

AMENDMENT TO OFFICIAL STATEMENT

Dated: July 27, 2023

\$3,400,000
SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX ROAD BONDS, SERIES 2023A

This Amendment to the Official Statement, dated July 27, 2023 (the “Amendment”), relating to the above referenced Bonds, is disseminated to correct certain information contained on page 2 in the Maturity Schedule. In particular, such table is revised to include corrected interest rate and yields for the 2045 maturity only. Except with respect to information provided by this Amendment, the Official Statement shall remain in full force and effect as to the matters covered therein.

MATURITY SCHEDULE

<u>8/15 Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate^(a)</u>	<u>Initial Yield^(b)</u>	<u>CUSIP Numbers^(c)</u>
2025	\$ 75,000	6.500%	3.500%	851705DW0
2026	80,000	6.500%	3.400%	851705DX8
2027	85,000	6.500%	3.350%	851705DY6
***	***	***	***	***
2031	100,000	5.000%	3.400%	^(d) 851705EC3
2032	105,000	4.000%	3.600%	^(d) 851705ED1
2033	115,000	4.000%	3.700%	^(d) 851705EE9
2034	120,000	4.000%	3.800%	^(d) 851705EF6
***	***	***	***	***
2039	150,000	4.000%	4.100%	851705EL3
2040	160,000	4.000%	4.150%	851705EM1
2041	165,000	4.000%	4.200%	851705EN9
***	***	***	***	***
2045	200,000	4.125%	4.300%	851705ES8

\$280,000 6.250%^(a) Term Bonds due August 15, 2030 at a Price to Yield 3.350%^{(b)(d)} – 851705EB5^(c)
\$255,000 4.000%^(a) Term Bonds due August 15, 2036 at a Price to Yield 3.900%^{(b)(d)} – 851705EH2^(c)
\$280,000 4.000%^(a) Term Bonds due August 15, 2038 at a Price to Yield 4.000%^(b) – 851705EK5^(c)
\$555,000 4.125%^(a) Term Bonds due August 15, 2044 at a Price to Yield 4.280%^(b) – 851705ER0^(c)
\$675,000 4.250%^(a) Term Bonds due August 15, 2048 at a Price to Yield 4.399%^(b) – 851705EV1^(c)

(Interest to accrue from the Date of Initial Delivery)

The date of this Amendment is August 8, 2023.

OFFICIAL STATEMENT DATED JULY 27, 2023

Delivery of the Bonds (defined herein) is subject to the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

Rating:
S&P: "AA" (Stable Outlook)/Insured
Moody's: "Baa3"/Underlying
Insurance: BAM
(See "BOND INSURANCE," "BOND INSURANCE RISKS," and "OTHER INFORMATION – RATING" herein)

NEW ISSUE – Book-Entry-Only

THE DISTRICT WILL NOT DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

\$3,400,000

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX ROAD BONDS, SERIES 2023A

Dated: August 29, 2023

Due: August 15, as shown on the inside cover page

Interest to accrue from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the Springhollow Municipal Utility District Unlimited Tax Road Bonds, Series 2023A (the "Bonds") will accrue from the Date of Initial Delivery (defined below), will be payable February 15, 2024 and each August 15 and February 15 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent"). The Bonds are obligations solely of the Springhollow Municipal Utility District (the "District") and are not obligations of the City of Dripping Springs, Texas; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." THE BONDS ARE SUBJECT TO RISK FACTORS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS" herein.

PURPOSE . . . Proceeds of the Bonds will be used to finance the District's share of the cost of constructing road improvements to serve the District. The remaining Bond proceeds will be used to: (i) capitalize approximately twelve months' interest requirements on the Bonds; (ii) pay developer interest; and (iii) paying the costs associated with the issuance of the Bonds.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") (see "BOND INSURANCE," "BOND INSURANCE RISKS" and "APPENDIX C – Specimen Municipal Bond Insurance Policy").

CUSIP PREFIX: 851705
MATURITY SCHEDULE
See inside cover page

LEGALITY . . . The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

DELIVERY . . . Delivery of the Bonds is expected through the facilities of DTC on August 29, 2023 (the "Date of Initial Delivery").

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate ^(a)	Initial Yield ^(b)	CUSIP Numbers ^(c)
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\$675,000 4.250%^(a) Term Bonds due August 15, 2048 at a Price to Yield 4.399%^(b) – 851705EV1^(c)

(Interest to accrue from the Date of Initial Delivery)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of approximately 97.009% of par, resulting in a net effective interest rate to the District of 4.420277%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Initial Purchaser, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.
- (d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2029 in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2030, 2036, 2038, 2044 and 2048 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

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

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

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 the other matters described herein since the date hereof. However, the District has agreed to keep this “Official Statement” current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” and “CONTINUING DISCLOSURE OF INFORMATION.”

Any reference to website addresses represented herein are for information purposes only and may be in the form of a hyperlink solely for the readers’ convenience. Unless specified otherwise, such websites and the information on links contained therein are not incorporated into, and are not part of, this Official Statement.

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The cover page hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of approximately 97.009% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

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

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

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

SECURITIES LAWS . . . No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATINGS AND INSURANCE

The Bonds are expected to be rated “AA” (Stable Outlook) by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.” The Bonds and the outstanding debt of the District have been rated “Baa3” by Moody’s without regard to credit enhancement.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement (including the Appendices attached hereto). The offering of the Bonds to potential investors is made only by means of this entire Official Statement including the Appendices attached hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement (including the Appendices attached hereto).

THE DISTRICT

THE DISTRICT..... Springhollow Municipal Utility District (the “District”), is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), on October 27, 2016 and confirmed pursuant to an election held within the District on May 6, 2017. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water; distributing potable water; collecting and treating wastewater; and providing roadway facilities; and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. See “THE DISTRICT – General.”

LOCATION..... The District, which encompasses approximately 531.54 acres of land is located in northern Hays County, approximately 4 miles southwest of the intersection of SH 45 Southwest at FM 1826, on the north side of FM 1826. The District is located within the extraterritorial jurisdiction of the City of Dripping Springs. The District is located within the Bear Creek watershed. See “THE DISTRICT – Location.”

THE DEVELOPER The developer currently active within the District is HM Parten Ranch Development Inc. (the “Developer”), a Texas corporation. See “THE DEVELOPER – Description of Developer” and “THE DISTRICT – Current Status of Development.”

DEVELOPMENT WITHIN THE DISTRICT Of the 531.54 acres within the District, approximately 427.89 are developable under current land development regulations. As of April 1, 2023, approximately 304.26 acres (or 71% of the developable acreage within the District) have been developed with utility facilities as the single family residential subdivision of Parten Ranch. As of April 1, 2023, the development in the District consisted of 369 developed single family lots, comprised of 279 completed homes, 29 homes under construction, and 61 vacant single family lots. See “THE DISTRICT – Current Status of Development.”

HOMEBUILDERS According to the Developer, there are currently two homebuilders active within the District: Highland Homes and Taylor Morrison building homes in four lot sizes (65’, 75’, 85’, and 1 acre lots). The homes range in price from \$800,000 to \$1,200,000, with square footage ranging from 2,700 to 3,600. See “THE DEVELOPER – Homebuilders within the District.”

THE BONDS

DESCRIPTION The Bonds in the aggregate principal amount of \$3,400,000 mature in varying amounts on August 15 of each year from 2025 through 2048 as set forth on the inside cover page hereof. Interest accrues from the Date of Initial Delivery and is payable February 15, 2024 and each August 15 and February 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General Description.”

REDEMPTION The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2029, in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2030, 2036, 2038, 2044 and 2048 are

subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

SOURCE OF PAYMENT	Principal of and interest on the Bonds are payable from the proceeds of a continuing, annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See “TAXING PROCEDURES.” The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any entity other than the District. See “THE BONDS – Source of and Security for Payment.”
PAYMENT RECORD	The Bonds constitute the fifth installment of bonds issued by the District. The District has not previously defaulted on any outstanding debt. See “APPENDIX A – Long Term Debt.”
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on May 6, 2017; and an order adopted by the Board of Directors of the District on the date of the sale of the Bonds. See “THE BONDS – Authority for Issuance.”
USE OF PROCEEDS	Proceeds of the Bonds will be used to finance the District’s share of the cost of constructing road improvements to serve the District. The remaining Bond proceeds will be used to: (i) capitalize approximately twelve months’ interest requirements on the Bonds; (ii) pay developer interest; and (iii) paying the costs associated with the issuance of the Bonds. See “THE BONDS – Sources and Uses of Proceeds.”
BONDS AUTHORIZED BUT UNISSUED	At an election held within the District on May 6, 2017, the voters within the District approved the issuance of \$17,000,000 in aggregate principal amount of new money bonds for the purpose of acquiring or constructing road facilities. After issuance of the Bonds, the District will have \$9,700,000 remaining in authorized but unissued road bonds. The Bonds constitute the second installment of road bonds issued by the District. Additionally, at an election on May 6, 2017, the District approved the issuance of \$55,000,000 in bonds for water, wastewater and drainage facilities. The District currently has \$36,265,000 remaining in authorized but unissued utility bonds. Also, at the election held in the District on May 6, 2017, the voters within the District approved the issuance of unlimited tax bonds in the aggregate principal amount of \$82,500,000 for refunding bonds all of which remains authorized but unissued. See “THE BONDS – Issuance of Additional Debt” and “APPENDIX A – Long Term Debt.”
MUNICIPAL BOND RATING AND INSURANCE	The Bonds are expected to be rated “AA” (Stable Outlook) by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.” The Bonds and the outstanding debt of the District have been rated “Baa3” by Moody’s without regard to credit enhancement.
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in “TAX MATTERS,” including the alternative minimum tax on certain corporations.
BOND COUNSEL & DISCLOSURE COUNSEL	McCall, Parkhurst & Horton L.L.P., Austin, Texas
GENERAL COUNSEL	Armbrust & Brown, PLLC, Austin, Texas
FINANCIAL ADVISOR	Specialized Public Finance Inc., Austin, Texas
ENGINEER	LJA Engineering, Inc., Austin, Texas

RISK FACTORS

The purchase and ownership of the Bonds involve certain risk factors and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to investment in the Bonds.

