUING DISCLOSURE OF INFORMATION – Annual Reports,” an explanation, in narrative form, of the reasons 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

During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the District’s records, the Engineer, JDC, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District’s financial statements for the fiscal year ended February 28, 2023, were audited by the Auditor and are included as “APPENDIX B.” The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained herein relating to engineering and to the description of the System, and, in particular, that engineering information discussed under “THE DISTRICT – Description” and “DEVELOPMENT WITHIN THE DISTRICT” has been provided by the Engineer, and that information discussed under “THE SYSTEM” (for the subheadings “Water Supply” and “Wastewater Treatment”) has been provided by Costello, Inc., Houston, Texas, and has been included herein in reliance upon the authority of said firms as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this 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 Underwriter, of any adverse event which causes this Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to this Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District in writing 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 customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

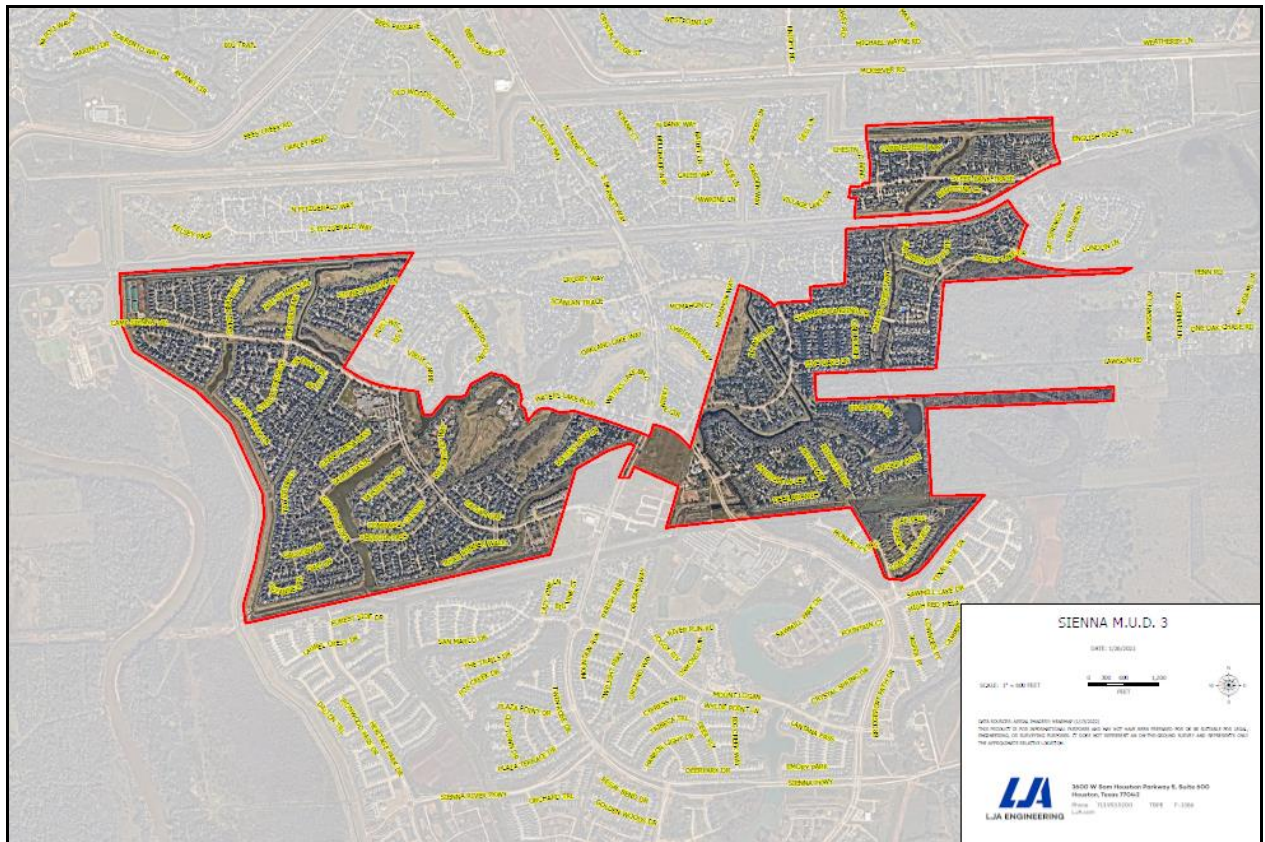
This Official Statement was approved by the Board of Directors of Sienna Municipal Utility District No. 3 as of the date shown on the cover.

/s/ Don Trull
President, Board of Directors
Sienna Municipal Utility District No. 3

ATTEST:

/s/ Kathy Bender
Secretary, Board of Directors
Sienna Municipal Utility District No. 3

APPENDIX A
AERIAL PHOTOGRAPH OF THE DISTRICT



APPENDIX B
FINANCIAL STATEMENTS OF THE DISTRICT

**SIENNA MUNICIPAL
UTILITY DISTRICT NO. 3
FORT BEND COUNTY, TEXAS
FINANCIAL REPORT
February 28, 2023**

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		38
Notes to Required Supplementary Information		39
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	42
General Fund Expenditures	TSI-2	44
Investments	TSI-3	45
Taxes Levied and Receivable	TSI-4	46
Long-Term Debt Service Requirements by Years	TSI-5	47
Change in Long-Term Bonded Debt	TSI-6	52
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	54
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	56
Board Members, Key Personnel and Consultants	TSI-8	58

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Sienna Municipal Utility District No. 3
Fort Bend County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sienna Municipal Utility District No. 3 (the "District"), as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sienna Municipal Utility District No. 3, as of February 28, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, beginning net position has been restated to correct misstatements from prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Board of Directors
Sienna Municipal Utility District No. 3
Fort Bend County, Texas***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Board of Directors
Sienna Municipal Utility District No. 3
Fort Bend County, Texas*

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



Houston, Texas
May 24, 2023

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Management's Discussion and Analysis

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***Sienna Municipal Utility District No. 3
Management's Discussion and Analysis
February 28, 2023***

Using this Annual Report

Within this section of the financial report of Sienna Municipal Utility District No. 3 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended February 28, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

**Sienna Municipal Utility District No. 3
 Management’s Discussion and Analysis
 February 28, 2023**

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes, or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District’s net position at February 28, 2023, was \$20,562,893. A comparative summary of the District’s overall financial position, as of February 28, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 12,260,691	\$ 11,408,364
Capital assets	<u>32,623,487</u>	<u>33,892,334</u>
Total assets	<u>44,884,178</u>	<u>45,300,698</u>
Total deferred outflows of resources	<u>234,903</u>	<u>413,896</u>
Current liabilities	2,480,195	2,455,922
Long-term liabilities	<u>22,075,993</u>	<u>24,415,227</u>
Total liabilities	<u>24,556,188</u>	<u>26,871,149</u>
Net position		
Net investment in capital assets	8,552,397	7,762,546
Restricted	2,253,721	2,278,716
Unrestricted	<u>9,756,775</u>	<u>8,802,183</u>
Total net position	<u>\$ 20,562,893</u>	<u>\$ 18,843,445</u>

As further discussed in Note 3, during the current fiscal period, it was determined that capital assets were understated as a result of errors in previous years related to recording of the District’s capacity in regional facilities. Accordingly, a prior period adjustment was recorded to correct capital assets and net position. Amounts reported for 2022 have been adjusted accordingly.