**SELECTED FINANCIAL INFORMATION
(Unaudited as of June 22, 2023)**

2020 Certified Taxable Assessed Valuation	\$ 30,060,090	(a)
2021 Certified Taxable Assessed Valuation	\$ 57,538,909	(a)
2022 Certified Taxable Assessed Valuation	\$ 132,215,831	(a)
2023 Certified Taxable Assessed Valuation	\$ 249,406,316	(a)
Gross Direct Debt Outstanding of the District (after issuance of the Bonds).....	\$ 26,035,000	
Ratio of Gross Direct Debt to 2023 Certified Taxable Assessed Valuation.....		10.44%
2022 Tax Rate		
Debt Service.....	\$ 0.5000	
Maintenance.....	0.5000	
Total 2022 Tax Rate.....	\$ 1.0000	(b)
General Fund Balance (as of June 22, 2023)	\$ 1,390,233	
Debt Service Fund Balance (as of June 22, 2023)	\$ 1,381,187	(c)
Capital Projects Fund Balance (as of June 22, 2023).....	\$ 714,837	
Average Annual Debt Service Requirement of the Bonds ("Average Requirement") (2023-2048)	\$ 1,586,271	
Tax Rate required to pay Average Requirement based upon 2023 Certified Taxable Assessed Valuation at 95% collections	\$ 0.6695/\$100 AV	
Maximum Annual Debt Service Requirement of the Bonds ("Maximum Requirement") (2045)	\$ 1,865,781	
Tax Rate required to pay Maximum Requirement based upon 2023 Certified Taxable Assessed Valuation at 95% collections	\$ 0.7875/\$100 AV	
Number of homes and lots as of April 1, 2023:		
Total Completed Homes	279	
Occupied Completed Homes.....	260	
Homes Under Construction.....	29	
Vacant Lots	61	
Estimated Population as of April 1, 2023.....	910 ^(d)	

- (a) Certified Taxable Assessed Valuation of the District certified by the Hays Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”
- (b) The District levied a 2022 total tax rate of \$1.000 at the District’s Board meeting in August 2022. See “TAXING PROCEDURES.”
- (c) Unaudited as of June 22, 2023. Does not include approximately twelve months of capitalized interest (\$170,000) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund.
- (d) Based upon 3.5 residents per completed and occupied single family home.

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OFFICIAL STATEMENT
relating to
\$3,400,000
SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX ROAD BONDS, SERIES 2023A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Springhollow Municipal Utility District (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,400,000 Unlimited Tax Road Bonds, Series 2023A (the “Bonds”).

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”), pursuant to Article XVI, Section 59 of the Constitution and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; and a bond election held within the District on May 6, 2017.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement, which includes the Appendices attached hereto, are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District’s Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” and “OFFICIAL STATEMENT – Updating Official Statement During Underwriting Period” for a description of the District undertaking to provide certain information on a continuing basis.

THE BONDS

GENERAL DESCRIPTION . . . The Bonds will bear interest from the Date of Initial Delivery and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will accrue from the Date of Initial Delivery, will be paid on February 15, 2024 and each August 15 and February 15 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

REDEMPTION . . . The Bonds maturing on and after August 15, 2029 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2028, or on any date thereafter, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on August 15 in the years 2030, 2036, 2038, 2044 and 2048 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption:

Term Bonds Due August 15, 2030		Term Bonds Due August 15, 2036	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2028	\$ 90,000	August 15, 2035	\$ 125,000
August 15, 2029	95,000	August 15, 2036*	130,000
August 15, 2030*	95,000		

Term Bonds Due August 15, 2038		Term Bonds Due August 15, 2044	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2037	\$ 135,000	August 15, 2042	\$ 175,000
August 15, 2038*	145,000	August 15, 2043	185,000
		August 15, 2044*	195,000

Term Bonds Due August 15, 2048	
Redemption Date	Principal Amount
August 15, 2046	\$ 215,000
August 15, 2047	225,000
August 15, 2048*	235,000

*Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot or other customary random method.

SELECTION OF BONDS FOR REDEMPTION . . . With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of Term Bonds, is to be

redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC REDEMPTION PROVISION . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . The District is initially utilizing the book-entry-only system of DTC (“Book-Entry-Only System”). See “BOOK-ENTRY-ONLY SYSTEM.” In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the “Designated Payment/Transfer Office”). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration. . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the last (whether or not a business day) calendar day of the month preceding each interest payment date (the “Record Date”) and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner’s ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

AUTHORITY FOR ISSUANCE . . . At an election held within the District on May 6, 2017, the voters within the District approved the issuance of \$17,000,000 in aggregate principal amount of new money bonds for the purpose of acquiring or constructing road facilities. After issuance of the Bonds, the District will have \$9,700,000 remaining in authorized but unissued road Bonds. The Bonds constitute the second installment of road bonds issued by the District. Additionally, at an election on May 6, 2017, the District approved the issuance of \$55,000,000 in bonds for water, wastewater and drainage facilities. The District currently has \$36,265,000 remaining in authorized but unissued utility bonds. Also, at the election held in the District on May 6, 2017, the voters within the District approved the issuance of unlimited tax bonds in the aggregate principal amount of \$82,500,000 for refunding bonds all of which remains authorized but unissued. The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended, and Article III, Section 52 of the Texas Constitution.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds are expected to be applied as follows:

Sources:	
Par Amount of Bonds	\$ 3,400,000.00
Net Reoffering Premium	<u>29,967.35</u>
Total Sources	\$ 3,429,967.35
Uses:	
Deposit to Project Fund	\$ 2,933,477.43
Deposit to Debt Service Fund (capitalized interest)	150,289.42
Underwriter's Discount	73,970.50
Costs of Issuance (including bond insurance premium)	<u>272,230.00</u>
Total Uses	\$ 3,429,967.35

SOURCE OF AND SECURITY FOR PAYMENT . . . The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City of Dripping Springs ("Dripping Springs") annexes and dissolves the District and assumes all debts and liabilities of the District.

The Bonds are obligations solely of the District and are not obligations of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any political subdivision or entity other than the District.

PAYMENT RECORD . . . The Bonds constitute the fifth installment of bonds issued by the District. The District has not previously defaulted on any outstanding debt.

FLOW OF FUNDS . . . The Bond Order creates or confirms the creation by the District of a Debt Service Fund and a Capital Projects Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

Debt Service Fund . . . The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing accrued interest, if any, and capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to Paying Agent when due.

Capital Projects Fund . . . The Capital Projects Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds, and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and

construct road facilities, then it is in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the Bond Order.

PAYING AGENT/REGISTRAR . . . Principal of and semiannual interest on the Bonds will be paid by BOKF, NA having an office for payment in Dallas, Texas, the Paying Agent. The Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

DEFEASANCE OF OUTSTANDING BONDS . . . General . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) 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 Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

RECORD DATE . . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the last day of the preceding month (whether or not a business day).

ISSUANCE OF ADDITIONAL DEBT . . . The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District’s voters. The issuance of additional road bonds is not subject to the approval of the TCEQ. At an election held within the District on May 6, 2017, the voters within the District approved the issuance of \$17,000,000 in aggregate principal amount of new money bonds for the purpose of acquiring or constructing road facilities. After issuance of the Bonds, the District will have \$9,700,000 remaining in authorized but unissued road Bonds. The Bonds constitute the second installment of road bonds issued by the District. Additionally, at an election on May 6, 2017, the District approved the issuance of \$55,000,000 in bonds for water, wastewater and drainage facilities. The District currently has \$36,265,000 remaining in authorized but unissued utility bonds. Also, at the election held in the District on May 6, 2017, the voters within the District approved the issuance of unlimited tax bonds in the aggregate principal amount of \$82,500,000 for refunding bonds all of which remains authorized but unissued. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See “INVESTMENT CONSIDERATIONS.”

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to Section 49.186 of the Texas Water Code, bonds, notes, or other obligations issued by a municipal utility 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.” Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes, or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

The District makes no representation that the Bonds will be acceptable to banks, savings, and loan associations, or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations, or investment criteria which might apply to or otherwise limit the acceptability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

SPECIFIC TAX COVENANTS . . . In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the “Code”), so that such covenant is ineffective or inapplicable or noncompliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

ADDITIONAL COVENANTS . . . The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules, and regulations and open to inspection in the office of the District.

REMEDIES IN EVENT OF DEFAULT . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, which failure materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the default continues for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper

jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interest, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

CONSOLIDATION . . . A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

ANNEXATION . . . The District is located entirely within the extraterritorial jurisdiction of Dripping Springs. The Texas Legislature enacted significant changes to annexation laws by passing Senate Bill 6 during the 85th Texas Legislature First Special Session and House Bill 347 during the 86th Texas Legislature Regular Session (the "Annexation Laws"). Pursuant to changes in general law made by these bills, Dripping Springs may annex the District only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the creation. Changes implemented by the Annexation Laws could interfere with future efforts of Dripping Springs to annex land within the District.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate.

Annexation of territory by Dripping Springs is a policy-making matter within the discretion of the Mayor and City Council of Dripping Springs. The District makes no representation that Dripping Springs will ever annex the District and assume its debt.

ALTERATION OF BOUNDARIES . . . In certain circumstances under Texas law, the District may alter its boundaries to: (i) upon satisfying certain conditions, annex additional territory; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneously annexing land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

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 quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement. Additionally, the District is subject to certain requirements in connection with the issuance of the Bonds pursuant to the Consent Agreement (as defined herein) with Dripping Springs. The District has complied with the requirements under the Consent Agreement applicable to the issuance of the Bonds, which by their terms are to be complied with prior to such issuance.

AMENDMENTS TO THE BOND ORDER . . . The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or “Bond Insurer”) 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 to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY . . . BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

CAPITALIZATION OF BAM . . . BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$476.6 million, \$196.7 million and \$279.9 million, respectively.

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

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

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

ADDITIONAL INFORMATION AVAILABLE FROM BAM . . . Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under 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 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 District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absence such prepayment by the District unless BAM 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 BAM without appropriate consent. BAM may direct and must consent to any remedies and BAM’s consent may be required in connection with amendments to any applicable bond documents.

In the event BAM 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 BAM 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 enhanced long-term ratings on the Bonds are dependent in part on the financial strength of BAM and its claim paying ability. BAM’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 BAM and of the ratings on the Bonds insured by BAM 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.

The obligations of BAM are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the District, the Financial Advisor or the Underwriters have 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 and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the

District 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).

All 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 Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

GENERAL . . . The Bonds, which are obligations of the District and are not obligations of the City of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS – Source of and Security for Payment."

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies."

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . . *Economic Factors, Interest Rates, Credit Availability, and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single family mortgage lending and real estate development lending. Additionally, lenders have been selective in recent years in making real estate development loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies.

National Economy: Nationally, there have been periods of significant downturn in new housing construction due to the lack of liquidity and other factors, resulting in a decline in housing market values. The ability of individuals to qualify for a mortgage as well as the general reduction in mortgage availability has also decreased housing sales periodically. The Austin area, including the District, has also periodically experienced reduced levels of home construction and home sales activity.

The District cannot predict what impact, if any, a downturn in the national housing and financial markets may have on the Central Texas market and the District.

Competition: The demand for single family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

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

Dependence Upon Developer and Homebuilders: The Developer is the principal taxpayer in the District. The growth of the tax base is dependent upon additional construction of homes within the District. The Developer is under no obligation to continue to market for improvement of developed tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, the homebuilders within the District or other entities to whom such parties may sell all or a portion of their holdings within the District to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT – Current Status of Development," and "THE DEVELOPER."

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2023 Certified Taxable Assessed Valuation is \$249,406,316 (see "SELECTED FINANCIAL INFORMATION"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$1,865,781 (2045) and the Average Annual Debt Service Requirement will be \$1,586,271 (2023-2048, inclusive). Based on the 2023 Certified Taxable Assessed Valuation of \$249,406,316, a tax rate of \$0.7875/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Maximum Annual Debt Service Requirement, and a tax rate of \$0.6695/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. See "Table 1 – Debt Service Requirements" and "TAX DATA – Tax Adequacy for Debt Service."

HOUSING MARKET VOLATILITY AND RECENT FORECLOSURES . . . During the past fourteen (14) years, volatile economic conditions and disruptions in the housing market have led to a significant number of foreclosures on single family homes nationally and has added to the fluctuation and volatility to which the homebuilding industry has historically been subject. In the District, there were 0 foreclosures posted for sale by the Hays County Clerk's Office on single family homes located in the District as of April 1, 2023. No assurance can be given whether the number of foreclosures will increase or that market conditions will improve.

TAX COLLECTIONS AND FORECLOSURE REMEDIES . . . The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally.

REGISTERED OWNERS' REMEDIES . . . In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the 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 Order does not specifically provide for remedies to protect and enforce the interest 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 property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further 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.

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . . *District Bankruptcy:* The enforceability of the rights and remedies of registered owners 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. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A Federal bankruptcy court is a court of equity and Federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

Developer Bankruptcy: In the event of bankruptcy of the Developer within the District, it is possible the District could experience volatility in the ad valorem tax rate established by the District as well as a disruption in the timing of receipt of ad valorem taxes from any such bankrupt entities.

THE EFFECT OF THE FINANCIAL INSTITUTIONS ACT OF 1989 ON TAX COLLECTIONS OF THE DISTRICT . . . The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Atlas 14 Study. The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events

in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Hays County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year floodplain and potentially increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). See “THE SYSTEM – 100-Year Flood Plain.”

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . . Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

FUTURE DEBT . . . As of April 1, 2023, approximately 304.26 acres of land within the District have been developed with utility facilities by the Developer. According to information obtained by LJA Engineering, Inc., (the “District’s Engineer”), the Developer will still be owed approximately \$8,000,000 in construction costs expended to develop utility facilities after the issuance of the Bonds.

Therefore, the Developer will be owed additional funds with reimbursements expected to be made from the proceeds of future installments of bonds over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see “THE DEVELOPER – Utility Development Agreement.” The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District’s voters. At an election held within the District on May 6, 2017, the voters within the District approved the issuance of \$17,000,000 in aggregate principal amount of new money bonds for the purpose of acquiring or constructing road facilities. After issuance of the Bonds, the District will have \$9,700,000 remaining in authorized but unissued road bonds. The Bonds constitute the second installment of road bonds issued by the District. Additionally, at an election on May 6, 2017, the District approved the issuance of \$55,000,000 in bonds for water, wastewater and drainage facilities. The District currently has \$36,265,000 remaining in authorized but unissued utility bonds. Also, at the election held in the District on May 6, 2017, the voters within the District approved the issuance of unlimited tax bonds in the aggregate principal amount of \$82,500,000 for refunding bonds all of which remains authorized but unissued. See “THE SYSTEM.”

GOVERNMENTAL APPROVAL . . . As required by law, 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 guarantees the security of the Bonds as an investment, nor upon the adequacy or accuracy of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

ENVIRONMENTAL REGULATION . . . Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring remedial action to prevent or mitigate pollution; and
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a municipal utility district or other type of 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 as to future compliance and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to districts. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. The Federal Clean Air Act ("CAA") requires the United States Environmental Protection Agency (the "EPA") to adopt and periodically revise national ambient air quality standards ("NAAQS") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the "2008 Ozone Standard"). The Austin area, consisting of Hays, Williamson, Travis, Bastrop, and Caldwell Counties (the "Austin Area") was not designated "nonattainment" under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the "2015 Ozone Standard"). On May 1, 2018, the EPA designated the Austin Area as "attainment" under the 2015 Ozone Standards, which became effective on August 3, 2018.

Should the Austin Area fail to achieve EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of nonattainment/conformity analysis, the status of EPA's implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the near future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial and residential development in the Austin Area.

Water Supply & Discharge Issues. Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency'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 ninety (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 nonstormwater discharges into surface water in the state. It has a 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.

In 2015, the EPA and the United States Army Corps of Engineers ("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 expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to

jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 1, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana, and Mississippi until the case filed by the States of Texas, Louisiana, and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 1, 2018, remain in place pending the proceedings on remand.

This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 1, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana, and Mississippi until the case filed by the States of Texas, Louisiana, and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 1, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant 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 permitting requirements.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and has issued two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such 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. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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

DROUGHT CONDITIONS . . . Central Texas, like other areas of the State, has experienced drought conditions within the last several years. The District has adopted a water conservation plan. The West Travis County Public Utility Agency provides water to the District in amounts sufficient to service the residents of the District, however, as drought conditions emerge, water usage and rates could be impacted.

THE DISTRICT

GENERAL . . . The District, a political subdivision of the State of Texas, was created by order of the TCEQ on October 27, 2016, and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roadway facilities. Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code, certain districts, such as the District, may issue bonds, subject to approval by the voters in the district and the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of water, wastewater, and drainage. The District may also establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ.

MANAGEMENT . . . *Board of Directors.* The District is governed by a Board of Directors (the “Board”), consisting of five directors, which has control over and management supervision of all affairs of the District. Directors’ terms are four years with elections held within the District on the second Saturday in May in each even numbered year. All of the directors reside or own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott A. Deskins, Jr.	President	2026
Stephen Ames	Vice President	2026
Julie Philp	Secretary	2024
Daniel Patrick Wheat V.	Asst. Secretary	2024
Chris Crowley	Asst. Secretary	2024

CONSULTANTS . . . *Tax Assessor/Collector.* Land and improvements in the District are appraised by the Hays Central Appraisal District (“HCAD”). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Hays County Tax Assessor/Collector, Ms. Jenifer O’Kane, currently serves the District in this capacity under contract.

Operator. The District contracts with the Crossroads Utility Services LLC (“Crossroads”) to serve as operator for the District.

Bookkeeper. Bott & Douthitt, PLLC (“B&D”) is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for numerous other special districts.

Engineer. The District’s consulting engineer is LJA Engineering, Inc. (the “Engineer”). Such firm serves as consulting engineer to numerous other special districts in central Texas.

Financial Advisor. Specialized Public Finance Inc. serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond Counsel and Disclosure Counsel. The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel and Disclosure Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel. The District has engaged Armbrust & Brown, PLLC (“A&B”) as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

LOCATION . . . The District, which encompasses approximately 531.54 acres of land, is located in northern Hays County, approximately 4 miles southwest of the intersection of SH 45 Southwest at FM 1826, on the north side of FM 1826. The District is located within the extraterritorial jurisdiction of the City of Dripping Springs. The District is located within the Bear Creek watershed. See “LOCATION MAP.”

CURRENT STATUS OF DEVELOPMENT . . . The District contains approximately 531.54 acres of land.

As of April 1, 2023, the development in the District consisted of: 369 developed single family lots, which consists of 279 completed homes, 29 homes under construction, 61 vacant single family lots, and an amenity center.

The chart below reflects the status of development as of April 1, 2023:

	Net Acreage	Lots	Single Family		
			Completed Homes	Homes Under Construction	Vacant Lots
A. Sections Developed or being Developed with Utility Facilities					
Parten Ranch Phases 1-5	304.26	369	279	29	61
Total Developed or Under Construction	304.26	369	279	29	61
B. Remaining Developable Acreage (Phases 6 & 7)	123.63				
C. Undevelopable Acreage (open space, detention pond, and floodplain)	103.65				
Total	531.54				

FUTURE DEVELOPMENT . . . The remaining undeveloped but developable 123.63 acres in the District are expected to be developed as additional residential sections of Parten Ranch. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any homebuilder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ.

ANNEXATION OF THE DISTRICT . . . The District lies entirely within the extraterritorial jurisdiction of Dripping Springs. See "THE BONDS – Annexation" for a discussion of the ability of Dripping Springs to annex the District.

CONSENT AGREEMENT WITH DRIPPING SPRINGS . . . Effective December 11, 2007, Dripping Springs and the predecessor to Developer (the "Original Owner") entered into an "Agreement Concerning Creation and Operation of Springhollow Municipal Utility District" (the "Original Consent Agreement"), pursuant to which Dripping Springs consented to the creation of the District. The Original Consent Agreement was subsequently assigned by Original Owner to Developer pursuant to an "Assignment and Assumption Agreement" dated effective February 3, 2016, and was amended by an "Amendment No. 1 to Agreement Concerning Creation and Operation of Springhollow Municipal Utility District" dated January 19, 2016, and an "Amended and Restated Amendment No. 2 to Agreement Concerning Creation and Operation of Springhollow Municipal Utility District" dated June 23, 2017 (the Original Consent Agreement, as so amended and assigned, the "Consent Agreement"). As required by the Consent Agreement, the District joined in and consented to the Consent Agreement by joinder dated May 17, 2017. Among other things, the Consent Agreement (i) authorized the issuance of bonds by the District; and (ii) set forth certain provisions that govern the development of the land within the District. Pursuant to the Consent Agreement, Dripping Springs agreed not to annex the District for full purposes until the earlier of (a) December 31, 2031, (b) the date that construction of water, sanitary sewer, drainage and road facilities to serve 90% of the District have been completed, or (c) the date of the dissolution of the District (other than as a result of annexation by Dripping Springs). The Consent Agreement became effective upon execution and will continue until the District is annexed and dissolved by Dripping Springs. In addition, Dripping Springs and HM Parten Ranch, LP, a Texas limited partnership ("Original Developer") entered into a "Development Agreement" dated effective January 27, 2016 (as amended and assigned to Developer, the "Development Agreement"), as contemplated by the Consent Agreement, which Development Agreement provides that, during the term of the Development Agreement, Dripping Springs will not attempt to impose (a) any moratorium on building or development within the District; or (b) any land use or development regulation that limits the rate or timing of land use approvals. However, such limitation does not apply to temporary moratoriums uniformly imposed throughout Dripping Springs due to an emergency constituting imminent threat to the public health or safety.