***Sienna Municipal Utility District No. 3
Management's Discussion and Analysis
February 28, 2023***

The total net position of the District increased during the current fiscal year by \$1,719,448. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 4,499,442	\$ 4,285,373
Water and sewer service	1,731,550	1,636,770
Other	1,952,276	1,596,509
Total Revenues	<u>8,183,268</u>	<u>7,518,652</u>
Expenses		
Current service operations	2,696,674	2,222,338
Debt interest and fees	905,712	1,038,042
Debt issuance costs	149,479	
Intergovernmental	1,443,108	1,451,487
Depreciation and amortization	1,268,847	1,268,847
Total Expenses	<u>6,463,820</u>	<u>5,980,714</u>
Change in net position	1,719,448	1,537,938
Net position, beginning of year	<u>18,843,445</u>	<u>17,305,507</u>
Net position, end of year	<u><u>\$ 20,562,893</u></u>	<u><u>\$ 18,843,445</u></u>

Amounts reported for the 2022 fiscal year for depreciation and amortization expense, beginning net position, ending net position and the amounts reported for beginning net position for the 2023 fiscal year have been restated as a result of the correction of errors in previous periods related to capital assets.

Financial Analysis of the District's Funds

The District's combined fund balances, as of February 28, 2023, were \$9,683,285, which consists of \$7,618,298 in the General Fund and \$2,064,987 in the Debt Service Fund.

**Sienna Municipal Utility District No. 3
 Management’s Discussion and Analysis
 February 28, 2023**

General Fund

A comparative summary of the General Fund’s financial position as of February 28, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 7,929,690</u>	<u>\$ 7,016,833</u>
Total liabilities	\$ 248,915	\$ 290,650
Total deferred inflows	62,477	58,830
Total fund balance	<u>7,618,298</u>	<u>6,667,353</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 7,929,690</u>	<u>\$ 7,016,833</u>

A comparative summary of the General Fund’s activities for the current and prior fiscal year is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 4,992,897	\$ 4,327,696
Total expenditures	<u>(4,041,952)</u>	<u>(3,580,126)</u>
Revenues over expenditures	<u>\$ 950,945</u>	<u>\$ 747,570</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and the provision of water, sewer, and fire services to customers within the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Water, sewer, and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- Revenues from providing fire protection services are based on the number of connections in the District and remain consistent from year to year.

**Sienna Municipal Utility District No. 3
 Management’s Discussion and Analysis
 February 28, 2023**

Debt Service Fund

A comparative summary of the Debt Service Fund’s financial position as of February 28, 2023 and 2022 is as follows:

	2023	2022
Total assets	<u>\$ 2,255,001</u>	<u>\$ 2,278,988</u>
Total liabilities	\$ 1,280	\$ 272
Total deferred inflows	188,734	219,533
Total fund balance	<u>2,064,987</u>	<u>2,059,183</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,255,001</u>	<u>\$ 2,278,988</u>

A comparative summary of the Debt Service Fund’s activities for the current and prior fiscal year is as follows:

	2023	2022
Total revenues	\$ 3,217,523	\$ 3,197,865
Total expenditures	<u>(3,343,225)</u>	<u>(3,216,279)</u>
Revenues under expenditures	(125,702)	(18,414)
Other changes in fund balance	131,506	
Net change in fund balance	<u>\$ 5,804</u>	<u>\$ (18,414)</u>

The District’s financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$233,423 greater than budgeted. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

**Sienna Municipal Utility District No. 3
Management’s Discussion and Analysis
February 28, 2023**

Capital Assets

Capital assets held by the District at February 28, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Capital assets not being depreciated		
Land and improvements	\$ 1,039,686	\$ 1,039,686
Capital assets being depreciated/amortized		
Infrastructure	30,218,347	30,218,347
Capacity in regional facilities	18,567,190	18,567,190
Landscaping improvements	1,274,590	1,274,590
Other	149,246	149,246
	<u>50,209,373</u>	<u>50,209,373</u>
Less accumulated depreciation/amortization		
Infrastructure	(11,956,404)	(11,283,986)
Capacity in regional facilities	(6,420,820)	(5,903,046)
Landscaping improvements	(191,190)	(127,460)
Other	(57,158)	(42,233)
	<u>(18,625,572)</u>	<u>(17,356,725)</u>
Depreciable capital assets, net	<u>31,583,801</u>	<u>32,852,648</u>
Capital assets, net	<u>\$ 32,623,487</u>	<u>\$ 33,892,334</u>

Capital asset values and accumulated amortization for the previous fiscal year have been restated to include the District’s investment in regional water supply and wastewater facilities as previously discussed (see Note 3).

Long-Term Debt

At February 28, 2023 and 2022, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2023</u>	<u>2022</u>
2014 Refunding	\$ -	\$ 3,610,000
2015 Refunding	16,235,000	16,585,000
2017 Refunding	2,970,000	3,560,000
2019 Refunding	1,755,000	2,130,000
2022 Refunding	2,710,000	
	<u>\$ 23,670,000</u>	<u>\$ 25,885,000</u>

During the current year, the District issued \$3,570,000 in unlimited tax refunding bonds. At February 28, 2023, the District had \$26,866,524 unlimited tax bonds authorized, but unissued for refunding purposes.

**Sienna Municipal Utility District No. 3
 Management’s Discussion and Analysis
 February 28, 2023**

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 4,992,897	\$ 4,963,414
Total expenditures	<u>(4,041,952)</u>	<u>(4,045,662)</u>
Revenues over expenditures	950,945	917,752
Beginning fund balance	6,667,353	7,618,298
Ending fund balance	<u><u>\$ 7,618,298</u></u>	<u><u>\$ 8,536,050</u></u>

Property Taxes

The District’s property tax base increased approximately \$107,522,000 for the 2023 tax year from \$962,620,417 to \$1,070,142,568, based on preliminary values.