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THE DEVELOPER

GENERAL . . . In general, the activities of a developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads, and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers, or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and treatment, and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through any specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

DESCRIPTION OF DEVELOPER . . . The developer currently active within the District is HM Parten Ranch Development Inc. (the "Developer"), a Texas corporation. See "THE DISTRICT – Current Status of Development."

The District has obtained waivers of special valuation applicable to all the land within the District, including the land previously sold to Lennar Homes.

ACQUISITION AND DEVELOPMENT FINANCING . . . According to the Developer, the Developer obtained financing in the form of a loan construction revolver and a development land loan from IBC Bank for the purpose of acquiring and developing the undeveloped property in the District. The development land loan was authorized and remains outstanding in the amount of \$0 as of April 1, 2023. The loan construction revolver is authorized in the maximum amount of \$11,800,000 and had an outstanding balance on April 1, 2023 of \$990,345. The loan construction revolver and the development land loan are scheduled to mature in June of 2025, and the Developer reports being in full compliance with all loan terms for each.

HOMEBUILDERS WITHIN THE DISTRICT . . . According to the Developer, there are currently two homebuilders active within the District: Highland Homes and Taylor Morrison building homes in four lot sizes (65', 75', 85', and 1 acre lots). The homes range in price from \$800,000 to \$1,200,000, with square footage ranging from 2,700 to 3,600.

AGRICULTURAL EXEMPTION . . . Certain of the undeveloped acreage within the District is subject to an agricultural exemption; however, the Developer has executed an agreement, recorded in the real property records of Hays County, Texas, which waived the right to have the land within the District classified as agricultural, open-space, or timberland, or to claim inventory valuation with respect to such acreage for purposes of District taxes. This waiver agreement is a covenant encumbering and running with all of the land within the District, and binding on purchasers of the land subject thereto.

UTILITY CONSTRUCTION AGREEMENTS . . . The District has entered into a "Utility Construction Agreement" with Developer dated July 27, 2017 (the "UCA"), which governs the construction of water, wastewater, and drainage facilities on land within the District, and the reimbursement of certain of the costs of such construction through the issuance of bonds by the District. The District has also entered into a "Road Improvements Construction and Reimbursement Agreement" with Developer dated July 27, 2017, which governs the construction of road improvements on the land within the District, and the reimbursement of certain of the costs of such construction through the issuance of bonds by the District. See "Description of Developer" above.

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THE SYSTEM

REGULATION . . . The water, wastewater, and storm drainage facilities (the “System”), the purchase, acquisition, and construction of which will be permanently financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Hays County, and Dripping Springs. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District’s waterworks and wastewater facilities is subject to regulation by, among others, the EPA and the TCEQ.

WATER SUPPLY . . . The West Travis County Public Utility Agency (the “WTCPUA”) provides water supply for, and retail water service to, customers in the District pursuant to an “Agreement for Provision of Nonstandard Retail Water Service” dated April 13, 2015, entered into by the WTCPUA and the Original Developer, as assigned by Original Developer to the Developer pursuant to an “Assignment and Assumption for the Provision of Nonstandard Retail Water Service (Parten Ranch, Hays County, Texas)” dated March 10, 2016, and amended by a “First Amendment to Agreement for the Provision of Nonstandard Retail Water Service (Parten Ranch, Hays County, Texas)” dated June 15, 2017, and a “Second Amendment to Agreement for the Provision of Nonstandard Retail Water Service (Parten Ranch, Hays County, Texas)” dated May 26, 2018 (as so amended and assigned, the “Water Service Agreement”). In return for the allocated capacity, the Developer is required to pay impact fees to the WTCPUA for each service connection. Upon completion of the water service facilities constructed under the Water Service Agreement, ownership of such facilities is conveyed to the District, and leased by the District to the WTCPUA pursuant to a “Water Facilities Lease and Service Agreement” dated effective May 17, 2018, between the WTCPUA and the District. At the time that all utility bonds issued by the District have been completely retired and are no longer outstanding, ownership of the water service facilities constructed under the Water Service Agreement will be conveyed to the WTCPUA for operation and maintenance.

The District is connected to WTCPUA’s water system. Water facilities installed by the Developer including distribution lines, valves, and hydrants will be reimbursed by the District pursuant to the UCA.

The District’s water supply is capable of serving a total of 585 LUEs, which is sufficient to serve the ultimate build out of the District.

WASTEWATER COLLECTION AND TREATMENT . . . Wastewater treatment service within the District is provided by Hays County Municipal Utility District No. 5 (“Hays County MUD No. 5”), pursuant to a “Wholesale Wastewater Services And Capacity Agreement” dated effective September 14, 2015, entered into by Hays County MUD No. 5, the District, and the Original Developer, as subsequently assigned by Original Developer to Developer pursuant to an “Assignment of Wholesale Wastewater Services and Capacity Agreement” dated effective March 10, 2016, and amended by an “Amendment No. 1 to Wholesale Wastewater Services and Capacity Agreement” dated June 28, 2018, and an “Amendment No. 2 to Wholesale Wastewater Services and Capacity Agreement” dated April 25, 2019 (as so amended and assigned, the “Wastewater Services Agreement”). Hays County MUD No. 5 owns and operates a wastewater treatment plant which has a current capacity of 0.3 million gallons per day (MGD) (the “Plant”). The Plant operates under TCEQ Permit #14358-001, which was renewed by the TCEQ on December 4, 2019. The Plant provides sufficient treatment and disposal capacity to service all existing connections within the District based upon current flows. Hays County MUD No. 5 has completed construction of expansions of the Plant and related subsurface effluent disposal facilities.

The District’s wastewater capacity is currently capable of serving 580 ESFCs, which is sufficient to serve the 139 ESFCs necessary to support the feasibility of this proposed bond issue.

STORM WATER DRAINAGE . . . Storm water flows from the northern portion of the District to Springhollow Creek, a tributary of Bear Creek, which is a tributary to Onion Creek, tributary of the Colorado River. Storm water is collected through a system of curb and gutter, storm inlets, storm sewers, drainage channels, storm water detention, and water quality basins, which ultimately flow into Springhollow Creek.

100-YEAR FLOOD PLAIN . . . “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the Engineer, the Flood Insurance Rate Map (Firm Map No. 48209C0140F) associated with the District indicates that no proposed development in the District is located within the 100-year flood plain. See “THE DISTRICT – Land Use” and “INVESTMENT CONSIDERATIONS – Environmental Regulations – Atlas 14 Study.”

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Hays County, are contemplating amendments to their regulations that will potentially increase the

size of the 100-year floodplain which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could result in less developable property within the District, higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

DEBT SERVICE REQUIREMENTS

TABLE 1 – DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt			The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest ^(a)	Total	
2023	\$ 55,000	\$ 455,250	\$ 510,250	\$ -	\$ -	\$ -	\$ 510,250
2024	290,000	875,001	1,165,001	-	146,023	146,023	1,311,024
2025	570,000	863,839	1,433,839	75,000	151,931	226,931	1,660,770
2026	595,000	834,854	1,429,854	80,000	147,056	227,056	1,656,910
2027	620,000	804,619	1,424,619	85,000	141,856	226,856	1,651,475
2028	650,000	775,519	1,425,519	90,000	136,331	226,331	1,651,850
2029	685,000	747,349	1,432,349	95,000	130,706	225,706	1,658,055
2030	725,000	720,799	1,445,799	95,000	124,769	219,769	1,665,568
2031	755,000	691,219	1,446,219	100,000	118,831	218,831	1,665,050
2032	790,000	660,169	1,450,169	105,000	113,831	218,831	1,669,000
2033	825,000	632,631	1,457,631	115,000	109,631	224,631	1,682,263
2034	865,000	603,744	1,468,744	120,000	105,031	225,031	1,693,775
2035	910,000	572,250	1,482,250	125,000	100,231	225,231	1,707,481
2036	955,000	538,950	1,493,950	130,000	95,231	225,231	1,719,181
2037	1,005,000	503,963	1,508,963	135,000	90,031	225,031	1,733,994
2038	1,055,000	467,200	1,522,200	145,000	84,631	229,631	1,751,831
2039	1,105,000	428,400	1,533,400	150,000	78,831	228,831	1,762,231
2040	1,165,000	387,550	1,552,550	160,000	72,831	232,831	1,785,381
2041	1,220,000	344,500	1,564,500	165,000	66,431	231,431	1,795,931
2042	1,280,000	299,350	1,579,350	175,000	59,831	234,831	1,814,181
2043	1,345,000	251,950	1,596,950	185,000	52,613	237,613	1,834,563
2044	1,410,000	202,100	1,612,100	195,000	44,981	239,981	1,852,081
2045	1,480,000	148,844	1,628,844	200,000	36,938	236,938	1,865,781
2046	1,380,000	92,938	1,472,938	215,000	28,688	243,688	1,716,625
2047	900,000	38,250	938,250	225,000	19,550	244,550	1,182,800
2048	-	-	-	235,000	9,988	244,988	244,988
	<u>\$22,635,000</u>	<u>\$ 12,941,235</u>	<u>\$35,576,235</u>	<u>\$ 3,400,000</u>	<u>\$ 2,266,804</u>	<u>\$ 5,666,804</u>	<u>\$ 41,243,039</u>

(a) Interest calculated at the rates shown on the inside cover page hereof.

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TABLE 2 – TAXABLE ASSESSED VALUE

2020 Certified Taxable Assessed Valuation	\$	30,060,090	(a)
2021 Certified Taxable Assessed Valuation	\$	57,538,909	(a)
2022 Certified Taxable Assessed Valuation	\$	132,215,831	(a)
2023 Certified Taxable Assessed Valuation	\$	249,406,316	(a)
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$	26,035,000	
2022 Tax Rates:			
Debt Service.....	\$	0.5000	
Maintenance.....	\$	0.5000	
Total.....	\$	1.0000	
General Fund Balance (as of June 22, 2023)	\$	1,390,233	
Debt Service Fund Balance (as of June 22, 2023)	\$	1,381,187	(b)
Capital Projects Fund Balance (as of June 22, 2023).....	\$	714,837	
Ratio of Gross Direct Debt to 2023 Certified Taxable Assessed Valuation.....		10.44%	

Area of District: 531.54 Acres
 Estimated Population as of April 1, 2023: 910^(c)

- (a) The Certified Taxable Assessed Valuation as provided by HCAD. See “TAXING PROCEDURES.”
- (b) Unaudited as of June 22, 2023. Does not include approximately twelve months of capitalized interest (\$170,000) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.
- (c) Based upon 3.5 residents per completed and occupied single family home.

TABLE 3 – UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sewer, Drainage	5/6/2017	\$ 55,000,000	\$ 18,735,000	\$ -	\$ 36,265,000
Road Bonds	5/6/2017	17,000,000	3,900,000	3,400,000	9,700,000
Refunding	5/6/2017	82,500,000	-	-	82,500,000
Total		<u>\$ 154,500,000</u>	<u>\$ 22,635,000</u>	<u>\$ 3,400,000</u>	<u>\$ 128,465,000</u>

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the “FDIC”) or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the

paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA,” “AAA-m” or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “AAA” or “AAA-m” or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the District’s investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term

of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

ESTIMATED 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 several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. 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 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 be determined. Political subdivision 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 of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 5/31/2023
Hays County	\$ 500,607,455	0.17%	\$ 851,033
Dripping Springs ISD	255,349,935	0.66%	1,685,310
North Hays County ESD #1	-	0.21%	-
The District	26,035,000	100.00%	26,035,000 ^(a)
Total Direct and Overlapping Tax Supported Debt			\$ 28,571,342
Ratio of Direct and Overlapping Tax Supported Debt to 2023 TAV			11.46%

(a) Includes the Bonds.

TAX DATA

TABLE 4 – TAX RATE AND COLLECTIONS

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Fiscal Year Ended 9/30	Tax Rate	Maintenance and Operations	Debt Service	Taxable Assessed Valuation ^(a)	Tax Levy	% Total Collections
2019	\$ 1.0000	\$ 1.0000	\$ -	\$ 8,500,000	\$ 85,000	100.00%
2020	1.0000	1.0000	-	13,574,400	135,740	100.00%
2021	1.0000	0.7000	0.3000	30,060,090	300,601	100.00%
2022	1.0000	0.5950	0.4050	57,538,909	575,389	100.00%
2023	1.0000	0.5000	0.5000	132,215,831	1,312,489	99.27% ^(b)

(a) Assessed Valuation reflects the certified value as reported by the Hays Central Appraisal District.

(b) Unaudited. Collections through April 27, 2023.

TAX RATE LIMITATION . . . The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

MAINTENANCE TAX . . . The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on May 6, 2017, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under "Table 3 – Taxable Assessed

Value,” the District levied a 2022 maintenance and operation tax of \$0.5000/\$100 assessed valuation. See “THE DISTRICT – General.”

TABLE 5 – PRINCIPAL TAXPAYERS

The following list of principal taxpayers was provided by the Hays Central Appraisal District based on the 2022 tax roll of the District, which reflect ownership as of January 1 of each year shown.

Taxpayer	Taxable Assessed Value	% of 2022 Taxable Assessed Valuation
HM Parten Ranch Development Inc. ^(a)	\$ 11,020,330	8.34%
Highland Homes Austin LLC ^(b)	7,280,000	5.51%
Taylor Morrison of Texas Inc. ^(b)	6,515,500	4.93%
RMHSLB Owner 1 LLC	1,558,040	1.18%
Taylor Morrison of Texas Inc. ^(b)	1,517,770	1.15%
Highland Homes Austin LLC ^(b)	1,233,770	0.93%
Monpara, Ayan & Shukla Payal	1,196,070	0.90%
Kunz, William Edward & Priscilla Bereza	1,125,350	0.85%
Kim, Ji Hoon & Kim Mengting	1,114,040	0.84%
Leal, Rebecca & Castillo Nestor Joel Jr.	1,102,520	0.83%
	<u>\$ 33,663,390</u>	<u>25.46%</u>

(a) The Developer. See “THE DEVELOPER – Description of the Developer” and “INVESTMENT CONSIDERATIONS – Dependence upon Developer and Homebuilders” and “– Housing Market-Volatility and Recent Foreclosures.”

(b) The designated taxpayers are concentrated in the homebuilding industry. See “THE DEVELOPER – Homebuilders” and “INVESTMENT CONSIDERATIONS – Dependence upon Developer and Homebuilders” and “– Housing Market – Volatility and Recent Foreclosures.”

TAX ADEQUACY FOR DEBT SERVICE

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2023 Certified Taxable Assessed Valuation and utilize tax rates adequate to service the District’s total debt service requirements, including the Bonds (at an assumed rate). No available debt service funds are reflected in these computations. See “INVESTMENT CONSIDERATIONS – Impact on District Tax Rates.”

Average Annual Debt Service Requirements on the Bonds (2023-2048)\$ 1,586,271
 \$0.6695 Tax Rate on 2023 Certified Taxable Assessed Valuation of \$249,406,316 @ 95% collections\$ 1,586,287

Maximum Annual Debt Service Requirements on the Bonds (2045)\$ 1,865,781
 \$0.7875 Tax Rate on 2023 Certified Taxable Assessed Valuation of \$249,406,316 @ 95% collections\$ 1,865,871

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TAXING PROCEDURES

AUTHORITY TO LEVY TAXES . . . The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, its other remaining outstanding bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

PROPERTY TAX CODE AND COUNTY WIDE APPRAISAL DISTRICT . . . The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with 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 Hays Central Appraisal District has the responsibility for appraising property for all taxing units within Hays County, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the “Appraisal Review Board”).

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 the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous 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 certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. A person who owns property located in an area declared by the Governor to be a disaster area following a disaster is entitled to a temporary exemption from ad valorem taxation by the District of a portion of the appraised value of that property. State law requires such exemption adopted by the District to specify the disaster to which the exemption pertains and be adopted not later than the 60th day after the date the Governor first declares territory in the taxing unit to be a disaster area as a result of the disaster, amongst other requirements.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing body of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement: Hays County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Freeport Goods and Goods-in-Transit Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are not exempt from taxation by the District.

VALUATION OF PROPERTY FOR TAXATION . . . Generally, property in the District must be appraised by the HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally 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 one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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 that such property would bring if sold as a unit to a purchaser who would continue the business. 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 some political subdivisions while claiming it as to 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 years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the HCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the HCAD 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 HCAD chooses formally to include such values on its appraisal roll.

2023 LEGISLATIVE SESSION . . . On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session is approved by the voters on November 7, 2023.

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against the HCAD 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 which 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 the collection functions to another governmental entity. By August 15 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%)

regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . . During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Low Tax Rate Districts

Low Tax Rate Districts 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 a rollback 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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

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 a rollback 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Other Districts

The qualified voters of Other Districts will have the right to petition for an election to reduce the operation and maintenance tax rate only if the Other District adopts 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. If an election is called and passes, the total tax rate is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and

maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the district in that year, subject to certain homestead exemptions.

The District

The District has been classified as an Other District for the 2022 tax year. A determination as to the District's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors on an annual basis after the 2022 year. 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 result in different rollback tax rate and election procedures.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; 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 applicable 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 (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General – Tax Collections and Foreclosure Remedies."

EFFECT OF FIRREA ON TAX COLLECTIONS . . . The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property taxes when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future

performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO-LITIGATION CERTIFICATE . . . The District will furnish to the Initial Purchaser a certificate, dated as of the Date of Initial Delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Initial Purchaser 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 from that set forth or contemplated in the Official Statement.

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX B – Form of Bond Counsel’s Opinion.”

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate, (b) the verification report, and (c) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner

(adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law

and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners. 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 events, to the Municipal Securities Rulemaking Board (“MSRB”) through its electronic municipal market access system. Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 5 and in APPENDIX A, if such audited financial statements as provided in APPENDIX A are then available.

The District will update and provide this information within six months after the end of the fiscal year. The District will provide the updated information to the MSRB. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if and when audited financial statements become available. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within such twelve-month period and file audited financial statements when the audit report become available. In addition, the District has agreed to provide information with respect to the Developers. The District will be obligated to provide information concerning the Developers only if and so long as (1) such persons owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions) or any preliminary or estimated assessed valuation provided by HCAD, (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in the amount which exceeds 20% of the amount of the District’s bonds then outstanding. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . 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 Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to the 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 within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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 financial obligations of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws.

AVAILABILITY OF INFORMATION FROM THE MSRB . . . The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB and will be available to the public free of charge at www.emma.msrb.org.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

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

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Specialized Public Finance Inc. (the “Financial Advisor”), which firm was employed in 2017 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

OFFICIAL STATEMENT

PREPARATION . . . The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” – Engineer, “THE DEVELOPER” – HM Parten Ranch Development Inc.; “THE SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” – Records of the District (“Records”), “SELECTED FINANCIAL INFORMATION” – Hays Central Appraisal District; “DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt Statement” – Municipal Advisory Council of Texas and Financial Advisor; and “TAX DATA”; “THE DISTRICT – Management – Board of Directors”; “DEBT SERVICE REQUIREMENTS” – Financial Advisor; “THE BONDS,” “LEGAL MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” and “TAX MATTERS” – McCall, Parkhurst & Horton L.L.P.

CONSULTANTS . . . In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM,” has been provided by the Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the

Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board of Directors in its official capacity 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, description 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. Except as set forth in “CONTINUING DISCLOSURE OF INFORMATION” herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the “end of the underwriting period” is the responsibility of the Initial Purchaser.

ANNUAL AUDITS . . . Under Texas law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bond outstanding. Copies of each audit report must also be filed in the office of the District. The District’s fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District’s audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Springhollow Municipal Utility District, as of the date shown on the first page hereof.