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Basic Financial Statements

Sienna Municipal Utility District No. 3
Statement of Net Position and Governmental Funds Balance Sheet
February 28, 2023

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 476,015	\$ 647,829	\$ 1,123,844	\$ -	\$ 1,123,844
Investments	6,978,451	1,585,654	8,564,105		8,564,105
Taxes receivable	62,477	188,734	251,211		251,211
Customer service receivables, net	239,559		239,559		239,559
Prepaid items	5,972		5,972		5,972
Internal balances	167,216	(167,216)			
Loan receivable				2,076,000	2,076,000
Capital assets not being depreciated				1,039,686	1,039,686
Capital assets, net				31,583,801	31,583,801
Total Assets	<u>\$ 7,929,690</u>	<u>\$ 2,255,001</u>	<u>\$ 10,184,691</u>	<u>34,699,487</u>	<u>44,884,178</u>
Deferred Outflows of Resources					
Deferred difference on refunding				<u>234,903</u>	<u>234,903</u>
Liabilities					
Accounts payable	\$ 66,028	\$ 101	\$ 66,129		66,129
Other payables		1,179	1,179		1,179
Customer deposits	10,275		10,275		10,275
Due to other governments	172,612		172,612		172,612
Long-term debt					
Due within one year				2,230,000	2,230,000
Due after one year				22,075,993	22,075,993
Total Liabilities	<u>248,915</u>	<u>1,280</u>	<u>250,195</u>	<u>24,305,993</u>	<u>24,556,188</u>
Deferred Inflows of Resources					
Deferred property taxes	<u>62,477</u>	<u>188,734</u>	<u>251,211</u>	<u>(251,211)</u>	
Fund Balances/Net Position					
Fund Balances					
Nonspendable	5,972		5,972	(5,972)	
Restricted		2,064,987	2,064,987	(2,064,987)	
Committed	14,453		14,453	(14,453)	
Unassigned	7,597,873		7,597,873	(7,597,873)	
Total Fund Balances	<u>7,618,298</u>	<u>2,064,987</u>	<u>9,683,285</u>	<u>(9,683,285)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,929,690</u>	<u>\$ 2,255,001</u>	<u>\$ 10,184,691</u>		
Net Position					
Net investment in capital assets				8,552,397	8,552,397
Restricted for debt service				2,253,721	2,253,721
Unrestricted				9,756,775	9,756,775
Total Net Position				<u>\$ 20,562,893</u>	<u>\$ 20,562,893</u>

See notes to basic financial statements.

Sienna Municipal Utility District No. 3

**Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended February 28, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues					
Water service	\$ 832,309	\$ -	\$ 832,309	\$ -	\$ 832,309
Sewer service	899,241		899,241		899,241
Fire service	647,477		647,477		647,477
Property taxes	1,319,068	3,140,589	4,459,657	(12,373)	4,447,284
Penalties and interest	37,191	29,746	66,937	(14,779)	52,158
Tap connection and inspection	1,894		1,894		1,894
Surface water	955,056		955,056		955,056
Interest earnings	124,560		124,560		124,560
Miscellaneous	23,069		23,069		23,069
Investment earnings	153,032	47,188	200,220		200,220
Total Revenues	4,992,897	3,217,523	8,210,420	(27,152)	8,183,268
Expenditures/Expenses					
Current service operations					
Professional fees	250,697		250,697		250,697
Contracted services	694,106	87,140	781,246		781,246
Repairs and maintenance	450,711		450,711		450,711
Surface water	955,056		955,056		955,056
Administrative	86,725	10,690	97,415		97,415
Capital contributions	122,718		122,718		122,718
Other	38,831		38,831		38,831
Debt service					
Principal		2,175,000	2,175,000	(2,175,000)	
Interest and fees		920,916	920,916	(15,204)	905,712
Debt issuance costs		149,479	149,479		149,479
Intergovernmental					
Monthly connection charges	684,418		684,418		684,418
Contractual obligations	2,005		2,005		2,005
Master District replacement fund	99,537		99,537		99,537
Fire protection services	657,148		657,148		657,148
Depreciation and amortization				1,268,847	1,268,847
Total Expenditures/Expenses	4,041,952	3,343,225	7,385,177	(921,357)	6,463,820
Revenues Over/(Under) Expenditures	950,945	(125,702)	825,243	(825,243)	
Other Financing Sources/(Uses)					
Proceeds from sale of refunding bonds		3,570,000	3,570,000	(3,570,000)	
Debt service - principal		(3,610,000)	(3,610,000)	3,610,000	
Bond premium		171,506	171,506	(171,506)	
Net Change in Fund Balances	950,945	5,804	956,749	(956,749)	
Change in Net Position				1,719,448	1,719,448
Fund Balance/Net Position					
Beginning of the year (restated - See Note 3)	6,667,353	2,059,183	8,726,536	10,116,909	18,843,445
End of the year	\$ 7,618,298	\$ 2,064,987	\$ 9,683,285	\$ 10,879,608	\$ 20,562,893

See notes to basic financial statements.

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Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Sienna Municipal Utility District No. 3 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Water Commission, statutory predecessor to the Texas Commission on Environmental Quality, dated March 10, 1997, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on November 20, 1997 and the first bonds were issued on July 11, 2001.

The District’s primary activities include construction, maintenance and operation of water, sewer, and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll, or pension costs.

On July 22, 2020, the District adopted a resolution authorizing the change of the District's name to Sienna Municipal Utility District No. 3. The District submitted the resolution to TCEQ for approval on August 3, 2020. The request was approved on June 15, 2021.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has two governmental funds, which are both considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset unless a legal right of offset exists. At February 28, 2023, an allowance of \$5,000 was provided for possible uncollectible water/sewer accounts. An allowance for uncollectible property taxes was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables, and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of water, wastewater and drainage facilities, and connection charges to Sienna Municipal Utility District No. 1, are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	30-45 years
Capacity in regional facilities	45 years (max)
Landscaping improvements	20 years

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District’s nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of property taxes levied for debt service in the Debt Service Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District's committed fund balances in the General Fund consist of contract taxes that have been collected, but not yet paid to the Master District.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables and the useful lives and impairment of capital assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the Governmental Funds Balance Sheet to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 9,683,285
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The District provided Sienna Regional Municipal Utility District (the "Master District") with a loan to finance the construction of the Fire Station No. 5. At the government-wide level, this is recorded as a loan receivable.