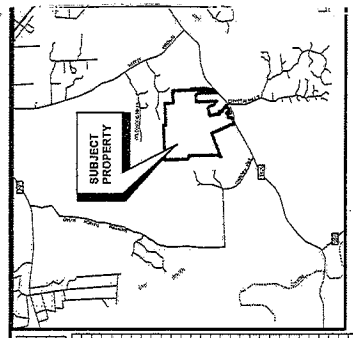
/s/ Scott A. Deskins, Jr.
President, Board of Directors
Springhollow Municipal Utility District

/s/ Julie Philp
Secretary, Board of Directors
Springhollow Municipal Utility District

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LOCATION MAP

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SUBJECT PROPERTY

CHORD	ANGLE	ARC LENGTH	CURVED DISTANCE	CHORD BEARING	CHORD AREA
C1	11.15	11.15	11.15	N 11.15 E	11.15
C2	22.30	22.30	22.30	N 22.30 E	44.60
C3	33.45	33.45	33.45	N 33.45 E	66.90
C4	44.60	44.60	44.60	N 44.60 E	89.20
C5	55.75	55.75	55.75	N 55.75 E	111.50
C6	66.90	66.90	66.90	N 66.90 E	133.80
C7	78.05	78.05	78.05	N 78.05 E	156.10
C8	89.20	89.20	89.20	N 89.20 E	178.40
C9	100.35	100.35	100.35	N 100.35 E	200.70
C10	111.50	111.50	111.50	N 111.50 E	223.00
C11	122.65	122.65	122.65	N 122.65 E	245.30
C12	133.80	133.80	133.80	N 133.80 E	267.60
C13	144.95	144.95	144.95	N 144.95 E	289.90
C14	156.10	156.10	156.10	N 156.10 E	312.20
C15	167.25	167.25	167.25	N 167.25 E	334.50
C16	178.40	178.40	178.40	N 178.40 E	356.80
C17	189.55	189.55	189.55	N 189.55 E	379.10
C18	190.70	190.70	190.70	N 190.70 E	391.40
C19	181.85	181.85	181.85	N 181.85 E	396.70
C20	173.00	173.00	173.00	N 173.00 E	392.00
C21	164.15	164.15	164.15	N 164.15 E	387.30
C22	155.30	155.30	155.30	N 155.30 E	382.60
C23	146.45	146.45	146.45	N 146.45 E	377.90
C24	137.60	137.60	137.60	N 137.60 E	373.20
C25	128.75	128.75	128.75	N 128.75 E	368.50
C26	119.90	119.90	119.90	N 119.90 E	363.80
C27	111.05	111.05	111.05	N 111.05 E	359.10
C28	102.20	102.20	102.20	N 102.20 E	354.40
C29	93.35	93.35	93.35	N 93.35 E	349.70
C30	84.50	84.50	84.50	N 84.50 E	345.00
C31	75.65	75.65	75.65	N 75.65 E	340.30
C32	66.80	66.80	66.80	N 66.80 E	335.60
C33	57.95	57.95	57.95	N 57.95 E	330.90
C34	49.10	49.10	49.10	N 49.10 E	326.20
C35	40.25	40.25	40.25	N 40.25 E	321.50
C36	31.40	31.40	31.40	N 31.40 E	316.80
C37	22.55	22.55	22.55	N 22.55 E	312.10
C38	13.70	13.70	13.70	N 13.70 E	307.40
C39	4.85	4.85	4.85	N 4.85 E	302.70
C40	0.00	0.00	0.00	N 0.00 E	298.00

WE, THE UNDERSIGNED MEMBERS OF THE DIRECTORS OF SPRINGHOLLOW A.L.D., A LIMITED LIABILITY COMPANY, HEREBY CERTIFY THAT THIS MAP SHOWS BOUNDARIES OF THE NE...

STATE OF TEXAS COUNTY OF ...

BEFORE ME, THE UNDERSIGNED A NOTARY PUBLIC FOR THE STATE OF TEXAS, ON THIS DAY OF ... 2011.

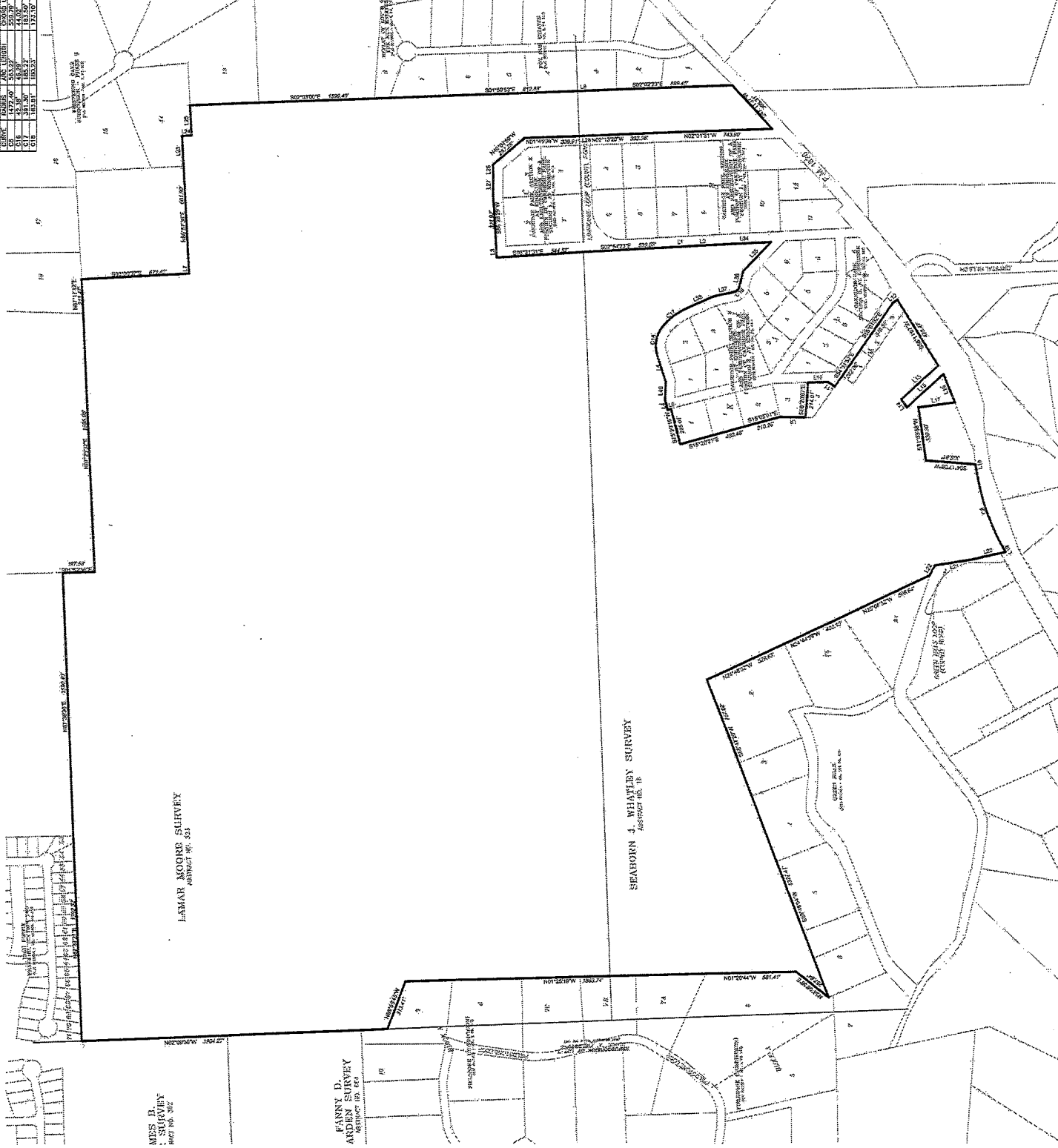
KNOWN TO ME TO BE PERSONS AND OFFICERS OF THE SAID COMPANY, WHOSE NAMES ARE ACKNOWLEDGED THE STATEMENT BEARS AND THAT THEY EXECUTED THE SAME IN THE PRESENCE OF ME, I HAVE HEREIN SIGNED THESE INSTRUMENTS AND SEAL OF OFFICE UNDER MY HAND AND SEAL OF OFFICE OF ... 2011.

NOTARY PUBLIC, STATE OF TEXAS

LJA Engineering, Inc. 0114/Fwy1901/Map 19 March, Title 1937 9532629

SPRINGHOLLOW BOUNDARY EX

SHEET #	22
DATE LAST	03/27/11
CREATED BY	JAC
REVISED BY	
DATE	



LAMAR MOORE SURVEY Section No. 33

SEABORN & WHALEY SURVEY Section No. 18

FANNY D. ARDEN SURVEY Section No. 12

MESSEURS SURVEY Section No. 32

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PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."







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APPENDIX A

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT

The information contained in this APPENDIX has been excerpted from the audited financial statements of Springhollow Municipal Utility District for the fiscal year ended September 30, 2022. Certain information not considered to be relevant to this financing has been omitted; however, complete audited reports are available upon request.

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Springhollow Municipal Utility District
Hays County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Springhollow Municipal Utility District (the "District") as of and for the year ended September 30, 2022, 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 the District as of September 30, 2022, and the respective changes in financial position 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.

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.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund 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 required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Information

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 26, 2023

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Springhollow Municipal Utility District (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2022. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance totaled \$823,145 for the General Fund, an increase of \$408,914 from the previous fiscal year. During the current fiscal year, revenues increased to \$607,561 from \$397,161 last year, and expenditures increased to \$198,647 from \$197,190.
- *Debt Service Fund:* Fund balance restricted for debt service was \$912,383 at the end of the current fiscal year. The District received \$601,347 from the issuance of the Series 2022 Unlimited Tax Bonds and Series 2022 Unlimited Tax Road Bonds to fund future debt service. The District made bond interest payments of \$110,492 during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects was \$700,838 at the end of the current fiscal year. The District issued \$4,375,000 of Series 2022 Unlimited Tax Bonds and \$3,900,000 of Series 2022 Unlimited Tax Road Bonds and used the proceeds to purchase \$5,874,969 of infrastructure assets, pay \$601,265 of developer interest and fund \$841,044 of bond issue costs.
- *Governmental Activities:* On a government-wide basis for governmental activities, the *District* had expenses net of revenues of \$1,041,404. Net position decreased from a deficit balance of \$215,053 to a deficit balance of \$1,256,457.

OVERVIEW OF THE DISTRICT

The District was created on October 27, 2016, by Order of the Texas Commission on Environmental Quality. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. The District, which consists of 531.542 acres of land, is located approximately 16 miles southwest of the City of Austin and approximately 7 miles southeast of the City of Dripping Springs. The District is governed by a five-member Board of Directors which has been elected by District residents or appointed by the Board.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2022

USING THIS ANNUAL REPORT

This annual report consists of the following parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements* (including the Notes to the Financial Statements)
- *Required Supplementary Information*
- *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
- *Other Supplementary Information* (the OSI section)

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* includes a column (titled "Governmental Funds Total") that derives the change in fund balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District's adopted budget and its actual results.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	<u>Summary Statement of Net Position</u>		
	<u>Governmental Activities</u>		Change
	2022	2021	Increase (Decrease)
Current and Other Assets	\$ 2,490,274	\$ 893,406	\$ 1,596,868
Non-Current Assets	7,115,273	1,317,017	5,798,256
Total Assets	\$ 9,605,547	\$ 2,210,423	\$ 7,395,124
Current Liabilities	\$ 185,170	\$ 76,386	\$ 108,784
Long-Term Liabilities	10,676,834	2,349,090	8,327,744
Total Liabilities	\$ 10,862,004	\$ 2,425,476	\$ 8,436,528
Change in Net Position			
Net Investment in Capital Assets	\$ (2,915,723)	\$ (801,376)	\$ (2,114,347)
Restricted	836,121	172,092	664,029
Unrestricted	823,145	414,231	408,914
Total Net Position	\$ (1,256,457)	\$ (215,053)	\$ (1,041,404)

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued) –

Revenues and Expenses:

	<u>Governmental Activities</u>		Change Increase (Decrease)
	2022	2021	
	Property taxes including penalties	\$ 595,637	
Service revenue, including penalties	139,727	122,036	17,691
Connection/inspection/application	102,699	53,100	49,599
Other	18,840	5,135	13,705
Total Revenues	\$ 856,903	\$ 483,360	\$ 373,543
District operations	\$ 94,893	\$ 110,078	\$ (15,185)
Professional fees	93,196	79,712	13,484
Other	13,375	8,914	4,461
Creation costs	-	222,806	(222,806)
Developer interest	601,265	141,244	460,021
Debt service	1,018,865	302,741	716,124
Depreciation	76,713	26,878	49,835
Total Expenses	\$ 1,898,307	\$ 892,373	\$ 1,005,934
Change in Net Position	\$ (1,041,404)	\$ (409,013)	\$ (632,391)
Beginning Net Position	(215,053)	193,960	(409,013)
Ending Net Position	\$ (1,256,457)	\$ (215,053)	\$ (1,041,404)

Revenues were \$856,903 for the fiscal year ended September 30, 2022 while expenses were \$1,898,307. Net position decreased \$1,041,404 from the previous fiscal year.

Property tax revenues in the current fiscal year totaled \$595,637. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2021 tax year (September 30, 2022 fiscal year) were based upon a current assessed value of \$58,501,949 and a tax rate of \$1.00 per \$100 of assessed valuation. Property taxes levied for the 2020 tax year (September 30, 2021 fiscal year) were based upon a current assessed value of \$30,133,697 and a tax rate of \$1.00 per \$100 of assessed valuation.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2022	2021
Cash and cash equivalents	\$ 2,471,927	\$ 846,789
Other	21,285	48,071
Prepaid expenditures	9,150	36,863
Total Assets	\$ 2,502,362	\$ 931,723
Accounts payable	\$ 23,008	\$ 43,399
Refundable deposits and other	42,988	63,417
Total Liabilities	\$ 65,996	\$ 106,816
Nonspendable	\$ 150	\$ 863
Restricted	1,613,221	410,676
Unassigned	822,995	413,368
Total Fund Balances	\$ 2,436,366	\$ 824,907
Total Liabilities and Fund Balances	\$ 2,502,362	\$ 931,723

For the fiscal year ended September 30, 2022, the District's General Fund reflected a fund balance of \$823,145, a \$408,914 increase from the previous year.

Fund balance restricted for debt service increased to \$912,383 in the current fiscal year. The District received \$601,347 from the issuance of the Series 2022 Unlimited Tax Bonds and Series 2022 Unlimited Tax Road Bonds to fund future debt service. The District made bond interest payments of \$110,492 during the current fiscal year.

Fund balance restricted for capital projects increased to \$700,838 in the current fiscal year. The District issued \$4,375,000 of Series 2022 Unlimited Tax Bonds and \$3,900,000 of Series 2022 Unlimited Tax Road Bonds and used the proceeds to purchase \$5,874,969 of infrastructure assets, pay \$601,265 of developer interest and fund \$841,044 of bond issue costs.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board adopted a budget on August 19, 2021, which included revenues of \$503,802 and expenditures of \$238,117. When comparing actual to budget, the District had a positive variance of \$143,229. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

CAPITAL ASSETS

The District’s governmental activities had invested \$7,115,273 in road improvements and water, wastewater and drainage infrastructure. The detail is reflected in the following schedule:

	<u>Summary of Capital Assets, net</u>	
	<u>9/30/2022</u>	<u>9/30/2021</u>
Capital Assets:		
Roads	\$ 2,674,434	\$ -
Water/Wastewater/Drainage	4,544,430	1,343,895
Less: Accumulated Depreciation	(103,591)	(26,878)
Total Net Capital Assets	<u>\$ 7,115,273</u>	<u>\$ 1,317,017</u>

More detailed information about the District’s capital assets is presented in the *Notes to the Financial Statements*.

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds at September 30, 2022:

	<u>Bonds Payable</u>
Series 2020	\$ 2,360,000
Series 2022	4,375,000
Series 2022 Road	3,900,000
Total	<u>\$ 10,635,000</u>

The District owes approximately \$10.6 million to bondholders. During the year, \$110,492 of interest was paid on the outstanding debt. The ratio of the District’s long-term debt to the 2021 total taxable assessed valuation (\$58,501,949) is 18.2%. The District’s population as provided by the District as of September 30, 2022, was 507. More detailed information about the District’s long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value and net taxable value for the 2022 tax year (fiscal year 2023) is approximately \$131.6 million. The fiscal year 2023 tax rate is \$1.00 on each \$100 of taxable value of which 50% will be used to fund general operating expenses of the District and 50% will be used to service the District’s future debt service obligations.

The adopted budget for fiscal year 2023 projects a \$601,556 increase in General Fund fund balance.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown PLLC, 100 Congress Ave., Suite 1300, Austin, TX 78701.

FINANCIAL STATEMENTS

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash on deposit	\$ 92,785	\$ -	\$ -	\$ 92,785	\$ -	\$ 92,785
Cash equivalent investments	762,833	915,471	700,838	2,379,142	-	2,379,142
Receivables:						
Service, net of allowance of doubtful accounts of \$0	9,197	-	-	9,197	-	9,197
Interfund	12,088	-	-	12,088	(12,088)	-
Prepaid costs	150	-	9,000	9,150	-	9,150
Capital assets, net of accumulated depreciation:						
Roads	-	-	-	-	2,656,604	2,656,604
Water/Wastewater/Drainage	-	-	-	-	4,458,669	4,458,669
TOTAL ASSETS	<u>\$ 877,053</u>	<u>\$ 915,471</u>	<u>\$ 709,838</u>	<u>\$ 2,502,362</u>	<u>7,103,185</u>	<u>9,605,547</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 23,008	\$ -	\$ -	\$ 23,008	-	23,008
Accrued interest payable	-	-	-	-	76,262	76,262
Refundable deposits	30,900	-	-	30,900	-	30,900
Interfund	-	3,088	9,000	12,088	(12,088)	-
Bonds payable:						
Due within one year	-	-	-	-	55,000	55,000
Due after one year	-	-	-	-	10,676,834	10,676,834
TOTAL LIABILITIES	<u>53,908</u>	<u>3,088</u>	<u>9,000</u>	<u>65,996</u>	<u>10,796,008</u>	<u>10,862,004</u>
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable - prepaid costs	150	-	-	150	(150)	-
Restricted for debt service	-	912,383	-	912,383	(912,383)	-
Restricted for authorized construction	-	-	700,838	700,838	(700,838)	-
Unassigned	822,995	-	-	822,995	(822,995)	-
TOTAL FUND BALANCES	<u>823,145</u>	<u>912,383</u>	<u>700,838</u>	<u>2,436,366</u>	<u>(2,436,366)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 877,053</u>	<u>\$ 915,471</u>	<u>\$ 709,838</u>	<u>\$ 2,502,362</u>		
<u>NET POSITION</u>						
Net investment in capital assets					(2,915,723)	(2,915,723)
Restricted for debt service					836,121	836,121
Unrestricted					823,145	823,145
TOTAL NET POSITION					<u>\$ (1,256,457)</u>	<u>\$ (1,256,457)</u>

The accompanying notes are an integral part of this statement.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Property taxes, including penalties	\$ 357,129	\$ 238,508	\$ -	\$ 595,637	\$ -	\$ 595,637
Service revenues, including penalties	139,727	-	-	139,727	-	139,727
Connection/inspection/application fees	102,699	-	-	102,699	-	102,699
Interest and other	8,006	6,258	4,576	18,840	-	18,840
TOTAL REVENUES	607,561	244,766	4,576	856,903	-	856,903
EXPENDITURES / EXPENSES:						
Current:						
Wastewater purchases	14,710	-	-	14,710	-	14,710
Lift station maintenance	4,003	-	-	4,003	-	4,003
Detention pond maintenance	17,344	-	-	17,344	-	17,344
Other repairs and maintenance	2,254	-	-	2,254	-	2,254
Operation fees	27,745	-	-	27,745	-	27,745
Utilities	2,455	-	-	2,455	-	2,455
Billing fees	6,492	-	-	6,492	-	6,492
Inspection fees	14,400	-	-	14,400	-	14,400
Director fees, including payroll taxes	5,490	-	-	5,490	-	5,490
Legal fees	28,151	-	-	28,151	-	28,151
Engineering fees	29,645	-	-	29,645	-	29,645
Bookkeeping fees	22,150	-	-	22,150	-	22,150
Audit fees	10,250	-	-	10,250	-	10,250
Tax appraisal/collection fees	2,362	1,602	-	3,964	-	3,964
Other consulting fees	1,785	1,215	-	3,000	-	3,000
Public notices	266	-	-	266	-	266
Insurance	4,281	-	-	4,281	-	4,281
Developer interest	-	-	601,265	601,265	-	601,265
Other	4,864	-	-	4,864	-	4,864
Debt service:						
Interest	-	110,492	-	110,492	66,929	177,421
Fiscal agent fees	-	400	-	400	-	400
Bond issuance costs	-	-	841,044	841,044	-	841,044
Capital outlay	-	-	5,874,969	5,874,969	(5,874,969)	-
Depreciation	-	-	-	-	76,713	76,713
TOTAL EXPENDITURES / EXPENSES	198,647	113,709	7,317,278	7,629,634	(5,731,327)	1,898,307
Excess (deficiency) of revenues over (under) expenditures/expenses	408,914	131,057	(7,312,702)	(6,772,731)	5,731,327	(1,041,404)
OTHER FINANCING SOURCES (USES):						
Bond proceeds	-	601,347	7,673,653	8,275,000	(8,275,000)	-
Bond premium	-	-	138,437	138,437	(138,437)	-
Bond discount	-	-	(29,247)	(29,247)	29,247	-
TOTAL OTHER FINANCING SOURCES, NET	-	601,347	7,782,843	8,384,190	(8,384,190)	-
NET CHANGE IN FUND BALANCES	408,914	732,404	470,141	1,611,459	(1,611,459)	-
CHANGE IN NET POSITION					(1,041,404)	(1,041,404)
FUND BALANCES / NET POSITION:						
Beginning of the year	414,231	179,979	230,697	824,907	(1,039,960)	(215,053)
End of the year	<u>\$ 823,145</u>	<u>\$ 912,383</u>	<u>\$ 700,838</u>	<u>\$ 2,436,366</u>	<u>\$ (3,692,823)</u>	<u>\$ (1,256,457)</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Springhollow Municipal Utility District (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created by Order of the Texas Commission on Environmental Quality dated October 27, 2016. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District’s officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”), which have been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District’s reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

The financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-wide Statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation and amortization expense on the District's capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- **Fund Financial Statements:** Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for resources restricted, committed or assigned for the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Non-current Governmental Assets and Liabilities - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the 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 revenues in the year for which they are levied.