2,076,000

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 51,249,059	
Less accumulated depreciation/amortization	<u>(18,625,572)</u>	
		32,623,487

The difference between the face amount of bonds refunded and the amount paid to the escrow agent is recorded as a deferred difference on refunding in the *Statement of Net Position* and amortized to interest expense. It is not recorded in the fund statements because it is not a financial resource.

234,903

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of bonds payable, net.

(24,305,993)

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.

Property taxes receivable	215,788	
Penalty and interest receivable	<u>35,423</u>	
Change due to property taxes		251,211

Total net assets - governmental activities		<u><u>\$ 20,562,893</u></u>
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Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Statement of Revenues, Expenditures and Changes in Fund Balances* of the Governmental Funds to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 956,749

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest. (27,152)

In the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset. (1,268,847)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets.

Issuance of long term debt	\$ (3,570,000)	
Bond premium	(171,506)	
Principal payments	5,785,000	
Interest expense accrual	15,204	
		2,058,698

Change in net assets of governmental activities \$ 1,719,448

Note 3 – Prior Period Adjustment

During the current fiscal year, the District determined that the District’s pro-rata share of regional facilities constructed by Sienna Regional Municipal Utility District had not been correctly recognized and reported in previous fiscal years. As a result, capital assets, net of depreciation/amortization were understated by \$6,541,412 as of February 28, 2022.

Accordingly, a prior period adjustment was recorded during the current year to correct capital assets. The adjustment increased beginning net position as follows:

Beginning net position, as reported	\$ 12,302,033
Change due to error correction	6,541,412
Beginning net position, restated	\$ 18,843,445

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e., cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 4 – Deposits and Investments (continued)

Investments (continued)

As of February 28, 2023, the District’s investments consist of the following:

<u>Type</u>	<u>Fund</u>	<u>Carrying Value</u>	<u>Percentage of Total</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
TexPool	General	\$ 1,836,769			
	Debt Service	7,080			
		<u>1,843,849</u>	22%	AAAm	15 days
Texas CLASS	General	5,141,682			
	Debt Service	1,578,574			
		<u>6,720,256</u>	78%	AAAm	38 days
Total		<u>\$ 8,564,105</u>	<u>100%</u>		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 4 – Deposits and Investments (continued)

Texas CLASS (continued)

The District’s investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District’s investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at February 28, 2023, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 167,216	Maintenance and contract tax collections not remitted as of year end

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended February 28, 2023, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated:			
Land and improvements	\$ 1,039,686	\$ -	\$ 1,039,686
Capital assets being depreciated/amortized:			
Infrastructure	30,218,347		30,218,347
Capacity in regional facilities	18,567,190		18,567,190
Landscaping improvements	1,274,590		1,274,590
Other	149,246		149,246
	<u>50,209,373</u>		<u>50,209,373</u>
Less accumulated depreciation/amortization:			
Infrastructure	(11,283,986)	(672,418)	(11,956,404)
Capacity in regional facilities	(5,903,046)	(517,774)	(6,420,820)
Landscaping improvements	(127,460)	(63,730)	(191,190)
Other	(42,233)	(14,925)	(57,158)
	<u>(17,356,725)</u>	<u>(1,268,847)</u>	<u>(18,625,572)</u>
Capital assets being depreciated, net	<u>32,852,648</u>	<u>(1,268,847)</u>	<u>31,583,801</u>
Capital assets, net	<u>\$ 33,892,334</u>	<u>\$ (1,268,847)</u>	<u>\$ 32,623,487</u>

Depreciation expense for the current year was \$1,268,847. As discussed in Note 3, beginning capital asset values and accumulated amortization have been restated to include the District's capacity in regional water supply and wastewater facilities (intangible assets).

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 23,670,000
Unamortized discounts	(69,997)
Unamortized premium	705,990
	<u>\$ 24,305,993</u>
Due within one year	<u>\$ 2,230,000</u>

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 7 – Long-Term Debt (continued)

The District’s bonds payable at February 28, 2023, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015 Refunding	\$ 16,235,000	\$ 18,665,000	2.00% - 5.00%	March 1, 2016 - 2032	March 1, September 1	March 1, 2023
2017 Refunding	2,970,000	3,715,000	2.44%	March 1, 2018 - 2028	March 1, September 1	March 1, 2023
2019 Refunding	1,755,000	3,785,000	2.00%	March 1, 2020 - 2029	March 1, September 1	March 1, 2025
2022 Refunding	2,710,000	3,570,000	3.00%	March 1, 2023 - 2028	March 1, September 1	March 1, 2028
	<u>\$ 23,670,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At February 28, 2023, the District had authorized but unissued bonds in the amount of \$26,866,524 for refunding purposes.

On March 15, 2022, the District issued its \$3,570,000 Series 2022 Unlimited Tax Refunding Bonds at a net effective interest rate of 2.789235% to refund \$3,610,000 of outstanding Series 2014 refunding bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately \$173,003 and to obtain an economic gain of approximately \$156,109. Proceeds of the bonds were placed in an escrow account with an escrow agent and irrevocably pledged to the payment of future debt service payments through March 15, 2022, the redemption date of the bonds. As of February 28, 2023, the bonds have all been redeemed and are no longer outstanding.

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 25,885,000
Bonds issued	3,570,000
Bonds retired	(2,175,000)
Bonds refunded	(3,610,000)
Bonds payable, end of year	<u>\$ 23,670,000</u>

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 7 – Long-Term Debt (continued)

The debt service payment due March 1 was made during the current fiscal year. The following schedule was prepared presuming this practice will continue. As of February 28, 2023, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2024	\$ 2,230,000	\$ 856,006	\$ 3,086,006
2025	2,290,000	801,384	3,091,384
2026	2,355,000	740,162	3,095,162
2027	2,435,000	676,856	3,111,856
2028	2,515,000	609,260	3,124,260
2029	2,745,000	538,250	3,283,250
2030	2,915,000	455,000	3,370,000
2031	3,020,000	309,250	3,329,250
2032	3,165,000	158,251	3,323,251
	\$ 23,670,000	\$ 5,144,419	\$ 28,814,419

Note 8 – Property Taxes

On May 1, 1999, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.10 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Fort Bend Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$0.4625 per \$100 of assessed value, of which \$0.1375 was allocated to maintenance and operations and \$0.325 was allocated to debt service. The resulting tax levy was \$4,452,120 on the adjusted taxable value of \$962,620,417.

Property taxes receivable, at February 28, 2023, consisted of the following:

Current year taxes receivable	\$ 162,509
Prior years taxes receivable	53,279
	215,788
Penalty and interest receivable	35,423
Property taxes receivable	\$ 251,211

Note 9 – Contracts with Sienna Regional Municipal Utility District

The District, together with each conservation and reclamation district located within Sienna, has contracted with Sienna Regional Municipal Utility District (the “Master District”) to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drainage services, fire protection and other services and facilities permitted by law for the entire Sienna development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- The District’s prorated share of the Master District’s capital cost (connection charges);
- Monthly connection charges in an amount sufficient to meet the District’s prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities by customers in Sienna;
- Monthly charges for the District’s share of surface water fees;
- Monthly charges for the Master District’s renewal and replacement fund, which was established by the Master District to provide funding to repair and replace aging Master District facilities;
- Monthly charges for the District’s share of fire protection services from the Master District;
- Contract tax payments for the District’s pro-rata share of construction, expansion and improvements of Master District facilities financed by the District’s contract tax levy; and
- Other amounts as required by the Master District to finance the District’s portion of regional facilities.

For the year ended February 28, 2023, charges incurred by the District are reported on the *Statement of Activities* as follows:

- Monthly connection charges for services in the amount of \$684,418;
- Charges for the Master District renewal and replacement fund in the amount of \$99,537;
- Monthly charges for fire protection services in the amount of \$657,148; and
- Contract tax payments in the amount of \$2,005.

Master District Debt

The Master District is authorized to issue bonds for the purpose of acquiring and constructing facilities needed to provide services to all participating districts. The District shall contribute to the payment of debt service requirements based on its pro rata share of the total certified assessed valuation of all participating districts.

On May 29, 2018, the Master District sold its \$25,010,000 Series 2018 Contract Revenue Bonds to the Texas Water Development Board as part of a plan to finance construction of approximately \$40 million in regional wastewater facilities. Additional financing for these facilities was obtained from cash contributions made by participating districts in previous fiscal years. The District’s pro-rata share of total costs of the regional facilities is \$7,179,600, which was funded entirely by cash contributions.

Note 9 – Contracts with Sienna Regional Municipal Utility District (continued)

Wastewater Treatment Services Contract

Regional wastewater treatment services will be provided to each district within Sienna by the Master District pursuant to the First Amendment and Restated Wastewater Treatment Services Contract (the “Wastewater Agreement”) between the Master District and the City of Missouri City (the “City”). Pursuant to the Wastewater Agreement, the Master District will operate and maintain one or more temporary wastewater treatment plants to serve development within Sienna until such time as it has been determined that a permanent wastewater treatment plant is required. The Master District is responsible for the ultimate design and construction of the permanent wastewater treatment plant, with the costs of such facility allocated among the participating districts on a prorata basis. The Master District agrees to obtain City approval prior to the design and construction of the permanent wastewater treatment plant and to ensure proper compliance with the City’s regionalization scheme. The District will be responsible for its pro-rata share of capital and operating costs for the wastewater treatment plant.

Joint Construction Agreement

The Master District and the City of Missouri City entered into a fire protection agreement which establishes the terms and conditions for the construction of a new fire station and the acquisition of a new fire truck to serve Sienna. The cost of the fire station and the fire truck is to be paid by the internal Sienna Districts that will be served by the fire station on a pro-rata basis. While the District and Sienna Municipal Utility District Nos. 1 and 2 have contributed their pro-rate shares of the costs to the Master District, Sienna Municipal Utility District Nos. 4, 5, 6 and 7 (Sienna South Districts) have informed the Master District that they are currently unable to contribute their pro-rata shares.

On September 27, 2012, the District and the Master District entered into a Joint Construction Agreement, whereby the District agreed to advance at least \$2,076,000, but not more than \$3,000,000, to the Master District to ensure the construction of the fire station and the acquisition of a fire truck. The Master District will pay the District annual interest of 6% and will fully reimburse the District on or before October 1, 2025, per the February 2018 amendment. During the current fiscal year, the District earned \$124,560 in interest revenue in connection with this contract.

The Master District and Sienna Municipal Utility District No. 5 (MUD 5) entered into an agreement whereby MUD 5 will reimburse the Master District on behalf of all the Sienna South Districts. MUD 5 will pay interest to the Master District of 6% annually and will fully reimburse the Master District upon the occurrence of a triggering event, as defined by the agreement, or by October 1, 2025, whichever comes first.

Note 9 – Contracts with Sienna Regional Municipal Utility District (continued)

Fire Protection Services

On June 25, 2015, the Master District entered into the Operations Agreement for Fire Protection Services for Sienna (the “Operations Agreement”) with the City. The Operations Agreement established the terms and conditions under which the City will provide fire protection services to Sienna and will be reimbursed for the cost of providing those services. Pursuant to the Operations Agreement, the Master District will pay the City each month for one twelfth the annual operating and capital costs of providing fire protection services. The City will recalculate the cost every year in June.

The District executed a Joinder and Third-Party Beneficiary to the Operations Agreement on March 25, 2015, whereby the District agreed to be bound by the terms and conditions of the Operations Agreement and to pay the Master District for its pro-rata share of operating costs and capital costs. As of February 28, 2023, the monthly charge is \$21.50 per connection.

Note 10 – Agreements with the City of Missouri City

The developers of Sienna have entered into the Sienna Joint Development agreement with the City of Missouri City dated February 19, 1996, as amended, (collectively, the “Development Agreement”) which stipulates the City’s regulatory authority over the development of Sienna, establishes certain restrictions and commitments related to the development of Sienna, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna by the City and identifies and establishes a master plan for the development of Sienna. The development of all land within Sienna is governed by the provisions of the Development Agreement.

The District has also entered into a Strategic Partnership Agreement with the City dated September 27, 2000, which stipulates the City’s regulatory authority over the District; stipulates a formula for determining the time of annexation of land within the District by the City and identifies and establishes a master plan for the development of the District.

In both of the above agreements, the City agrees not to annex the property in any district before such time as: (i) at least 90% of the developable acreage within such district has been developed with water, wastewater treatment and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The District has developed in excess of 90% of the developable acreage with water, sewer, and drainage facilities.

Sienna Municipal Utility District No. 3
Notes to Financial Statements
February 28, 2023

Note 11 – Contributions to Sienna Residential Association, Inc.

On July 12, 2022, the District and Sienna Residential Association, Inc. (the “Association”) entered into a cost sharing agreement for the construction of a brick fence to replace the wooded fence at Steep Bank East. The Association agrees to maintain the fence. The District agreed to initially pay for the total cost of the brick fence in the amount of \$750,812. The Association agrees to pay \$197,440 as a portion of the cost for the construction of the brick fence to be paid by the end of 2023. As of February 28, 2023, the District recorded \$122,718 as a capital contribution in connection with this cost sharing agreement.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 13 – Subsequent Event

On May 24, 2023, the District approved a preliminary official statement and notice of sale for its Series 2023 Unlimited Tax Refunding Bonds in the amount of \$8,970,000 to refund \$9,100,000 principal amount of its Series 2015 Unlimited Tax Refunding Bonds. The acceptance of bids and award of sale is tentatively scheduled for June 8, 2023.

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Required Supplementary Information

*Sienna Municipal Utility District No. 3
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2023*

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	\$ 783,000	\$ 717,750	\$ 832,309	\$ 114,559
Sewer service	900,000	900,000	899,241	(759)
Fire service	660,000	660,000	647,477	(12,523)
Property taxes	1,046,491	1,273,683	1,319,068	45,385
Penalties and interest	20,520	20,520	37,191	16,671
Tap connection and inspection	3,120	3,120	1,894	(1,226)
Surface water	870,000	870,000	955,056	85,056
Interest earnings	124,560	124,560	124,560	
Miscellaneous	15,840	15,840	23,069	7,229
Investment earnings	1,500	1,500	153,032	151,532
Total Revenues	4,425,031	4,586,973	4,992,897	405,924
Expenditures				
Current service operations				
Professional fees	158,900	158,900	250,697	(91,797)
Contracted services	635,600	682,357	694,106	(11,749)
Repairs and maintenance	1,125,181	491,781	450,711	41,070
Surface water	870,000	870,000	955,056	(85,056)
Administrative	112,213	112,213	86,725	25,488
Capital contribution			122,718	(122,718)
Other	18,200	18,200	38,831	(20,631)
Intergovernmental				
Connection charges	780,000	780,000	684,418	95,582
Contractual obligations			2,005	(2,005)
Master District replacement fund	96,000	96,000	99,537	(3,537)
Fire protection services	660,000	660,000	657,148	2,852
Total Expenditures	4,456,094	3,869,451	4,041,952	(172,501)
Revenues Over/(Under) Expenditures	(31,063)	717,522	950,945	233,423
Fund Balance				
Beginning of the year	6,667,353	6,667,353	6,667,353	
End of the year	\$ 6,636,290	\$ 7,384,875	\$ 7,618,298	\$ 233,423

Sienna Municipal Utility District No. 3
Notes to Required Supplementary Information
February 28, 2023

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Sienna Municipal Utility District No. 3

TSI-1. Services and Rates

February 28, 2023

1. Services provided by the District During the Fiscal Year:

- | | | | |
|--|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input checked="" type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input checked="" type="checkbox"/> Security |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input type="checkbox"/> Other (Specify): _____ | | | |

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>	
Water:	\$ 18.35	10,000	N	\$ 2.25	10,001 to	20,000
				\$ 3.25	20,001 to	30,000
				\$ 4.25	30,001 to	no limit
Wastewater:	\$ 30.20	-	Y			
Surcharge:	\$ 2.51	-	N	\$ 2.51	1,000 to	no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 43.45 Wastewater \$ 30.20

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC'S</u>
Unmetered			x 1.0	
less than 3/4"	1,804	1,795	x 1.0	1,795
1"	756	754	x 2.5	1,885
1.5"	18	18	x 5.0	90
2"	50	50	x 8.0	400
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	2,628	2,617		4,170
Total Wastewater	2,466	2,455	x 1.0	2,455

See accompanying auditors' report.

Sienna Municipal Utility District No. 3
TSI-1. Services and Rates
February 28, 2023

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u>385,730,300</u>	* Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>385,730,300</u>	<u>100.00%</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes No

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Fort Bend County

Is the District located within a city? Entirely Partly Not at all

City(ies) in which the District is located: City of Missouri City

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which the District is located: City of Missouri City

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

* Purchased from Sienna Regional MUD

See accompanying auditors' report.

***Sienna Municipal Utility District No. 3
TSI-2 General Fund Expenditures
For the Year Ended February 28, 2023***

Professional fees	
Legal	\$ 89,919
Audit	14,500
Engineering	146,278
	<u>250,697</u>
Contracted services	
Bookkeeping	27,510
Operator	78,639
Garbage collection	580,513
Tap connection and inspection	7,444
	<u>694,106</u>
Repairs and maintenance	<u>450,711</u>
Surface water	<u>955,056</u>
Administrative	
Directors fees	10,500
Printing and office supplies	28,908
Insurance	10,995
Other	36,322
	<u>86,725</u>
Capital contributions	<u>122,718</u>
Other	<u>38,831</u>
Intergovernmental	
Monthly connection charges	684,418
Contractual obligations	2,005
Master District replacement fund	99,537
Fire protection services	657,148
	<u>1,443,108</u>
Total expenditures	<u>\$ 4,041,952</u>

See accompanying auditors' report.

Sienna Municipal Utility District No. 3
TSI-3. Investments
February 28, 2023

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 1,836,769
Texas CLASS	Variable	N/A	5,138,109
Texas CLASS - contract	Variable	N/A	3,573
			<u>6,978,451</u>
Debt Service			
TexPool	Variable	N/A	7,080
Texas CLASS	Variable	N/A	1,578,574
			<u>1,585,654</u>
Total - All Funds			<u><u>\$ 8,564,105</u></u>

See accompanying auditors' report.

Sienna Municipal Utility District No. 3
TSI-4. Taxes Levied and Receivable
February 28, 2023

	Maintenance Taxes	Debt Service Taxes	Contract Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 56,352	\$ 169,331	\$ 2,478	\$ 228,161
Adjustments to prior years	(1,225)	(3,611)		(4,836)
Adjusted receivable	55,127	165,720	2,478	223,325
2022 Original Tax Levy	1,299,677	3,071,965		4,371,642
Adjustments	23,926	56,552		80,478
Adjusted Tax Levy	1,323,603	3,128,517		4,452,120
Total to be accounted for	1,378,730	3,294,237	2,478	4,675,445
Tax collections:				
Current year	1,275,290	3,014,321		4,289,611
Prior years	41,436	126,605	2,005	170,046
Total Collections	1,316,726	3,140,926	2,005	4,459,657
Taxes Receivable, End of Year	\$ 62,004	\$ 153,311	\$ 473	\$ 215,788
Taxes Receivable, By Years				
2022	\$ 48,313	\$ 114,196	\$ -	\$ 162,509
2021	3,345	9,901		13,246
2020	3,123	9,129		12,252
2019 and prior	7,223	20,085	473	27,781
Taxes Receivable, End of Year	\$ 62,004	\$ 153,311	\$ 473	\$ 215,788
	2022	2021	2020	2019
Property Valuations				
Land	\$ 181,629,258	\$ 181,776,188	\$ 182,046,138	\$ 176,313,308
Improvements	931,015,725	703,674,295	685,197,321	674,409,002
Personal Property	6,916,000	7,373,320	6,918,490	6,670,310
Exemptions	(156,940,566)	(39,315,317)	(40,666,270)	(26,930,598)
Total Property Valuations	\$ 962,620,417	\$ 853,508,486	\$ 833,495,679	\$ 830,462,022
Tax Rates per \$100 Valuation				
Maintenance and operations	\$ 0.1375	\$ 0.125	\$ 0.13	\$ 0.13
Debt service tax rates	0.3250	0.370	0.38	0.38
	\$ 0.4625	\$ 0.495	\$ 0.51	\$ 0.51
Adjusted Tax Levy:	\$ 4,452,120	\$ 4,224,867	\$ 4,250,828	\$ 4,235,356
Percentage of Taxes Collected to Taxes Levied **	96.35%	99.69%	99.71%	99.83%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.10 on May 1, 1999

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year

See accompanying auditors' report.

Sienna Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2015 Refunding--by Years
February 28, 2023

<u>Due During Fiscal Year Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 675,000	\$ 667,138	\$ 1,342,138
2025	690,000	651,950	1,341,950
2026	1,045,000	631,250	1,676,250
2027	1,080,000	599,900	1,679,900
2028	1,125,000	567,500	1,692,500
2029	2,520,000	533,750	3,053,750
2030	2,915,000	455,000	3,370,000
2031	3,020,000	309,250	3,329,250
2032	3,165,000	158,251	3,323,251
	<u>\$ 16,235,000</u>	<u>\$ 4,573,989</u>	<u>\$ 20,808,989</u>

See accompanying auditors' report

Sienna Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2017 Refunding--by Years
February 28, 2023

<u>Due During Fiscal Year Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 610,000	\$ 72,468	\$ 682,468
2025	630,000	57,584	687,584
2026	740,000	42,212	782,212
2027	590,000	24,156	614,156
2028	400,000	9,760	409,760
	<u>\$ 2,970,000</u>	<u>\$ 206,180</u>	<u>\$ 3,176,180</u>

See accompanying auditors' report

Sienna Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2019 Refunding--by Years
February 28, 2023

<u>Due During Fiscal Year Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 380,000	\$ 35,100	\$ 415,100
2025	395,000	27,500	422,500
2026	320,000	19,600	339,600
2027	215,000	13,200	228,200
2028	220,000	8,900	228,900
2029	225,000	4,500	229,500
	<u>\$ 1,755,000</u>	<u>\$ 108,800</u>	<u>\$ 1,863,800</u>

See accompanying auditors' report

Sienna Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
Series 2022 Refunding--by Years
February 28, 2023

<u>Due During Fiscal Year Ending</u>	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2024	\$ 565,000	\$ 81,300	\$ 646,300
2025	575,000	64,350	639,350
2026	250,000	47,100	297,100
2027	550,000	39,600	589,600
2028	770,000	23,100	793,100
	<u>\$ 2,710,000</u>	<u>\$ 255,450</u>	<u>\$ 2,965,450</u>

See accompanying auditors' report

Sienna Municipal Utility District No. 3
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
February 28, 2023

Due During Fiscal Year Ending	Principal Due March 1	Interest Due September 1, March 1	Total
2024	\$ 2,230,000	\$ 856,006	\$ 3,086,006
2025	2,290,000	801,384	3,091,384
2026	2,355,000	740,162	3,095,162
2027	2,435,000	676,856	3,111,856
2028	2,515,000	609,260	3,124,260
2029	2,745,000	538,250	3,283,250
2030	2,915,000	455,000	3,370,000
2031	3,020,000	309,250	3,329,250
2032	3,165,000	158,251	3,323,251
	<u>\$ 23,670,000</u>	<u>\$ 5,144,419</u>	<u>\$ 28,814,419</u>

See accompanying auditors' report

Sienna Municipal Utility District No. 3
TSI-6. Change in Long-Term Bonded Debt
February 28, 2023

	Bond Issue			
	Series 2014 Refunding	Series 2015 Refunding	Series 2017 Refunding	Series 2019 Refunding
Interest rate	2.00% - 4.25%	2.00% - 5.00%	2.44%	2.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	3/1/15 - 3/1/28	3/1/16 - 3/1/32	3/1/18 - 3/1/28	3/1/20 - 3/1/29
Beginning bonds outstanding	\$ 3,610,000	\$ 16,585,000	\$ 3,560,000	\$ 2,130,000
Bond issued during the year				
Bonds refunded during the year	(3,610,000)			
Bonds retired during the year		(350,000)	(590,000)	(375,000)
Ending bonds outstanding	<u>\$ -</u>	<u>\$ 16,235,000</u>	<u>\$ 2,970,000</u>	<u>\$ 1,755,000</u>
Interest paid during fiscal year	<u>\$ 5,773</u>	<u>\$ 681,138</u>	<u>\$ 86,864</u>	<u>\$ 42,600</u>
Paying agent's name and city				
Series 2014 and 2015		Amegy Bank of Texas, N.A., Houston, Texas		
Series 2017		Wells Fargo Bank, N.A., Houston, Texas		
Series 2019		Zions Bancorporation, N.A., Houston, Texas		
Series 2022		Regions Bank, Houston, Texas		
Bond Authority:	Water, Sewer and Drainage	Refunding	Fire Facilities	
Amount Authorized by Voters	\$ 48,800,000	\$ 29,280,000	\$ 440,000	
Amount Issued	(48,800,000)	(2,413,476)	(440,000)	
Remaining To Be Issued	<u>\$ -</u>	<u>\$ 26,866,524</u>	<u>\$ -</u>	

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and temporary investment balances as of February 28, 2023:	<u>\$ 2,233,483</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 3,201,602</u>

See accompanying auditors' report.

<u>Bond Issue</u>	
<u>Series 2022</u>	<u>Totals</u>
<u>Refunding</u>	
3.00%	
9/1; 3/1	
3/1/23 -	
3/1/28	
	\$ 25,885,000
3,570,000	3,570,000
	(3,610,000)
<u>(860,000)</u>	<u>(2,175,000)</u>
<u>\$ 2,710,000</u>	<u>\$ 23,670,000</u>
<u>\$ 107,100</u>	<u>\$ 923,475</u>

Sienna Municipal Utility District No. 3

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Water service	\$ 832,309	\$ 742,433	\$ 829,558	\$ 815,352	\$ 759,256
Sewer service	899,241	894,337	898,081	915,976	859,420
Fire service	647,477	642,989	643,413	625,212	654,847
Property taxes	1,319,068	1,070,207	1,088,032	1,077,099	1,000,505
Penalties and interest	37,191	25,773	26,266	55,362	64,212
Tap connection and inspection	1,894	1,706	3,510	1,725	35,457
Surface water	955,056	797,677	891,827	878,784	775,464
Interest earnings	124,560	124,560	124,560	124,560	124,560
Miscellaneous	23,069	24,270	14,041	19,023	21,971
Investment earnings	153,032	3,744	23,246	112,163	114,416
Total Revenues	4,992,897	4,327,696	4,542,534	4,625,256	4,410,108
Expenditures					
Current service operations					
Professional fees	250,697	109,945	127,847	153,651	303,797
Contracted services	694,106	634,037	609,635	592,674	559,705
Repairs and maintenance	450,711	466,988	314,616	272,164	263,833
Utilities		1,212			
Surface water	955,056	797,677	891,827	878,784	775,464
Administrative	86,725	85,615	72,150	77,969	87,906
Capital contributions	122,718	8,143	14,000	204,606	144,749
Other	38,831	25,022	25,426	10,842	21,023
Capital outlay			755,932	667,904	251,909
Intergovernmental					
Monthly connection charges	684,418	730,759	777,680	757,160	762,527
Contractual obligations	2,005		571	569	6,601
Master District replacement fund	99,537	79,551	91,786	90,784	79,918
Fire protection services	657,148	641,177	656,739	655,191	654,847
Contributions for regional facilities					2,446,182
Total Expenditures	4,041,952	3,580,126	4,338,209	4,362,298	6,358,461
Revenues Over (Under) Expenditures	\$ 950,945	\$ 747,570	\$ 204,325	\$ 262,958	\$ (1,948,353)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
18%	16%	17%	18%	17%
19%	21%	20%	20%	19%
14%	15%	14%	14%	15%
24%	25%	24%	23%	23%
1%	1%	1%	1%	1%
*	*	*	*	1%
19%	18%	20%	19%	18%
2%	3%	3%	3%	3%
*	1%	*	*	*
3%	*	1%	2%	3%
100%	100%	100%	100%	100%
5%	3%	3%	3%	7%
14%	15%	13%	13%	13%
9%	11%	7%	6%	6%
19%	18%	20%	19%	18%
2%	2%	2%	2%	2%
2%	*	*	4%	3%
1%	1%	1%	*	*
		17%	14%	6%
14%	17%	17%	16%	17%
*		*	*	*
2%	2%	2%	2%	2%
13%	15%	14%	14%	15%
				55%
81%	84%	96%	93%	144%
19%	16%	4%	7%	(44%)

Sienna Municipal Utility District No. 3

**TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years**

	Amounts				
	2023	2022	2021	2020	2019
Revenues					
Property taxes	\$ 3,140,589	\$ 3,165,962	\$ 3,179,461	\$ 3,160,993	\$ 3,203,972
Penalties and interest	29,746	30,340	23,754	31,255	27,062
Miscellaneous		20			
Investment earnings	47,188	1,543	8,079	41,407	44,327
Total Revenues	<u>3,217,523</u>	<u>3,197,865</u>	<u>3,211,294</u>	<u>3,233,655</u>	<u>3,275,361</u>
Expenditures					
Tax collection services	97,830	93,699	93,024	88,580	88,138
Debt service					
Principal	2,175,000	2,100,000	2,040,000	1,975,000	1,870,000
Interest and fees	920,916	1,022,580	1,077,077	1,187,594	1,269,070
Debt issuance costs	149,479			152,879	
Total Expenditures	<u>3,343,225</u>	<u>3,216,279</u>	<u>3,210,101</u>	<u>3,404,053</u>	<u>3,227,208</u>
Revenues Over (Under) Expenditures	<u>\$ (125,702)</u>	<u>\$ (18,414)</u>	<u>\$ 1,193</u>	<u>\$ (170,398)</u>	<u>\$ 48,153</u>
Total Active Retail Water Connections	<u>2,617</u>	<u>2,625</u>	<u>2,621</u>	<u>2,614</u>	<u>2,608</u>
Total Active Retail Wastewater Connections	<u>2,455</u>	<u>2,464</u>	<u>2,459</u>	<u>2,452</u>	<u>2,446</u>

*Percentage negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
98%	99%	99%	98%	98%
1%	1%	1%	1%	1%
	*			
1%	*	*	1%	1%
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
68%	66%	64%	61%	57%
29%	32%	34%	37%	39%
5%			5%	
105%	101%	101%	106%	99%
(5%)	(1%)	(1%)	(6%)	1%

Sienna Municipal Utility District No. 3
TSI-8. Board Members, Key Personnel and Consultants
February 28, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027
District Business Telephone Number: 713-860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): November 30, 2022
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Don Trull	5/20 to 5/24	\$ 2,850	\$ 2,994	President
Beth Wolf	5/20 to 5/24	2,850	3,414	Vice President
James Browne	5/22 to 5/26	1,050	1,540	Assistant Vice President
Kathy Bender	5/22 to 5/26	3,000	2,940	Secretary
Teri Clayton	11/22 to 5/24	600		Assistant Secretary
Mark D. Parsons	5/20 to 03/22	150		Former Director
		<u>Amounts Paid</u>		
Consultants				
Allen Boone Humphries Robinson LLP	2003			Attorney
<i>General legal fees</i>		\$ 88,357		
<i>Bond counsel</i>		43,609		
SI Environmental, LLC	2012	544,808		Operator
McLennan and Associates, L.P.	1997	35,609		Bookkeeper
Tax Tech, Inc.	1997	44,396		Tax Collector
Fort Bend Central Appraisal District	Legislation	37,662		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	2006	4,981		Delinquent Tax Attorney
LJA Engineering, Inc.	1997	88,357		Engineer
McGrath & Co., PLLC	2013	15,750		Auditor
Robert W. Baird & Co. Incorporated	2015	37,567		Financial Advisor
Clark Condon	2018			Landscape Architect

* *Fees of Office* are the amounts actually paid to a Director during the District's fiscal year.
See accompanying auditors' report.

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100