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balances. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

"Measurable" means that the amount of the transaction can be determined and "available" means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District may report unearned revenue on its balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was adopted on August 19, 2021 for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Budgetary Comparison Schedule – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions - The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes.

Cash and Cash Equivalent Investments - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Treasurer's Investment Pool, are recorded at amortized cost.

Accounts Receivable - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had no allowance for uncollectible accounts at September 30, 2022.

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Capital Assets - Capital assets, which include water, wastewater and drainage improvements, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets, including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Water, wastewater and drainage improvements	5 - 50
Roads and road improvements	50

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund financial statements.

Fund Balance - Fund balances in governmental funds are classified using the following hierarchy:

- *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.
- *Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- *Committed*: amounts that can be spent only for purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- *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 does not have any assigned fund balances.
- *Unassigned*: all other spendable amounts in the General Fund.

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

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

Fund Balances - Governmental Funds		\$ 2,436,366
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	7,218,864	
Less: Accumulated depreciation	<u>(103,591)</u>	7,115,273
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(10,635,000)	
Issuance premiums/discounts, net	(96,834)	
Accrued interest	<u>(76,262)</u>	<u>(10,808,096)</u>
Net Position - Governmental Activities		<u>\$ (1,256,457)</u>

Adjustments to convert the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Net Change in Fund Balances - Governmental Funds		\$ 1,611,459
Amounts reported for governmental activities in the Statement of Activities are different because -		
Governmental funds report:		
Interest in the year paid	(66,929)	
Capital outlay in the year paid	5,874,969	
Bond sales and related discounts/premiums in year received/paid	<u>(8,384,190)</u>	(2,576,150)
Governmental funds do not report -		
Depreciation		<u>(76,713)</u>
Change in Net Position - Governmental Activities		<u>\$ (1,041,404)</u>

3. CASH AND CASH EQUIVALENT INVESTMENTS

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act") and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy, which complies with the Public Funds Investment Act, include: depositories must be Texas banking institutions insured by the Federal Deposit Insurance Corporation ("FDIC"); depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash - At September 30, 2022, the carrying amount of the District’s deposits was \$92,785 and the bank balance was \$118,034. The bank balance was covered by FDIC insurance.

Cash Equivalents and Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District’s investment policy requires the application of the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District’s investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency;
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; or
- Public funds investment pools rated AAA or AAAM by a nationally recognized rating agency.

At September 30, 2022, the District held the following investments:

Investment	Fair Value at 9/30/2022	Governmental Funds			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
TexPool	\$ 2,379,142	\$ 762,833	\$ 915,471	\$ 700,838	AAAm	Standard & Poors
	<u>\$ 2,379,142</u>	<u>\$ 762,833</u>	<u>\$ 915,471</u>	<u>\$ 700,838</u>		

(1) Restricted for payment of debt service and cost of assessing and collecting taxes.

(2) Restricted for purchase of capital assets.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments (continued) –

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2022, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2022, the District's bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Assessor Collector bills and collects the District's property taxes. The Board set current tax rates on August 19, 2021.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2021 tax roll. The tax rate, based on the total taxable assessed valuation of \$58,501,949, was \$1.00 on each \$100 valuation and was allocated \$0.595 to the General Fund and \$0.405 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.50 was established by the voters on May 6, 2017.

Property taxes were fully collected at September 30, 2022.

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments between funds are made, is as follows at September 30, 2022:

	Interfund	
	Receivables	Payables
General Fund:		
Debt Service Fund	\$ 3,088	\$ -
Capital Projects Fund	9,000	-
Debt Service Fund -		
General Fund	-	3,088
Capital Projects Fund -		
General Fund	-	9,000
	\$ 12,088	\$ 12,088

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Road Improvements	-	2,674,434	-	2,674,434
Water/Wastewater/Drainage Improvements	1,343,895	3,200,535	-	4,544,430
Total capital assets being depreciated	1,343,895	5,874,969	-	7,218,864
Less accumulated depreciation for:				
Road Improvements	-	(17,830)	-	(17,830)
Water/Wastewater/Drainage Improvements	(26,878)	(58,883)	-	(85,761)
Total accumulated depreciation	(26,878)	(76,713)	-	(103,591)
Total capital assets being depreciated, net of accumulated depreciation	1,317,017	5,798,256	-	7,115,273
Total capital assets, net	\$ 1,317,017	\$ 5,798,256	\$ -	\$ 7,115,273

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2022:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2021	\$ 2,360,000
Bonds issued	8,275,000
Bonds retired	-
Bond discount, net	96,834
Bonds payable at September 30, 2022	\$ 10,731,834

Bonds payable at September 30, 2022, were comprised of the following individual issue:

Unlimited Tax Bonds:

\$2,360,000 – 2020 Unlimited Tax Bonds payable serially through the year 2045 at interest rates which range from 1.65% to 3.00%. Bonds maturing on and after August 15, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, Term Bonds maturing on August 15 in the years 2040 and 2045 are subject to mandatory sinking fund redemption.

\$4,375,000 – 2022 Unlimited Tax Bonds payable serially through the year 2046 at an interest rate of 3.00% through maturity. Bonds maturing on and after August 15, 2028, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, Term Bonds maturing on August 15 in the years 2029, 2033, 2035, 2037 and 2046 are subject to mandatory sinking fund redemption.

Unlimited Tax Road Bonds:

\$3,900,000 – 2022 Unlimited Tax Road Bonds payable serially through the year 2046 at interest rates which range from 3.00% to 6.00%. Bonds maturing on and after August 15, 2029, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 15, 2027, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, Term Bonds maturing on August 15 in the years 2029, 2031, 2033, 2035, 2037, 2039 and 2046 are subject to mandatory sinking fund redemption.

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

7. BONDED DEBT (continued)

The annual requirements to amortize all bonded debt at September 30, 2022, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2023	\$ 55,000	\$ 385,573	\$ 440,573
2024	290,000	352,426	642,426
2025	305,000	341,263	646,263
2026	315,000	329,504	644,504
2027	325,000	317,470	642,470
2028-2032	1,855,000	1,425,205	3,280,205
2033-2037	2,250,000	1,111,986	3,361,986
2038-2042	2,770,000	706,050	3,476,050
2043-2046	2,470,000	205,950	2,675,950
	\$ 10,635,000	\$ 5,175,427	\$ 15,810,427

On April 5, 2022, the District issued \$4,375,000 of Unlimited Tax Bonds, Series 2022 with an interest rate through maturity of 3.00%. The net proceeds of \$3,980,427 (after payment of underwriter fees and bond issue costs) were used to finance developer funded utility construction costs, fund future interest payments and pay subsequent bond issue costs.

On June 2, 2022, the District issued \$3,900,000 of Unlimited Tax Road Bonds, Series 2022, with interest rates ranging from 3.00% to 6.00%. The net proceeds of \$3,564,468 (after payment of underwriter fees and bond issue costs) were used to finance developer funded road construction costs, fund future interest payments and pay subsequent bond issue costs.

Bonds authorized but not issued as of September 30, 2022, are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 48,265,000
Road Bonds	\$ 13,100,000
Refunding Bonds	\$ 82,500,000

\$912,383 is available in the Debt Service Fund to service the bonded debt.

The existing outstanding bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

8. COMMITMENTS AND CONTINGENCIES

The District is currently under development and the acquisition and construction of water and wastewater facilities, including creation costs and engineering, testing, permitting fees and land costs, is being funded by the developer of the land within the District. In an agreement dated July 27, 2017, the Board authorized the funding of the acquisition and construction of water and wastewater facilities and the reimbursement of the developer for those facility acquisition and construction costs out of bond proceeds at such time bonds are authorized and issued. The bond proceeds will be used to acquire all capital assets within the District, including related water and wastewater facility infrastructure. In a separate agreement dated July 27, 2017, the Board authorized the funding of the acquisition and construction of road improvements and the reimbursement of the developer for those road improvement and construction costs out of bond proceeds at such time bonds are authorized and issued. The District, as of September 30, 2022, has recorded no liability pertaining to such costs.

The estimated total bonds needed to purchase the capital assets of the District, including related water and wastewater facility infrastructure, was \$55,000,000, which was approved by voters in the District through a bond election held on May 6, 2017. Also on May 6, 2017, voters within the District approved authorization to issue an additional \$82,500,000 of refunding bonds and \$17,000,000 to fund road improvements. As of September 30, 2022, the District has issued \$6,735,000 of unlimited tax bonds and \$3,900,000 of unlimited tax road bonds to reimburse the developer for infrastructure assets.

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2022**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 357,129	\$ 342,357	\$ 14,772
Service revenues, including penalties	139,727	128,385	11,342
Connection/inspection/application fees	102,699	32,760	69,939
Interest and other	8,006	300	7,706
TOTAL REVENUES	<u>607,561</u>	<u>503,802</u>	<u>103,759</u>
EXPENDITURES:			
Current:			
Wastewater purchases	14,710	40,688	25,978
Lift station maintenance	4,003	6,000	1,997
Detention pond maintenance	17,344	14,975	(2,369)
Other repairs and maintenance	2,254	6,000	3,746
Operation fees	27,745	27,048	(697)
Utilities	2,455	2,100	(355)
Billing fees	6,492	7,200	708
Inspection fees	14,400	3,600	(10,800)
Director fees, including payroll taxes	5,490	5,705	215
Legal fees	28,151	36,000	7,849
Engineering fees	29,645	45,000	15,355
Bookkeeping fees	22,150	20,000	(2,150)
Audit fees	10,250	9,500	(750)
Tax appraisal/collection fees	2,362	3,000	638
Other consulting fees	1,785	3,000	1,215
Public notices	266	1,500	1,234
Insurance	4,281	5,000	719
Other	4,864	1,801	(3,063)
TOTAL EXPENDITURES	<u>198,647</u>	<u>238,117</u>	<u>39,470</u>
NET CHANGE IN FUND BALANCE	408,914	<u>\$ 265,685</u>	<u>\$ 143,229</u>
FUND BALANCE			
Beginning of the year	414,231		
End of the year	<u>\$ 823,145</u>		

The accompanying notes are an integral part of this statement.

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

**SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX ROAD BONDS, SERIES 2023A
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,400,000**

AS BOND COUNSEL FOR THE SPRINGHOLLOW MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on July 27, 2023 authorizing the issuance of the Bonds (the "Bond Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, including the Bond Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the District upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.



IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem 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 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. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.



WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES