

OFFICIAL STATEMENT DATED OCTOBER 3, 2023

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds are NOT designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Not Qualified Tax-Exempt Obligations."

NEW ISSUE – Book Entry Only

RATING: S&P Global Ratings (BAM Insured)....."AA"
Moody's Investors Service, Inc. (Underlying)..... "Baa3"
See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
(A political subdivision of the State of Texas, located within Collin County)

\$19,590,000
Unlimited Tax Utility Bonds
Series 2023

\$7,870,000
Unlimited Tax Road Bonds
Series 2023

Dated Date: October 1, 2023

Due: September 1, as shown on inside cover

Interest Accrues from: Utility Bonds Date of Delivery or Road Bonds Date of Delivery, as applicable

The \$19,590,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and the \$7,870,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds") (collectively referred to herein as the "Bonds") are solely obligations of Collin County Municipal Utility District No. 2 (the "District") and are not obligations of the State of Texas; Collin County, Texas; the City of Lowry Crossing, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Collin County, Texas; the City of Lowry Crossing, Texas; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (expected to be on or about November 8, 2023) (the "Utility Bonds Date of Delivery"). Interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (expected to be on or about October 30, 2023) (the "Road Bonds Date of Delivery"). Interest on the Bonds is payable on March 1, 2024, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under two separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The Utility Bonds constitute the third series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds constitute the fourth series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters of the District authorized the issuance of the following: \$371,499,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$242,342,493 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$557,248,500 principal amount of unlimited tax refunding bonds for Utility System purposes and \$363,513,740 principal amount of unlimited tax refunding bonds for Road System purposes. Following the issuance of the Bonds, \$337,199,000 principal amount of unlimited tax bonds for Utility System purposes, \$216,022,493 principal amount of unlimited tax bonds for Road System purposes, \$557,248,500 principal amount of unlimited tax refunding bonds for Utility System purposes and \$363,513,740 principal amount of unlimited tax refunding bonds for Road System purposes will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will be payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. Investment in the Bonds is subject to certain investment considerations as described herein. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered, when, as and if issued by the District to the winning bidders of the Bonds (the "Initial Purchasers") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Utility Bonds through the facilities of DTC is expected on or about November 8, 2023. Delivery of the Road Bonds through the facilities of DTC is expected on or about October 30, 2023.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$19,590,000 Unlimited Tax Utility Bonds, Series 2023

\$560,000 Serial Bonds

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 19474P (b) |
|---------------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2030 (c) | \$ 560,000 | 4.500% | 4.500% | FF3 |

\$19,030,000 Term Bonds

\$2,435,000 Term Bonds Due September 1, 2029 (c)(d), Interest Rate: 7.000% (Price: \$108.093) (a), CUSIP No. 19474P FE6 (b)
 \$1,210,000 Term Bonds Due September 1, 2032 (c)(d), Interest Rate: 4.500% (Price: \$99.634) (a), CUSIP No. 19474P FH9 (b)
 \$1,335,000 Term Bonds Due September 1, 2034 (c)(d), Interest Rate: 4.500% (Price: \$99.149) (a), CUSIP No. 19474P FK2 (b)
 \$1,470,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 4.750% (Price: \$99.518) (a), CUSIP No. 19474P FM8 (b)
 \$1,620,000 Term Bonds Due September 1, 2038 (c)(d), Interest Rate: 5.000% (Price: \$100.000) (a), CUSIP No. 19474P FP1 (b)
 \$1,785,000 Term Bonds Due September 1, 2040 (c)(d), Interest Rate: 5.000% (Price: \$99.430) (a), CUSIP No. 19474P FR7 (b)
 \$1,970,000 Term Bonds Due September 1, 2042 (c)(d), Interest Rate: 5.000% (Price: \$98.792) (a), CUSIP No. 19474P FT3 (b)
 \$2,170,000 Term Bonds Due September 1, 2044 (c)(d), Interest Rate: 5.000% (Price: \$98.215) (a), CUSIP No. 19474P FV8 (b)
 \$5,035,000 Term Bonds Due September 1, 2048 (c)(d), Interest Rate: 5.125% (Price: \$98.269) (a), CUSIP No. 19474P FZ9 (b)

\$7,870,000 Unlimited Tax Road Bonds, Series 2023

\$5,600,000 Serial Bonds

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 19474P (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 19474P (b) |
|---------------------------|---------------------|------------------|------------------------------------|-------------------------|---------------------------|---------------------|------------------|------------------------------------|-------------------------|
| 2025 | \$ 175,000 | 6.750% | 4.300% | GA3 | 2035 (c) | \$ 290,000 | 4.500% | 4.700% | GL9 |
| 2026 | 185,000 | 6.750% | 4.300% | GB1 | 2036 (c) | 305,000 | 4.500% | 4.800% | GM7 |
| 2027 | 195,000 | 6.750% | 4.300% | GC9 | 2037 (c) | 315,000 | 4.750% | 4.900% | GN5 |
| 2028 | 205,000 | 6.750% | 4.300% | GD7 | **** | **** | **** | **** | **** |
| 2029 | 215,000 | 6.750% | 4.300% | GE5 | 2044 (c) | 445,000 | 5.000% | 5.100% | GV7 |
| 2030 (c) | 225,000 | 6.500% | 4.300% | GF2 | 2045 (c) | 470,000 | 5.000% | 5.110% | GW5 |
| 2031 (c) | 235,000 | 4.250% | 4.400% | GG0 | 2046 (c) | 495,000 | 5.000% | 5.120% | GX3 |
| 2032 (c) | 250,000 | 4.250% | 4.450% | GH8 | 2047 (c) | 515,000 | 5.000% | 5.130% | GY1 |
| 2033 (c) | 260,000 | 4.250% | 4.550% | GJ4 | 2048 (c) | 545,000 | 5.000% | 5.140% | GZ8 |
| 2034 (c) | 275,000 | 4.375% | 4.600% | GK1 | | | | | |

\$2,270,000 Term Bonds

\$1,055,000 Term Bonds Due September 1, 2040 (c)(d), Interest Rate: 4.750% (Price: \$97.170) (a), CUSIP No. 19474P GR6 (b)
 \$1,215,000 Term Bonds Due September 1, 2043 (c)(d), Interest Rate: 5.000% (Price: \$99.000) (a), CUSIP No. 19474P GU9 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchasers (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds. None of the District, Financial Advisor (herein defined) or Initial Purchasers shall be responsible for the selection or the correctness of the CUSIP numbers.
- (c) Bonds maturing on September 1, 2030, and thereafter, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on October 1, 2029, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not 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 this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. (“Bond Counsel”) 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 that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Initial Purchasers and thereafter only as specified in “OFFICIAL STATEMENT—Updating of Official Statement.”

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by Hilltop Securities Inc. (the "Utility Bonds Initial Purchaser"). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.000000% of the principal amount thereof, which resulted in a net effective interest rate of 5.242681%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser"). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement, at a price of 97.010224% of the principal amount thereof, which resulted in a net effective interest rate of 5.136514%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Road Bonds Initial Purchaser are collectively referred to herein as the "Initial Purchasers."

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission 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 jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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 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 June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 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 "MUNICIPAL 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.

RATINGS

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance Policy for each series of the Bonds by BAM at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa3" with stable outlook to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The District Collin County Municipal Utility District No. 2 (the "District"), a political subdivision of the State of Texas, located within Collin County. See "THE DISTRICT."

The Bonds The District is issuing its \$19,590,000 Unlimited Tax Utility Bonds, Series 2023 (the "Utility Bonds") and \$7,870,000 Unlimited Tax Road Bonds, Series 2023 (the "Road Bonds"). The Utility Bonds and the Road Bonds are herein referred to collectively as the "Bonds." The Bonds are dated October 1, 2023 and mature on September 1 in each of the years and principal amounts set forth on the inside cover page. Interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (expected to be on or about November 8, 2023) (the "Utility Bonds Date of Delivery") and interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (expected to be on or about October 30, 2023) (the "Road Bonds Date of Delivery"), at the rates per annum set forth on the inside cover page and is payable on March 1, 2024, and on each September 1 and March 1 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."

Redemption..... Optional Redemption: Bonds maturing on and after September 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District on October 1, 2029, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS—Redemption Provisions – *Optional Redemption*."

Mandatory Redemption: The Utility Bonds maturing on September 1 in the years 2029, 2032, 2034, 2036, 2038, 2040, 2042, 2044 and 2048 are term bonds (the "Utility Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*." The Road Bonds maturing on September 1 in the years 2040 and 2043 are term bonds (the "Road Term Bonds") and are subject to certain mandatory sinking fund redemption provisions as set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*." The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the "Term Bonds."

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Collin County, Texas; the City of Lowry Crossing, Texas; or any other political subdivision or entity other than the District. See "THE BONDS—Source of Payment."

Payment Record..... The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds. See “THE BONDS—Source of Payment.”

Outstanding Bonds..... The District has previously issued \$3,600,000 Unlimited Tax Road Bonds, Series 2021, \$7,655,000 Unlimited Tax Bonds, Series 2021, \$1,100,000 Unlimited Tax Road Bonds, Series 2021A, \$7,055,000 Unlimited Tax Utility Bonds, Series 2022 and \$13,750,000 Unlimited Tax Road Bonds, Series 2022. As of delivery of the Bonds, \$32,795,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS—Outstanding Bonds.”

Authority for Issuance..... Voters of the District have authorized the District’s issuance of a total of \$371,499,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a water, sewer, and drainage system (the “Utility System”), \$242,342,493 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District (the “Road System”), \$557,248,500 principal amount of unlimited tax refunding bonds for Utility System purposes, and \$363,513,740 principal amount of unlimited tax refunding bonds for Road System purposes.

The Utility Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the “TCEQ”); the order of the District’s Board of Directors authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; and an election held within the District on November 6, 2018.

The Road Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution; the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; House Bill No. 4672 (86th Session of the Texas Legislative, Regular Session), codified as Chapter 8097 of the Texas Special District Local Laws Code; the order of the District’s Board of Directors authorizing the issuance of the Road Bonds (the “Road Bond Order”); and elections held within the District on November 6, 2018 and November 5, 2019. See “THE BONDS—Authority for Issuance” and “– Issuance of Additional Debt.”

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

Use of Bond Proceeds..... Proceeds from the sale of the Utility Bonds will be used to reimburse the Developers (herein defined) for the construction costs set out herein under “THE BONDS—Use and Distribution of Utility Bond Proceeds.” Additionally, proceeds from the Utility Bonds will be used to pay developer interest and certain other costs associated with the issuance of the Utility Bonds. See “THE BONDS—Use and Distribution of Utility Bond Proceeds.”

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for costs associated with certain road improvements set out herein under “THE BONDS—Use and Distribution of Road Bond Proceeds.” Additionally, proceeds of the Road Bonds will be

used to pay developer interest, six (6) months of capitalized interest, and certain costs associated with the issuance of the Road Bonds. See “THE BONDS—Use and Distribution of Road Bond Proceeds.”

- Not Qualified Tax-Exempt Obligations*.....The Bonds are **NOT** designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations”.
- Municipal Bond Insurance*.....Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”
- Ratings*.....S&P Global Ratings (BAM Insured): “AA.” Moody’s Investors Service, Inc. (Underlying): “Baa3.” See “MUNICIPAL BOND INSURANCE” and “RATINGS.”
- Bond Counsel*.....Coats Rose, P.C., Dallas, Texas.
- Disclosure Counsel*.....McCall, Parkhurst & Horton L.L.P., Houston, Texas.
- Financial Advisor*.....Robert W. Baird & Co. Incorporated, Dallas, Texas.

THE DISTRICT

- Description*.....The District was created by the Texas Commission on Environmental Quality (the “TCEQ”) on August 20, 2018, as a municipal utility district. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas applicable to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, as amended, as well as House Bill No. 4672 (86th Session of the Texas Legislative, Regular Session), codified as Chapter 8097 of the Texas Special District Local Laws Code. The District is subject to the continuing supervision of the TCEQ. The District consists of approximately 999.05 total acres. See “THE DISTRICT.”
- Location*.....The District is located in Collin County, Texas. The District encompasses approximately 999.05 acres located adjacent to the west side of FM 982 and south of (FM 546) E. Lucas Road (approximately 816.89 acres) and south of US 380 between Beauchamp and Bridgefamer Road (approximately 182.16 acres), which are located within the extraterritorial jurisdiction of the City of Lowry Crossing, Texas). See “THE DISTRICT—Description and Location.”
- Developers*.....Lennar Homes of Texas Land and Construction, LTD., a Texas limited partnership (“Lennar”) has developed Bridgewater Phases 1A, 1B, 2, 3A and Tillage Farms East Phases 1 and 2 on approximately 166.95 acres as 1,039 single-family lots. See “THE DEVELOPERS.”
- AG Essential Housing Multi State 4, LLC, a Delaware limited liability company (“AG Essential”), purchased approximately 293.85 acres from Lennar for the purpose of developing the single-family lots on such acreage. As of July 1, 2023, AG Essential has developed Bridgewater, Phases 3B, 4A, 4B, 4C, 5, 6, 7A and 7B on approximately 245.92 acres as 1,442 single-family lots. AG Essential is currently developing 47.93 acres (231 lots) as Bridgewater Phase 8. To date, Lennar has acquired all of the developed single-family lots within

Bridgewater, Phases 3B, 4A, 4B, 4C, 5, 6, 7A and 7B from AG Essential and is currently constructing homes thereon.

TCL Land Bank BK3 (“TCL Land Bank”), purchased approximately 128.53 acres from Lennar for the purpose of developing the single-family lots on such acreage. TCL Land Bank is currently developing 128.53 acres (662 lots) as Tillage Farms West, Phases 1A, 1B, 2 and 3.

KL LHB DSD AIV LLC (“KL”), purchased approximately 129.59 acres from Lennar for the purpose of developing the single-family lots on such acreage. As of July 1, 2023, KL has developed Cypress Creek East, Phases 1 and 2 on approximately 59.33 acres as 338 single-family lots. KL is currently developing 70.26 acres (397 lots) as Cypress Creek East Phase 3 and Cypress Creek West Phase 1. To date, Lennar has acquired 120 developed single-family lots within Cypress Creek East, Phases 1 and 2 from KL and is currently constructing homes thereon.

Lennar, AG Essential, TCL Land Bank, and KL are collectively referred to herein as the “Developers.”

Development within the District The District is being developed as the single-family residential communities of Bridgewater, Tillage Farms, and Cypress Creek. To date, approximately 472.20 acres have been developed as 2,819 single-family lots within the following single-family residential subdivisions in the District: Bridgewater, Phases 1A, 1B, 2, 3A, 3B, 4A, 4B, 4C, 5, 6, 7A, 7B, Tillage Farms East Phases 1 and 2, and Cypress Creek East Phases 1 and 2.

As of July 1, 2023, the District included approximately 1,336 completed homes (1,318 occupied homes, 14 unoccupied homes, and 4 model homes), approximately 394 homes under construction, and approximately 1,089 vacant developed lots available for home construction. In addition, approximately 262.61 acres (1,536 lots) are currently under development as Bridgewater, Phase 8, Tillage Farms West, Phases 1A, 1B, and 2, The Haven at Tillage Farms, Phases 1 and 2, Cypress Creek East, Phase 3 and Cypress Creek West, Phase 1.

The remaining land within the District is comprised of approximately 11.05 acres reserved for a school site, approximately 2.0 acres reserved for a future fire station, approximately 30.81 undeveloped but developable acres, and 220.38 undevelopable acres. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”

Homebuilders..... Lennar is the sole homebuilder within the District. Homes within the District range in price from approximately \$177,999 to approximately \$520,499 and in size from approximately 763 square feet to approximately 3,549 square feet. See “DEVELOPMENT OF THE DISTRICT—Homebuilders within the District.”

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “INVESTMENT CONSIDERATIONS,” BEFORE MAKING AN INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION
(UNAUDITED)

| | | |
|--|----------------------|-----|
| 2023 Certified Taxable Assessed Valuation | \$ 428,022,334 | (a) |
| Estimated Taxable Assessed Valuation as of July 1, 2023..... | \$ 491,882,500 | (b) |
| Direct Debt: | | |
| Outstanding Bonds | \$ 32,795,000 | |
| The Utility Bonds..... | 19,590,000 | |
| The Road Bonds..... | <u>7,870,000</u> | |
| Total..... | \$ 60,225,000 | |
| Estimated Overlapping Debt | \$ 34,744,964 | (c) |
| Total Direct and Estimated Overlapping Debt..... | <u>\$ 94,999,964</u> | (c) |
| Direct Debt Ratios: | | |
| As a Percentage of 2023 Certified Taxable Assessed Valuation..... | 14.08 | % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 12.25 | % |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a Percentage of 2023 Certified Taxable Assessed Valuation..... | 22.20 | % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 19.31 | % |
| Utility System Debt Service Fund Balance (as of September 12, 2023) | \$ 808,718 | (d) |
| Road System Debt Service Fund Balance (as of September 12, 2023) | \$ 626,321 | (e) |
| Utility System Capital Projects Fund Balance (as of September 12, 2023)..... | \$ 37,257 | |
| Road System Capital Projects Fund Balance (as of September 12, 2023)..... | \$ 85,797 | |
| General Operating Fund Balance (as of September 12, 2023) | \$ 470,066 | |
| 2023 Tax Rate: | | |
| Utility System Debt Service..... | \$0.48 | |
| Road System Debt Service..... | 0.38 | |
| Maintenance and Operations | <u>0.14</u> | |
| Total..... | \$1.00 | |
| Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024-2048)..... | \$ 4,021,212 | (f) |
| Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025) | \$ 4,270,864 | (f) |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024-2048): | | |
| Based on 2023 Certified Taxable Assessed Valuation at 95% Tax Collections..... | \$0.99 | |
| Based on Estimated Taxable Assessed Valuation as of July 1, 2023 at 95% Tax Collections.. | \$0.87 | |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025): | | |
| Based on 2023 Certified Taxable Assessed Valuation at 95% Tax Collections..... | \$1.06 | |
| Based on Estimated Taxable Assessed Valuation as of July 1, 2023 at 95% Tax Collections.. | \$0.92 | |
| Single-Family Homes (including 394 homes under construction) as of July 1, 2023 | 1,730 | (g) |

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- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, provided by the Collin Central Appraisal District (the "Appraisal District"). Such value includes \$9,253,986 of assessed valuation which represents 80% of the uncertified value under review by the Collin Central Appraisal Review Board (the "Appraisal Review Board"). See "TAX DATA" and "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of taxable value resulting from new construction within the District from January 1, 2023 to July 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund (defined herein). Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Road Bonds.
 - (e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund (defined herein) upon closing, such amount is not included in the figure above. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.
 - (f) See "DISTRICT DEBT—Debt Service Requirement Schedule."
 - (g) Approximately 1,318 homes are occupied, 14 homes are unoccupied, and 4 homes are model homes.

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OFFICIAL STATEMENT
relating to
COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
(A Political Subdivision of the State of Texas, located within Collin County)

\$19,590,000
Unlimited Tax Utility Bonds
Series 2023

\$7,870,000
Unlimited Tax Road Bonds
Series 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Collin County Municipal Utility District No. 2 (the “District”) of its \$19,590,000 Unlimited Tax Utility Bonds, Series 2023 (the “Utility Bonds”) and \$7,870,000 Unlimited Tax Road Bonds, Series 2023 (the “Road Bonds”). The Utility Bonds and the Road Bonds are herein referred to collectively as the “Bonds.”

The Utility Bonds are issued pursuant to (i) a bond order authorizing the issuance of the Utility Bonds (the “Utility Bond Order”) adopted by the Board of Directors of the District (the “Board”) on the date of the sale of the Utility Bonds, (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on November 6, 2018, and (iv) an order by the Texas Commission on Environmental Quality (the “TCEQ”).

The Road Bonds are issued pursuant to (i) Article III, Section 52 of the Texas Constitution, as amended, and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) House Bill No. 4672 (86th Session of the Texas Legislative, Regular Session), codified as Chapter 8097 of the Texas Special District Local Laws Code, (iii) a bond order authorizing the issuance of the Road Bonds (the “Road Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Road Bonds, and (iv) elections held within the District on November 6, 2018 and November 5, 2019.

The Utility Bond Order and the Road Bond Order are herein referred to collectively as the “Bond Orders.”

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Orders, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. Copies of the Bond Orders may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated October 1, 2023 and will mature on September 1 in each of the years and in principal amounts. Interest on the Utility Bonds accrues from the initial date of delivery of the Utility Bonds (expected to be on or about November 8, 2023) (the “Utility Bonds Date of Delivery”) and interest on the Road Bonds accrues from the initial date of delivery of the Road Bonds (expected to be on or about October 30, 2023) (the “Road Bonds Date of Delivery”), at the rates per annum, set forth on the inside cover page of this Official Statement and will be payable on March 1, 2024, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New

York, New York (“DTC”) in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

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 Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System 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 (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series 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 rating of “AA+” from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 purchase 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.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on October 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all, or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Utility Bonds maturing on September 1 in the years 2029, 2032, 2034, 2036, 2038, 2040, 2042, 2044 and 2048 are term bonds (the "Utility Term Bonds"). The Road Bonds maturing on September 1 in the years 2040 and 2043 are term Bonds (the "Road Term Bonds"). The Utility Term Bonds and the Road Term Bonds may be collectively referred to herein as the "Term Bonds." The Term Bonds shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

Utility Term Bonds

\$2,435,000 Utility Term Bonds Maturing on September 1, 2029

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2025 | \$ 440,000 |
| September 1, 2026 | \$ 465,000 |
| September 1, 2027 | \$ 485,000 |
| September 1, 2028 | \$ 510,000 |
| September 1, 2029 (Maturity) | \$ 535,000 |

\$1,210,000 Utility Term Bonds Maturing on September 1, 2032

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2031 | \$ 590,000 |
| September 1, 2032 (Maturity) | \$ 620,000 |

\$1,335,000 Utility Term Bonds Maturing on September 1, 2034

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2033 | \$ 650,000 |
| September 1, 2034 (Maturity) | \$ 685,000 |

\$1,470,000 Utility Term Bonds Maturing on September 1, 2036

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2035 | \$ 715,000 |
| September 1, 2036 (Maturity) | \$ 755,000 |

\$1,620,000 Utility Term Bonds Maturing on September 1, 2038

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2037 | \$ 790,000 |
| September 1, 2038 (Maturity) | \$ 830,000 |

\$1,785,000 Utility Term Bonds Maturing on September 1, 2040

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2039 | \$ 870,000 |
| September 1, 2040 (Maturity) | \$ 915,000 |

\$1,970,000 Utility Term Bonds Maturing on September 1, 2042

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2041 | \$ 960,000 |
| September 1, 2042 (Maturity) | \$ 1,010,000 |

\$2,170,000 Utility Term Bonds Maturing on September 1, 2044

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2043 | \$ 1,060,000 |
| September 1, 2044 (Maturity) | \$ 1,110,000 |

\$5,035,000 Utility Term Bonds Maturing on September 1, 2048

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2045 | \$ 1,170,000 |
| September 1, 2046 | \$ 1,225,000 |
| September 1, 2047 | \$ 1,290,000 |
| September 1, 2048 (Maturity) | \$ 1,350,000 |

Road Term Bonds

\$1,055,000 Road Term Bonds Maturing on September 1, 2040

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2038 | \$ 335,000 |
| September 1, 2039 | \$ 350,000 |
| September 1, 2040 (Maturity) | \$ 370,000 |

\$1,215,000 Road Term Bonds Maturing on September 1, 2043

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2041 | \$ 385,000 |
| September 1, 2042 | \$ 405,000 |
| September 1, 2043 (Maturity) | \$ 425,000 |

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least fifty (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/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable 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 requirements.

Outstanding Bonds

The District has previously issued \$3,600,000 Unlimited Tax Road Bonds, Series 2021, \$7,655,000 Unlimited Tax Bonds, Series 2021, \$1,100,000 Unlimited Tax Road Bonds, Series 2021A, \$7,055,000 Unlimited Tax Utility

Bonds, Series 2022 and \$13,750,000 Unlimited Tax Road Bonds, Series 2022. As of delivery of the Bonds, \$32,795,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”).

Replacement of Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. The District or the Paying Agent/Registrar may require payment of taxes, governmental charges and other expenses and other expenses in connection with any such replacement.

Source of Payment

The Bonds are payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Orders, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas; Collin County (the “County”); City of Lowry Crossing, Texas (the “City”); or any entity other than the District.

Authority for Issuance

The Utility Bonds are issued by the District pursuant to the terms and conditions of (i) the Utility Bond Order, (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended, (iii) an election held within the District on November 6, 2018, and (iv) an order by the TCEQ.

The Road Bonds are issued by the District pursuant to (i) Article III, Section 52 of the Texas Constitution and the general laws of the State, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, (ii) House Bill No. 4672 (86th Session of the Texas Legislative, Regular Session), codified as Chapter 8097 of the Texas Special District Local Laws Code, (iii) elections held within the District on November 6, 2018 and November 5, 2019, and (iv) the Road Bond Order.

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

At elections held within the District on November 6, 2018 and November 5, 2019, voters of the District authorized the following principal amount of bonds to be issued by the District:

| <u>Election Date</u> | <u>Purpose</u> | <u>Amount Authorized</u> | <u>Issued to Date</u> | <u>The Bonds</u> | <u>Remaining Unissued</u> |
|----------------------|--------------------------|--------------------------|-----------------------|-------------------|---------------------------|
| 11/6/2018 | Utility System | \$ 371,499,000 | \$ 14,710,000 | \$ 19,590,000 (a) | \$ 337,199,000 |
| 11/6/2018 | Utility System Refunding | 557,248,500 | - | - | 557,248,500 |
| 11/6/2018 | Road System (c) | 37,922,000 | 4,215,000 | - | 33,707,000 |
| 11/6/2018 | Road System Refunding | 56,883,000 | - | - | 56,883,000 |
| 11/5/2019 | Road System (d) | 204,420,493 | 14,235,000 | 7,870,000 (b) | 182,315,493 |
| 11/5/2019 | Road System Refunding | 306,630,740 | - | - | 306,630,740 |

(a) Includes the Utility Bonds.

(b) Includes the Road Bonds.

(c) Road System bonds authorized specifically for the purpose of acquiring or constructing thoroughfare, arterial, or collector roads or improvements within the District.

(d) Road System bonds authorized specifically for the purpose of acquiring or constructing macadamized, graveled, and paved roads and turnpikes within the District.

Issuance of Additional Debt

The District intends to issue additional bonds with the approval of the TCEQ (with respect to the bonds issued for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the “Utility System”)) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Utility Bonds represent the third series of bonds issued by the District for the purpose

of acquiring or constructing the Utility System. The Road Bonds represent the fourth series of bonds issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System").

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: a total of \$337,199,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$216,022,493 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$557,248,500 principal amount for the purpose of refunding bonds issued by the District for the Utility System; and \$363,513,740 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. The Bond Orders impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued for the Utility System, approved by the TCEQ).

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer, the remaining \$337,199,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District and the remaining total \$216,022,493 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Road System will be sufficient to fully finance road facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developers approximately \$24,850,000 for expenditures to construct the Utility System and approximately \$9,950,000 for its expenditures to construct the Road System. Such expenditures are expected to increase as development continues within the District.

No Arbitrage

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

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 assets, such as cash and the utility system, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Annexation

A portion of the District lies within the extraterritorial jurisdiction of the City. Under current law, certain portions of the District may be annexed and dissolved by the City 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 land owners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayors and City Councils of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur. The Bond Orders provide for the termination of the pledge of taxes to the Bonds upon annexation and dissolution by a city.

Funds

The Utility Bond Order confirms the District's fund for debt service on the Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Utility Bonds and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Utility Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Utility Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System, including the Road Bonds.

The Road Bond Order confirms the District's fund for debt service on the Road Bonds, the Outstanding Road Bonds and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Six (6) months of capitalized interest on the Road Bonds will be deposited from the proceeds from sale of the Road Bonds into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Road Bonds and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Road Bonds and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Road Bonds and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

Defeasance

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

less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Orders.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Orders do 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 currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

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

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were 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. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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.

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Use and Distribution of Utility Bond Proceeds

Proceeds from sale of the Utility Bonds will be used to reimburse the Developers (herein defined) for a portion of the construction costs set out below. Proceeds of the Utility Bonds will also be used to pay developer interest and general costs of issuance associated with the Utility Bonds.

| Construction Costs | District's Share |
|--|--------------------------|
| 1. Constructions Costs (a) | \$ 12,204,491 |
| 2. Engineering Costs (b) | 1,913,621 |
| 3. Land Costs (c) | 2,013,929 |
| 4. Stormwater Pollution Prevention Costs (d) | 108,695 |
| Total Construction Costs | \$ 16,240,736 |
| | |
| Non-Construction Costs | |
| 1. Legal Fees | \$ 431,800 |
| 2. Fiscal Agent Fees | 356,350 |
| 3. Interest | |
| a. Developer Interest | 1,761,031 |
| b. Deferred Developer Interest | 15,000 |
| 4. Bond Discount (3.00%) | 587,700 |
| 5. Bond Application Report Costs | 94,180 |
| 6. Bond Issuance Expenses | 44,728 |
| 7. Attorney General Fee | 9,500 |
| 8. TCEQ Bond Issuance Fee | 48,975 |
| Total Non-Construction Costs | \$ 3,349,264 |
| TOTAL BOND ISSUE REQUIREMENT | \$ 19,590,000 |

(a) Represents costs for Bridgewater Phases 2, 3, 4A, 4B, 4C, Bridgewater Detention, Bridgewater Elevated Storage Tank, and Tillage Farms East Lift Station.

(b) Represents costs for Bridgewater Phases 1A, 1B, 2, 3, 4A, 4B, 4C, Bridgewater Parkway Extension, Bridgewater Detention, Bridgewater School, Bridgewater Takedown 5, and Tillage Farms East Lift Station.

(c) Represents costs for Bridgewater Elevated Storage Tank, Bridgewater Offsite Easements, Bridgewater Detention, and Land Interest.

(d) Represents costs for Bridgewater Phases 1, 2, and 3.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for costs associated with certain road improvements serving the District as set out below. In addition, proceeds from the Road Bonds will be used to pay developer interest, six (6) months of capitalized interest, and certain other costs associated with the issuance of the Road Bonds.

| Construction Costs | District's Share |
|-------------------------------------|-------------------------|
| 1. Constructions Costs (a) | \$ 5,547,805 |
| 2. Land Costs (b) | 833,719 |
| 3. Engineering Costs (c) | 375,559 |
| Total Construction Costs | \$ 6,757,083 |
| | |
| Non-Construction Costs | |
| 1. Legal Fees | \$ 197,400 |
| 2. Fiscal Agent Fees | 157,400 |
| 3. Interest | |
| a. Capitalized Interest | 200,116 |
| b. Developer Interest | 212,486 |
| c. Deferred Developer Interest | 50,000 |
| 4. Bond Discount (3.00%) | 235,295 |
| 5. Bond Engineering Fee | 32,175 |
| 6. Bond Issuance Expenses | 20,175 |
| 7. Attorney General Fee | 7,870 |
| Total Non-Construction Costs | \$ 1,112,917 |
| | |
| TOTAL BOND ISSUE REQUIREMENT | \$ 7,870,000 |

- (a) Represents costs for Bridgewater Phases 5, 6, 7A, 7B and Cypress Creek Phase 1.
 (b) Represents costs for Bridgewater Phases 6, 7A, 7B and Land Interest.
 (c) Represents costs for Bridgewater Phases 5 and 6.

In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. In the instance that actual costs exceed previously approved estimated amounts and contingencies, the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated August 20, 2018. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas applicable to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, as amended, as well as House Bill No. 4672 (86th Session of the Texas Legislative, Regular Session), codified as Chapter 8097 of the Texas Special District Local Laws Code. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to finance, 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 roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

Description and Location

The District is located in Collin County, Texas. The District encompasses approximately 999.05 acres located adjacent to the west side of FM 982 and south of (FM 546) E. Lucas Road (approximately 816.89 acres) and south of US 380 between Beauchamp and Bridgefarmer Road (approximately 182.16 acres, which located within the extraterritorial jurisdiction of the City of Lowry Crossing, Texas). The District, which contains approximately 999.05 acres, is generally located east of the city limits of the City of Lowry Crossing, Texas, on a peninsula in Lake Lavon in Collin County, Texas. The District is located near the southwest corner of East Lucas Road and Farm-to-Market ("FM") 982. Approximately 182 acres of land within the District are located within the extraterritorial jurisdiction of the City of Lowry Crossing, Texas. The rest of the land in the District is not located within the city limits of or in the extraterritorial jurisdiction of any city.

Management of the District

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

| <u>Name</u> | <u>Position</u> | <u>Term Expires May</u> |
|--------------------|---------------------|-------------------------|
| Robert "Bo" Cooper | President | 2024 |
| Matt Robinson | Vice President | 2026 |
| Jon Henney | Secretary | 2026 |
| Douglas Powell | Assistant Secretary | 2024 |
| Wade Lowe | Assistant Secretary | 2026 |

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

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

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C., Dallas, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, to serve as “Disclosure Counsel” to the District in connection with the issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

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

Tax Assessor/Collector: The tax assessor/collector for the District is Kenneth Maun, the Collin County Tax Assessor/Collector (the “Tax Assessor/Collector”).

Bookkeeper: The District’s bookkeeper is L&S District Services, LLC (the “Bookkeeper”).

Auditor: The District engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the fiscal year ended September 30, 2022. See “APPENDIX A” for a copy of the District’s September 30, 2022 audited financial statements.

Engineer: The District’s engineer is Kimley-Horn and Associates, Inc. (the “Engineer”).

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as the single-family residential communities of Bridgewater, Tillage Farms, and Cypress Creek. To date, approximately 472.20 acres have been developed as 2,819 single-family lots within the following single-family residential subdivisions in the District: Bridgewater, Phases 1A, 1B, 2, 3A, 3B, 4A, 4B, 4C, 5, 6, 7A, 7B, Tillage Farms East Phases 1 and 2, and Cypress Creek East Phases 1 and 2.

As of July 1, 2023, the District included approximately 1,336 completed homes (1,318 occupied homes, 14 unoccupied homes, and 4 model homes), approximately 394 homes under construction, and approximately 1,089 vacant developed lots available for home construction. In addition, approximately 262.61 acres (1,536 lots) are currently under development as Bridgewater, Phase 8, Tillage Farms West, Phases 1A, 1B, and 2, The Haven at Tillage Farms, Phases 1 and 2, Cypress Creek East, Phase 3 and Cypress Creek West, Phase 1.

The remaining land within the District is comprised of approximately 11.05 acres reserved for a school site, approximately 2.0 acres reserved for a future fire station, approximately 30.81 undeveloped but developable acres, and 220.38 undevelopable acres.

The table below summarizes the status of development and land use within the District as of July 1, 2023.

| Section | Acreage | No. of Lots | Homes Completed | Homes Under Construction | Vacant Lots |
|-------------------------------|---------------|----------------|--------------------|--------------------------------|----------------|
| Bridgewater Phase 1A | 9.91 | 36 | 30 | - | 6 |
| Bridgewater Phase 1B | 36.93 | 198 | 198 | - | - |
| Bridgewater Phase 2 | 46.94 | 257 | 257 | - | - |
| Bridgewater Phase 3A | 8.55 | 48 | 42 | - | 6 |
| Bridgewater Phase 3B | 39.60 | 247 | 247 | - | - |
| Bridgewater Phase 4A | 23.34 | 119 | 109 | 10 | - |
| Bridgewater Phase 4B | 27.33 | 161 | 161 | - | - |
| Bridgewater Phase 4C | 29.57 | 185 | 179 | 6 | - |
| Bridgewater Phase 5 | 29.42 | 196 | 99 | 89 | 8 |
| Bridgewater Phase 6 | 41.48 | 245 | - | 16 | 229 |
| Bridgewater Phase 7A | 37.46 | 189 | - | 10 | 179 |
| Bridgewater Phase 7B | 17.72 | 100 | - | 6 | 94 |
| Tillage Farms East Phase 1 | 32.85 | 295 | 11 | 60 | 224 |
| Tillage Farms East Phase 2 | 31.77 | 205 | 3 | 53 | 149 |
| Cypress Creek East Phase 1 | 32.13 | 170 | - | 144 | 26 |
| Cypress Creek East Phase 2 | 27.20 | 168 | - | - | 168 |
| Totals | 472.20 | 2,819 | 1,336 | 394 | 1,089 |
| Under Development | 262.61 | | | | |
| Undevelopable | 220.38 | | | | |
| Undeveloped but Developable | 30.81 | | | | |
| School Site and Fire Station | 13.05 | | | | |
| Total District Acreage | 999.05 | | | | |

Homebuilders within the District

Lennar (defined herein) is the sole homebuilder within the District. Homes within the District range in price from approximately \$177,999 to approximately \$520,499 and in size from approximately 763 square feet to approximately 3,549 square feet.

**PHOTOGRAPHS TAKEN IN THE DISTRICT
(July 2023)**



**PHOTOGRAPHS TAKEN IN THE DISTRICT
(July 2023)**



THE DEVELOPERS

Role of the Developer

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in 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, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developers (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developers, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Developers

Lennar Homes of Texas Land and Construction, LTD., a Texas limited partnership ("Lennar") has developed Bridgewater Phases 1A, 1B, 2, 3A and Tillage Farms East Phases 1 and 2 on approximately 166.95 acres as 1,039 single-family lots.

The General Partner of Lennar is U.S. Home LLC, a Delaware limited liability company that is wholly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <https://investors.lennar.com/financials>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. See "DEVELOPMENT OF THE DISTRICT—Status of Development Within the District."

AG Essential Housing Multi State 4, LLC, a Delaware limited liability company ("AG Essential"), purchased approximately 293.85 acres from Lennar for the purpose of developing the single-family lots on such acreage. As of July 1, 2023, AG Essential has developed Bridgewater, Phases 3B, 4A, 4B, 4C, 5, 6, 7A and 7B on

approximately 245.92 acres as 1,442 single-family lots. AG Essential is currently developing 47.93 acres (231 lots) as Bridgewater Phase 8. To date, Lennar has acquired all of the developed single-family lots within Bridgewater, Phases 3B, 4A, 4B, 4C, 5, 6, 7A and 7B from AG Essential and is currently constructing homes thereon.

TCL Land Bank BK3 (“TCL Land Bank”), purchased approximately 128.53 acres from Lennar for the purpose of developing the single-family lots on such acreage. TCL Land Bank is currently developing 128.53 acres (662 lots) as Tillage Farms West, Phases 1A, 1B, 2 and 3.

KL LHB DSD AIV LLC (“KL”), purchased approximately 129.59 acres from Lennar for the purpose of developing the single-family lots on such acreage. As of July 1, 2023, KL has developed Cypress Creek East, Phases 1 and 2 on approximately 59.33 acres as 338 single-family lots. KL is currently developing 70.26 acres (397 lots) as Cypress Creek East Phase 3 and Cypress Creek West Phase 1. To date, Lennar has acquired 120 developed single-family lots within Cypress Creek East, Phases 1 and 2 from KL and is currently constructing homes thereon.

Lennar, AG Essential, TCL Land Bank, and KL are collectively referred to herein as the “Developers.”

Developer Financing

To date, the Developers have cash financed the development activity within the District. Pursuant to an agreement between AG Essential, TCL Land Bank, KL, and Lennar, Lennar is cash financing the development in the District and is reimbursed by AG Essential, TCL Land Bank and KL.

THE SYSTEM

General

The District will provide water, wastewater and drainage and roadway improvements to the District. According to the Engineer, the Utility System is being designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ and Collin County, Texas. According to the Engineer, the design of such facilities has been approved by all required governmental agencies and the TCEQ.

Description of the System

Water Supply and Distribution: The District lies partially within the service area of certificate of convenience and necessity (“CCN”) No. 10159 held by Culleoka Water Supply Corporation (“Culleoka WSC”), partially within the service area of CCN No. 10188 held by Milligan Water Supply Corporation (“Milligan WSC”), and partially within the service area of CCN. No. 13195 held by the City of Princeton, Texas.

The District constructs the water distribution system, as well as necessary perimeter and offsite facilities to serve the water distribution system. Once completed, the District's water improvements located within each of Culleoka WSC's, Milligan WSC's, and the City of Princeton's CCNs are dedicated to and owned, maintained, and operated by Culleoka WSC, Milligan WSC, and the City of Princeton, Texas, respectively. According to the Engineer, the water distribution system and improvements are being designed in accordance with applicable design criteria as established by the TCEQ, Culleoka WSC, Milligan WSC, and the City of Princeton, as applicable.

Wastewater Collection and Treatment: The District lies wholly within the service area of CCN No. 21057 held by the City of Princeton. The wastewater generated by development within the District naturally flows by gravity through internal sanitary sewer lines constructed by the District to an on-site lift station. Such lift station pressure flows north and discharges into the North Texas Municipal Water District (“NTWMD”) lift station. Once completed, the District's wastewater facilities are dedicated to and owned, maintained, and operated by the City of Princeton. According to the Engineer, all wastewater facilities are being designed in accordance with TCEQ regulations.

Drainage: Stormwater runoff within the District drains into a system of collector lines via curbs and gutters. Such collector lines convey flow within a pipe system to interior drainage channels and lakes which flow into existing drainage channels. According to the Engineer, all storm drainage improvements are being designed in

accordance with design criteria established by Collin County, Texas, and the TCEQ. The District maintains and operates the District's storm drainage system.

Roads: Construction of the District's Road System is subject to certain regulation by Collin County and the Texas Department of Transportation. The roads in the District are constructed with concrete curbs and gutter roadways. Remaining streets provide local interior service within the District. The Road System also includes, or will include, streetlights, and franchise utilities (electric, phone, and cable). The Road System is being constructed by the District and will be maintained by the District.

Floodplain

The Flood Insurance Rate Maps ("FIRMs") provided by the Federal Emergency Management Agency ("FEMA") indicates that approximately 69 acres within the District are located within the floodplain Zone "A". Onsite drainage channels and lakes within the District are being constructed to reclaim the Zone "A" floodplain to convey onsite drainage to historical drainage channels.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Collin County, Texas (the “County”); the City of Lowry Crossing, Texas; or any political subdivision other than the District, will be secured by two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See “DEVELOPMENT OF THE DISTRICT,” “TAX DATA,” and “TAXING PROCEDURES.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the Dallas/Fort Worth, Texas area and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Developers: There is no commitment by, or legal requirement of, the Developers, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner’s right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT OF THE DISTRICT,” “THE DEVELOPERS,” and “TAX DATA—Principal Taxpayers.”

Dependence on Principal Taxpayers and the Developers: The top principal taxpayers represent approximately 25.15% (\$107,656,528) of the 2023 Certified Taxable Assessed Valuation, which represents ownership as of January 1, 2023. The Developers represent \$93,474,909 or 21.84% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Orders to maintain any specified amount of surplus in its debt service funds. See “TAX DATA—Principal Taxpayers” and “TAXING PROCEDURES—Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2023 Certified Taxable Assessed Valuation of property located within the District is \$428,022,334 and the Estimated Taxable Assessed Valuation as of July 1, 2023, is \$491,882,500. See “TAX DATA.”

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds is \$4,270,864 (2025) and the average annual debt service requirement on the Bonds and the Outstanding Bonds is \$4,021,212 (2024-2048). Assuming no decrease to the 2023 Certified Taxable Assessed Valuation, tax rates of \$1.06 and \$0.99 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimated Taxable Assessed Valuation as of July 1,

2023, tax rates of \$0.92 and \$0.87 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

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

Competitive Nature of Residential Housing Market

The residential housing industry in the Dallas-Fort Worth, Texas, area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the registered owners of the Bonds (the "Registered Owner(s)") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were 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. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking 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 Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, 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 such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

At elections held within the District on November 6, 2018 and November 5, 2019, voters of the District authorized the District's issuance of: a total of \$371,499,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring the Utility System; \$242,342,493 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$557,248,500 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$363,513,740 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Utility Bonds represent the third series of bonds issued by the District for the purpose of acquiring or constructing the Utility System. The Road Bonds represent the fourth issuance of bonds issued by the District for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: a total of \$337,199,000 for the purpose of acquiring or constructing the Utility System; \$216,022,493 for the purpose of acquiring or constructing the Road System; \$557,248,500 for the purpose of refunding bonds issued by the District for the Utility System; and \$363,513,740 for the purpose of refunding bonds issued by the District for the Road System.

The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Orders. See “THE BONDS—Issuance of Additional Debt.”

The District’s issuance of unlimited tax bonds authorized for the Utility System is subject to approval by the TCEQ. The District’s issuance of unlimited tax bonds authorized for the Road System is not subject to approval from the TCEQ.

Following the issuance of the Bonds, the District will owe the Developers approximately \$24,850,000 for expenditures to construct the Utility System and \$9,950,000 for its expenditures to construct the Road System. Such expenditures are expected to increase as development continues within the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement. TCEQ approval of the Road Bonds is not required and, therefore, no engineering report or bond application has been submitted to the TCEQ and neither the Road Bonds, the project, nor the feasibility of the District will be reviewed, considered or approved by the TCEQ with respect to the Road Bonds.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb)

standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “serious” to “severe” under the 2008 Ozone Standard, effective November 7, 2022. As the DFW Area is now designated a “severe” nonattainment area, it must meet the attainment date of July 20, 2027 with an attainment year of 2026. The “severe” nonattainment classification provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

On October 7, 2022, the EPA published final notice reclassifying the DFW Area from “marginal” to “moderate” under the 2015 Ozone Standard, effective November 7, 2022. The attainment deadline for the DFW Area under the 2015 Ozone Standard is August 3, 2024, with an attainment year of 2023.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the DFW Area’s economic growth and development. As a result of the DFW Area’s reclassification, the TCEQ must submit revisions of the SIP to the EPA no later than January 1, 2023, addressing the “moderate” nonattainment classification and by May 2024 addressing the “severe” nonattainment classification.

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary 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 in order to comply with the MS4 Permit.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential Impact of Natural Disaster

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

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

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a

particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

2023 Legislation

The 88th Texas Legislature began on January 10, 2023 and ended on May 29, 2023 (the "88th Regular Legislative Session"). The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District. On September 29, 2023, the Governor called the Third Special Session to begin on October 9, 2023. The District can make no representations or predictions regarding any actions the Texas Legislature has taken or may take concerning the substance or the effect of any legislation passed in a previous session or a future session of the Texas Legislature.

Bond Insurance Risk Factors

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

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND INSURANCE" and "RATINGS."

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

Neither the District nor the Initial Purchasers 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 of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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DISTRICT DEBT

| | | |
|--|----------------------|-----|
| 2023 Certified Taxable Assessed Valuation | \$ 428,022,334 | (a) |
| Estimated Taxable Assessed Valuation as of July 1, 2023..... | \$ 491,882,500 | (b) |
| Direct Debt: | | |
| Outstanding Bonds | \$ 32,795,000 | |
| The Utility Bonds..... | 19,590,000 | |
| The Road Bonds..... | <u>7,870,000</u> | |
| Total..... | \$ 60,225,000 | |
| Estimated Overlapping Debt | <u>\$ 34,744,964</u> | (c) |
| Total Direct and Estimated Overlapping Debt..... | <u>\$ 94,999,964</u> | (c) |
| Direct Debt Ratios: | | |
| As a Percentage of 2023 Certified Taxable Assessed Valuation..... | 14.08 | % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 12.25 | % |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a Percentage of 2023 Certified Taxable Assessed Valuation..... | 22.20 | % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 19.31 | % |
| Utility System Debt Service Fund Balance (as of September 12, 2023)..... | \$ 808,718 | (d) |
| Road System Debt Service Fund Balance (as of September 12, 2023) | \$ 626,321 | (e) |
| Utility System Capital Projects Fund Balance (as of September 12, 2023)..... | \$ 37,258 | |
| Road System Capital Projects Fund Balance (as of September 12, 2023)..... | \$ 85,797 | |
| General Operating Fund Balance (as of September 12, 2023)..... | \$ 470,066 | |
| 2023 Tax Rate: | | |
| Utility System Debt Service..... | \$0.48 | |
| Road System Debt Service..... | 0.38 | |
| Maintenance and Operations..... | <u>0.14</u> | |
| Total..... | \$1.00 | |
| Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024-2048)..... | \$ 4,021,212 | (f) |
| Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025) | \$ 4,270,864 | (f) |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024-2048): | | |
| Based on 2023 Certified Taxable Assessed Valuation at 95% Tax Collections..... | \$0.99 | |
| Based on Estimated Taxable Assessed Valuation as of July 1, 2023 at 95% Tax Collections.. | \$0.87 | |
| Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025): | | |
| Based on 2023 Certified Taxable Assessed Valuation at 95% Tax Collections..... | \$1.06 | |
| Based on Estimated Taxable Assessed Valuation as of July 1, 2023 at 95% Tax Collections.. | \$0.92 | |
| Single-Family Homes (including 394 homes under construction) as of July 1, 2023 | 1,730 | (g) |

- (a) Represents the assessed valuation of all taxable property in the District as of January 1, 2023, provided by the Appraisal District. Such value includes \$9,253,986 of assessed valuation which represents 80% of the uncertified value under review by the Appraisal Review Board. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This estimate reflects the addition of taxable value resulting from new construction within the District from January 1, 2023 to July 1, 2023. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT—Direct and Estimated Overlapping Debt Statement."
- (d) Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Road Bonds.
- (e) Six (6) months of capitalized interest will be deposited into the Road System Debt Service Fund upon closing, such amount is not included in the figure above. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.
- (f) See "DISTRICT DEBT—Debt Service Requirement Schedule."
- (g) Approximately 1,318 homes are occupied, 14 homes are unoccupied, and 4 homes are model homes.

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Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, as well as the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

| Year Ending 12/31 | Outstanding Debt Service | Plus: The Bonds | | | | Total Combined Debt Service |
|-------------------------|-----------------------------|-------------------|---------------|----------------|--------------|--------------------------------|
| | | The Utility Bonds | | The Road Bonds | | |
| | | Principal | Interest | Principal | Interest | |
| 2024 | \$ 2,251,306 | \$ - | \$ 826,336 | \$ - | \$ 334,638 | \$ 3,412,280 |
| 2025 | 2,240,339 | 440,000 | 1,015,294 | 175,000 | 400,231 | 4,270,864 |
| 2026 | 2,232,754 | 465,000 | 984,494 | 185,000 | 388,419 | 4,255,666 |
| 2027 | 2,223,631 | 485,000 | 951,944 | 195,000 | 375,931 | 4,231,506 |
| 2028 | 2,217,436 | 510,000 | 917,994 | 205,000 | 362,769 | 4,213,199 |
| 2029 | 2,199,059 | 535,000 | 882,294 | 215,000 | 348,931 | 4,180,284 |
| 2030 | 2,193,729 | 560,000 | 844,844 | 225,000 | 334,419 | 4,157,991 |
| 2031 | 2,182,579 | 590,000 | 819,644 | 235,000 | 319,794 | 4,147,016 |
| 2032 | 2,175,454 | 620,000 | 793,094 | 250,000 | 309,806 | 4,148,354 |
| 2033 | 2,167,369 | 650,000 | 765,194 | 260,000 | 299,181 | 4,141,744 |
| 2034 | 2,161,589 | 685,000 | 735,944 | 275,000 | 288,131 | 4,145,664 |
| 2035 | 2,146,654 | 715,000 | 705,119 | 290,000 | 276,100 | 4,132,873 |
| 2036 | 2,143,529 | 755,000 | 671,156 | 305,000 | 263,050 | 4,137,735 |
| 2037 | 2,154,015 | 790,000 | 635,294 | 315,000 | 249,325 | 4,143,634 |
| 2038 | 2,156,655 | 830,000 | 595,794 | 335,000 | 234,363 | 4,151,811 |
| 2039 | 2,161,975 | 870,000 | 554,294 | 350,000 | 218,450 | 4,154,719 |
| 2040 | 2,156,225 | 915,000 | 510,794 | 370,000 | 201,825 | 4,153,844 |
| 2041 | 2,158,300 | 960,000 | 465,044 | 385,000 | 184,250 | 4,152,594 |
| 2042 | 2,162,675 | 1,010,000 | 417,044 | 405,000 | 165,000 | 4,159,719 |
| 2043 | 2,154,200 | 1,060,000 | 366,544 | 425,000 | 144,750 | 4,150,494 |
| 2044 | 2,163,250 | 1,110,000 | 313,544 | 445,000 | 123,500 | 4,155,294 |
| 2045 | 2,154,075 | 1,170,000 | 258,044 | 470,000 | 101,250 | 4,153,369 |
| 2046 | 2,162,200 | 1,225,000 | 198,081 | 495,000 | 77,750 | 4,158,031 |
| 2047 | 1,436,875 | 1,290,000 | 135,300 | 515,000 | 53,000 | 3,430,175 |
| 2048 | - | 1,350,000 | 69,188 | 545,000 | 27,250 | 1,991,438 |
| | \$ 51,555,871 | \$ 19,590,000 | \$ 15,432,311 | \$ 7,870,000 | \$ 6,082,113 | \$ 100,530,295 |

Average Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2024-2048)\$4,021,212

Maximum Annual Debt Service Requirements on the Bonds
and the Outstanding Bonds (2025).....\$4,270,864

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Direct and 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 information contained in *Texas Municipal Reports*, published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

| Taxing Jurisdiction | Outstanding Debt June 30, 2023 | Overlapping | |
|---|-----------------------------------|-------------|----------------------|
| | | Percent | Amount |
| Collin County | \$ 478,430,000 | 0.19% | \$ 915,013 |
| Collin Community College District | 498,565,000 | 0.21 | 1,067,666 |
| Princeton Independent School District | 347,015,384 | 9.44 | <u>32,762,285</u> |
| Total Estimated Overlapping Debt | | | \$ 34,744,964 |
| Direct Debt (a) | | | <u>\$ 60,225,000</u> |
| Total Direct and Estimated Overlapping Debt (a) | | | \$ 94,999,964 |

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):

| | |
|---|---------|
| As a Percentage of 2023 Certified Taxable Assessed Valuation | 14.08 % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 12.25 % |

Direct and Estimated Overlapping Debt Ratios (a):

| | |
|---|---------|
| As a Percentage of 2023 Certified Taxable Assessed Valuation | 22.20 % |
| As a Percentage of Estimated Taxable Assessed Valuation as of July 1, 2023..... | 19.31 % |

(a) Includes the Bonds.

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TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Property Tax Code (defined herein) relating to the District's ability to levy and collect property taxes on property within the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. Reference is made to the Property Tax Code for more complete information, including the identification of property subject to taxation; property exempt, or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Authority to Levy Taxes

The Board is authorized to levy two separate annual ad valorem taxes, each without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Orders to levy such taxes from year to year as described more fully above under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District and for the payment of certain contractual obligations. The District levied a 2023 total tax rate of \$1.00 per \$100 of assessed valuation composed of \$0.48 per \$100 of assessed valuation for Utility System debt service, \$0.38 per \$100 of assessed valuation for Road System debt service and \$0.14 per \$100 of assessed valuation for operation and maintenance purposes. See "TAX DATA—Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas 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 herein. 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 the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Collin Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Collin County, including the District. Such appraisal values will be subject to review and change by the Collin County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. 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. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records of the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation

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

Property Subject to Taxation by the District

General: 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. The District has not adopted disabled or over 65 exemptions.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. 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 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.

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 market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted by July 1. The District has not adopted a general homestead exemption.

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be

forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A “Goods-in-Transit” Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 (“SB 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 \$5,000,000 (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 Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023; however, the provisions described hereinabove will take effect January 1, 2024, but only if the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, is approved by the voters on November 7, 2023.

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

total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Tax Abatement

Collin County may designate all or part of the area within the District as a reinvestment zone. The District, at the option and discretion of the District, and the County may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all, or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdiction. None of the area within the District has been designated as a reinvestment zone to date, and the District has not approved any such tax abatement agreements.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. See "TAX DATA—Analysis of Tax Base" and "THE DEVELOPERS."

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year. See "Rollback of Operation and Maintenance Tax Rate" below.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "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 "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. However, an election is not required if the adopted tax rate is less than or equal to the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor 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 District.

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2023 tax year, the Board of Directors has determined that the District's classification is that of a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The date of delinquency may be postponed if the tax bills are mailed after January 1. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based on valuation of property within the District as of the preceding January 1.

Taxes are due September 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 twenty percent (20%) 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 of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal

Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien, however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchasers deed at the foreclosure sale is filed in the county records.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds, the Outstanding Bonds, and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements, and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed \$1.20 per \$100 of assessed valuation, for operation and maintenance purposes. The District levied a 2023 total tax rate of \$1.00 per \$100 of assessed valuation composed of \$0.48 per \$100 of assessed valuation for Utility System debt service, \$0.38 per \$100 of assessed valuation for Road System debt service and \$0.14 per \$100 of assessed valuation for operation and maintenance purposes.

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operation: \$1.20 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2023 tax year, the District levied a tax rate of \$0.48 per \$100 of assessed valuation for Utility System debt service and \$0.38 per \$100 of assessed valuation for Road System debt service.

Upon closing and delivery of the Bonds, six (6) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund.

Maintenance Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements if such maintenance tax is authorized by vote of the District’s electors. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. For the 2023 tax year, the District levied a tax rate of \$0.14 per \$100 of assessed valuation for maintenance and operations purposes. See “Tax Rate Distribution” herein.

Tax Exemption

As discussed in the section entitled “TAXING PROCEDURES” herein, certain property in the District may be exempt from ad valorem taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from ad valorem taxation.

Additional Penalties

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2019-2022 tax years:

| <u>Tax Year</u> | <u>Adjusted Taxable Value</u> | <u>Tax Rate</u> | <u>Adjusted Tax Levy</u> | <u>Collections Current Year</u> | <u>Current Year Ending 9/30</u> | <u>Collections 6/30/23</u> |
|-----------------|-------------------------------|-----------------|--------------------------|---------------------------------|---------------------------------|----------------------------|
| 2019 (a) | \$ 2,669,302 | \$ 1.000 | \$ 26,693 | 100.00% | 2020 | 100.00% |
| 2020 | 10,635,647 | 1.000 | 106,356 | 100.00 | 2021 | 100.00 |
| 2021 | 64,575,713 | 1.000 | 645,757 | 97.47 | 2022 | 98.92 |
| 2022 | 213,129,716 | 1.000 | 2,131,297 | 99.40 | 2023 | 99.40 |

(a) The District levied its initial tax rate for the 2019 tax year.

Tax Rate Distribution

The following table sets out the components of the District’s tax levy for each of the 2019–2023 tax years.

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Road System Debt Service | \$ 0.3800 | \$ 0.4500 | \$ 0.2500 | \$ 0.0000 | \$ 0.0000 |
| Utility System Debt Service | 0.4800 | 0.3400 | 0.3700 | 0.0000 | 0.0000 |
| Maintenance | <u>0.1400</u> | <u>0.2100</u> | <u>0.3800</u> | <u>1.0000</u> | <u>1.0000</u> |
| Total | \$ 1.0000 | \$ 1.0000 | \$ 1.0000 | \$ 1.0000 | \$ 1.0000 |

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Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2019-2023 tax years.

| Type of Property | 2023 Assessed Valuation (a) | 2022 Assessed Valuation | 2021 Assessed Valuation | 2020 Assessed Valuation | 2019 Assessed Valuation |
|-------------------|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Land | \$ 225,773,265 | \$ 120,911,942 | \$ 37,493,371 | \$ 15,438,100 | \$ 7,816,839 |
| Improvements | 251,720,439 | 124,875,589 | 29,012,783 | - | - |
| Personal Property | 694,761 | 900,598 | 258,588 | 12,008 | - |
| Exemptions | (50,166,131) | (33,558,413) | (2,189,029) | (4,814,461) | (5,147,537) |
| Total | \$ 428,022,334 | \$ 213,129,716 | \$ 64,575,713 | \$ 10,635,647 | \$ 2,669,302 |

(a) Such value includes \$9,253,986 of assessed valuation which represents 80% of the uncertified value under review by the Appraisal Review Board.

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2023:

| Taxpayer | Type of Property | Assessed Valuation 2023 Tax Roll | % of Assessed Valuation |
|---|---------------------|--|-------------------------------|
| Lennar Homes of Texas Land & Construction LTD (a) | Land & Improvements | \$ 48,128,973 | 11.24% |
| AG Essential Housing Multi State 2 LLC (a) | Land & Improvements | 32,907,703 | 7.69% |
| KL LHB DSD AIV LLC (a) | Land & Improvements | 12,438,233 | 2.91% |
| MUPR 3 Assets LLC | Land & Improvements | 3,877,707 | 0.91% |
| BT Oriole One LLC | Land & Improvements | 3,077,411 | 0.72% |
| TYF Partnership LTD | Land & Improvements | 2,859,805 | 0.67% |
| Upward America Central Property Owner LP | Land & Improvements | 1,286,589 | 0.30% |
| SFR JV-HD TL Borrower B LLC | Land & Improvements | 1,145,229 | 0.27% |
| SFR JV-HD Property LLC | Land & Improvements | 1,011,152 | 0.24% |
| FKH SFR Propco I LP | Land & Improvements | 923,726 | 0.22% |
| Total | | \$ 107,656,528 | 25.15% |

(a) See "THE DEVELOPERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Bonds if no growth in the District's tax base occurs beyond the 2023 Certified Taxable Assessed Valuation (\$428,022,334) or the Estimated Taxable Assessed Valuation as of July 1, 2023 (\$491,882,500). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

| | |
|--|--------------|
| Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024-2048) | \$ 4,021,212 |
| Debt Service Tax Rate of \$0.99 on the 2023 Certified Taxable Assessed Valuation produces..... | \$ 4,025,550 |
| Debt Service Tax Rate of \$0.87 on the Estimated Taxable Assessed Valuation as of July 1, 2023, produces | \$ 4,065,409 |
| Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025)..... | \$ 4,270,864 |
| Debt Service Tax Rate of \$1.06 on the 2023 Certified Taxable Assessed Valuation produces..... | \$ 4,310,185 |
| Debt Service Tax Rate of \$0.92 on the Estimated Taxable Assessed Valuation as of July 1, 2023, produces | \$ 4,299,053 |

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2023 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

| | 2023 Tax Rate Per \$100 of Assessed Value |
|---------------------------------------|--|
| The District | \$1.000000 |
| Collin County | \$0.149343 |
| Collin Community College District | \$0.081220 |
| Princeton Independent School District | <u>\$1.257500</u> |
| Total Estimated Tax Rate | \$2.488063 |

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 an annual ad valorem tax levied without 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 Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally 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 bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, dated as of the Date of 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 to their knowledge 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 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 Purchasers to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to

the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, 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, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986 (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations, 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 Code (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.

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 and (b) 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 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 in 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 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 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 Registered Owners 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 is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds is not 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 (as 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 Law, which is 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 accumulated earnings and profits and excess passive investment income, 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.

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.

Not Qualified Tax-Exempt Obligations

The Bonds are **NOT** “qualified tax-exempt obligations” for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

As required by Rule 15c2-12, and in the Bond Orders, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system for such purpose.

Annual Reports

The District will provide certain financial information and operating data to annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “DISTRICT DEBT” (except under the subheading “Direct and Estimated Overlapping Debt Statement”), “TAX DATA,” and “APPENDIX A.”

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2023. 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 updated information will include audited financials if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (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 a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms “material” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertaking

The District is in compliance with its prior continuing disclosure agreements made in accordance with SEC Rule 15c2-12 with the exception of the following: The District's annual financial information for the fiscal year ending September 30, 2021 was not filed in a timely manner with the MSRB. The District's annual financial information for the fiscal year ending September 30, 2021 was filed with the MSRB on October 4, 2022, and a Notice of Failure to Provide was filed with the MSRB on October 4, 2022. The District has instituted procedures to ensure timely filing of all future annual financial information.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended September 30, 2022, were prepared by Mark C. Eyring, CPA, PLLC and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC has consented to the publication of such financial statements in this Preliminary Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS—Use and Distribution of Utility Bond Proceeds," "—Use and Distribution of Road Bond Proceeds," "THE DISTRICT—Description and Location," "DEVELOPMENT OF THE DISTRICT—Status of Development within the District," and "THE SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as an expert in the field of civil engineering.

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

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchasers elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchasers an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notifies the District in writing on or before such date that less than all

of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Collin County Municipal Utility District No. 2 as of the date shown on the cover page.

/s/ Robert Cooper
President, Board of Directors
Collin County Municipal Utility District No. 2

ATTEST:

/s/ Jon Henney
Secretary, Board of Directors
Collin County Municipal Utility District No

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

COLLIN COUNTY MUNICIPAL
UTILITY DISTRICT NO. 2
COLLIN COUNTY, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2022

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Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

January 10, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Collin County Municipal
Utility District No. 2
Collin County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Collin County Municipal Utility District No. 2 as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Collin County Municipal Utility District No. 2's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Collin County Municipal Utility District No. 2, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Collin County Municipal Utility District No. 2, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Collin County Municipal Utility District No. 2'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Collin County Municipal Utility District No. 2's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Collin County Municipal Utility District No. 2's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Collin County Municipal Utility District No. 2's basic financial statements. The supplementary information on Pages 22 to 36 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located in the lower right quadrant of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Collin County Municipal Utility District No. 2 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2022.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of sewer, drainage and road services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and service revenues and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|--|-----------------------|---------------------|-----------------------|
| Current and other assets | \$ 993,296 | \$ 257,075 | \$ 736,221 |
| Capital assets | 64,643,586 | 59,925,644 | 4,717,942 |
| Total assets | <u>65,636,882</u> | <u>60,182,719</u> | <u>5,454,163</u> |
| Long-term liabilities | 72,682,200 | 60,645,289 | 12,036,911 |
| Other liabilities | 444,946 | 34,990 | 409,956 |
| Total liabilities | <u>73,127,146</u> | <u>60,680,279</u> | <u>12,446,867</u> |
| Net position: | | | |
| Invested in capital assets, net of related debt | (8,146,427) | (500,987) | (7,645,440) |
| Restricted | 533,115 | 82,534 | 450,581 |
| Unrestricted | 123,048 | (79,107) | 202,155 |
| Total net position | <u>\$ (7,490,264)</u> | <u>\$ (497,560)</u> | <u>\$ (6,992,704)</u> |

Summary of Changes in Net Position

| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
|---|-----------------------|---------------------|-----------------------|
| Revenues: | | | |
| Property taxes, including related penalty and interest | \$ 686,676 | \$ 106,816 | \$ 579,860 |
| Other | 2,068 | 0 | 2,068 |
| Total revenues | <u>688,744</u> | <u>106,816</u> | <u>581,928</u> |
| Expenses: | | | |
| Administration | 6,841,482 | 183,048 | 6,658,434 |
| Debt service | 839,966 | 359,182 | 480,784 |
| Total expenses | <u>7,681,448</u> | <u>542,230</u> | <u>7,139,218</u> |
| Change in net position | (6,992,704) | (435,414) | (6,557,290) |
| Net position, beginning of year | <u>(497,560)</u> | <u>(62,146)</u> | <u>(435,414)</u> |
| Net position, end of year | <u>\$ (7,490,264)</u> | <u>\$ (497,560)</u> | <u>\$ (6,992,704)</u> |

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2022 were \$911,541, an increase of \$686,674 from the prior year.

The General Fund balance increased by \$167,315, as revenues and developer operating advances exceeded expenditures.

The Debt Service Fund balance increased by \$489,479, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$29,880, as proceeds from the District's Series 2021 utility bonds and 2021A road bonds exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of September 30, 2022, was expected to be \$84,778 and the actual end of year fund balance was \$208,208.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

| | <u>Capital Assets (Net of Accumulated Depreciation)</u> | | |
|--------------------------|---|----------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>Change</u> |
| Land | \$ 1,004,086 | \$ 320,438 | \$ 683,648 |
| Construction in progress | 60,832,890 | 56,999,037 | 3,833,853 |
| Roads | <u>2,806,610</u> | <u>2,606,169</u> | <u>200,441</u> |
| Totals | <u>\$ 64,643,586</u> | <u>\$ 59,925,644</u> | <u>\$ 4,717,942</u> |

Changes to capital assets during the fiscal year ended September 30, 2022, are summarized as follows:

| | | |
|--|--|---------------------|
| Additions: | | |
| Utilities, roads and other facilities constructed by developer | | \$ 11,088,875 |
| Decreases: | | |
| Utility infrastructure transferred to other entities | | (6,305,800) |
| Depreciation | | <u>(65,133)</u> |
| Net change to capital assets | | <u>\$ 4,717,942</u> |

Debt

On November 10, 2022, the District issued its \$7,055,000 Series 2022 unlimited tax utility bonds and its Series 2022 \$13,750,000 unlimited tax road bonds.

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

| | |
|--|----------------------|
| Bonded debt payable, beginning of year | \$ 3,600,000 |
| Bonds sold | <u>8,755,000</u> |
| Bonded debt payable, end of year | <u>\$ 12,355,000</u> |

At September 30, 2022, the District had \$363,844,000 unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes and \$237,642,493 for road purposes authorized but unissued.

The District's Series 2021 utility and 2021A road bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2021 utility bonds and 2021A road bonds is AA by Standard & Poor's. The Series 2021 road bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of September 30, 2022, the cumulative amount of developer advances for this purpose was \$89,000.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads, water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality, as applicable. At September 30, 2022, the estimated amount due to the developer was \$60,832,890.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$53,470,000 (approximately 503%) for the 2021 tax year primarily due to the addition of new homes and property to the tax base.

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the City of Princeton

The District has entered into a Non-Standard Wastewater Service Agreement (the "Agreement") with the City of Princeton (the "City") to provide wastewater treatment services within the District. Under the terms of the Agreement, the District will construct, or have constructed, wastewater collection system. Upon completion of such system, the system will be conveyed to the City. In consideration of the District's construction and conveying such systems, the City shall assume all operation and maintenance responsibilities for the wastewater collection system.

Water Supply Issues

The District entered into Non-Standard Water Service Agreements (the "Agreements") with Culleoka Water Supply Corporation ("Culleoka"), Milligan Water Supply Corporation ("Milligan") and the City. The District lies partially within each of Culleoka's, Milligan's and the City's service areas for water services. Under the terms of the Agreements, the District will construct, or have constructed, water production and distribution system. Upon completion of such system, the system will be conveyed to appropriate entity. In consideration of the District's construction and conveying such systems, the receiving entity shall assume all operation and maintenance responsibilities for the water system.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> | <u>Adjustments (Note 3)</u> | <u>Statement of Net Position</u> |
|---|-------------------|-------------------------|-----------------------------|---------------------|---------------------------------|--|
| ASSETS | | | | | | |
| Cash, including interest-bearing accounts, Note 7 | \$ 180,130 | \$ 572,132 | \$ 120,061 | \$ 872,323 | \$ | \$ 872,323 |
| Receivables: | | | | | | |
| Property taxes | 3,840 | 7,796 | | 11,636 | | 11,636 |
| Prepaid expenditures | 109,337 | | | 109,337 | | 109,337 |
| Due from other fund | | 11,140 | | 11,140 | (11,140) | 0 |
| Capital assets, net of accumulated depreciation, Note 4: | | | | | | |
| Capital assets not being depreciated | | | | 0 | 61,836,976 | 61,836,976 |
| Depreciable capital assets | | | | 0 | 2,806,610 | 2,806,610 |
| Total assets | <u>\$ 293,307</u> | <u>\$ 591,068</u> | <u>\$ 120,061</u> | <u>\$ 1,004,436</u> | <u>64,632,446</u> | <u>65,636,882</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 70,119 | \$ | \$ | \$ 70,119 | | 70,119 |
| Accrued interest payable | | | | 0 | 26,229 | 26,229 |
| Due to other fund | 11,140 | | | 11,140 | (11,140) | 0 |
| Long-term liabilities, Note 5: | | | | | | |
| Due within one year | | | | 0 | 348,598 | 348,598 |
| Due in more than one year | | | | 0 | 72,682,200 | 72,682,200 |
| Total liabilities | <u>81,259</u> | <u>0</u> | <u>0</u> | <u>81,259</u> | <u>73,045,887</u> | <u>73,127,146</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property tax revenues | <u>3,840</u> | <u>7,796</u> | <u>0</u> | <u>11,636</u> | <u>(11,636)</u> | <u>0</u> |
| FUND BALANCES / NET POSITION | | | | | | |
| Fund balances: | | | | | | |
| Restricted for bond interest, Note 5 | | 151,785 | | 151,785 | (151,785) | 0 |
| Assigned to: | | | | | | |
| Debt service | | 431,487 | | 431,487 | (431,487) | 0 |
| Capital projects | | | 120,061 | 120,061 | (120,061) | 0 |
| Unassigned | 208,208 | | | 208,208 | (208,208) | 0 |
| Total fund balances | <u>208,208</u> | <u>583,272</u> | <u>120,061</u> | <u>911,541</u> | <u>(911,541)</u> | <u>0</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 293,307</u> | <u>\$ 591,068</u> | <u>\$ 120,061</u> | <u>\$ 1,004,436</u> | | |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt, Note 4 | | | | | (8,146,427) | (8,146,427) |
| Restricted for debt service | | | | | 413,054 | 413,054 |
| Restricted for capital projects | | | | | 120,061 | 120,061 |
| Unrestricted, Note 5 | | | | | 123,048 | 123,048 |
| Total net position | | | | | <u>\$ (7,490,264)</u> | <u>\$ (7,490,264)</u> |

The accompanying notes are an integral part of the financial statements.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | General Fund | Debt Service Fund | Capital Projects Fund | Total | Adjustments (Note 3) | Statement of Activities |
|---|-------------------|-------------------------|-----------------------------|-------------------|-------------------------|-------------------------------|
| REVENUES | | | | | | |
| Property taxes | \$ 243,568 | \$ 421,713 | \$ | \$ 665,281 | \$ 11,636 | \$ 676,917 |
| Penalty and interest | | 9,759 | | 9,759 | | 9,759 |
| Accrued interest on bonds received at date of sale | | 13,641 | | 13,641 | (13,641) | 0 |
| Interest on deposits | 109 | 1,860 | 99 | 2,068 | | 2,068 |
| Total revenues | 243,677 | 446,973 | 99 | 690,749 | (2,005) | 688,744 |
| EXPENDITURES / EXPENSES | | | | | | |
| Service operations: | | | | | | |
| Professional fees | 82,844 | 481 | | 83,325 | | 83,325 |
| Contracted services | 16,519 | | | 16,519 | | 16,519 |
| Administrative expenditures | 10,999 | 813 | 755 | 12,567 | | 12,567 |
| Depreciation | | | | 0 | 65,133 | 65,133 |
| Capital outlay / non-capital outlay | | | 7,320,022 | 7,320,022 | (1,014,222) | 6,305,800 |
| Interest on developer construction | | | 358,138 | 358,138 | | 358,138 |
| Debt service: | | | | | | |
| Bond issuance expenditures | | | 542,457 | 542,457 | | 542,457 |
| Interest and fees | | 278,072 | | 278,072 | 19,437 | 297,509 |
| Total expenditures / expenses | 110,362 | 279,366 | 8,221,372 | 8,611,100 | (929,652) | 7,681,448 |
| Excess (deficiency) of revenues over expenditures | 133,315 | 167,607 | (8,221,273) | (7,920,351) | 927,647 | (6,992,704) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bonds issued, Note 5 | | 503,847 | 8,251,153 | 8,755,000 | (8,755,000) | 0 |
| Bond issuance discounts, Note 5 | | (181,975) | | (181,975) | 181,975 | 0 |
| Developer advances, Note 5 | 34,000 | | | 34,000 | (34,000) | 0 |
| Total other financing sources (uses) | 34,000 | 321,872 | 8,251,153 | 8,607,025 | (8,607,025) | 0 |
| Net change in fund balances / net position | 167,315 | 489,479 | 29,880 | 686,674 | (7,679,378) | (6,992,704) |
| Beginning of year | 40,893 | 93,793 | 90,181 | 224,867 | (722,427) | (497,560) |
| End of year | \$ 208,208 | \$ 583,272 | \$ 120,061 | \$ 911,541 | \$ (8,401,805) | \$ (7,490,264) |

The accompanying notes are an integral part of the financial statements.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2022

NOTE 1: REPORTING ENTITY

Collin County Municipal Utility District No. 2 (the "District") was created by an order of the Texas Commission on Environmental Quality effective August 20, 2018, under Article XVI, Section 59, of the Texas Constitution, and operates pursuant to and in accordance with Texas Water Code Chapters 49 and 54 and other laws of the State of Texas applicable to municipal utility districts. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on August 20, 2018. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services and construct and maintain recreational facilities. In addition, pursuant to Texas Water Code Section 54.234, the District is authorized to construct, acquire, improve, maintain or operate roads located within its boundaries. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts and other receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

| | |
|---------------------|-------------|
| Plant and equipment | 10-45 years |
| Underground lines | 45 years |
| Roads | 45 years |

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

| | | |
|---|---------------------|-----------------------|
| Total fund balances, end of year | | \$ 911,541 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | |
| Total capital assets, net | | 64,643,586 |
| Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | | |
| Bonds payable | \$ (12,355,000) | |
| Issuance discount (to be amortized as interest expense) | 246,092 | |
| Due to developer for operating advances | (89,000) | |
| Due to developer for construction | <u>(60,832,890)</u> | (73,030,798) |
| Some receivables that do not provide current financial resources are not reported as receivables in the funds: | | |
| Uncollected property taxes | | 11,636 |
| Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds: | | |
| Accrued interest | | <u>(26,229)</u> |
| Net position, end of year | | <u>\$ (7,490,264)</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

| | | |
|--|-----------------|-----------------------|
| Total net change in fund balances | | \$ 686,674 |
| <p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | | |
| Capital outlay | \$ 949,222 | |
| Depreciation | <u>(65,133)</u> | 884,089 |
| <p>The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p> | | |
| Developer advances received | (34,000) | |
| Developer advances repaid | <u>65,000</u> | 31,000 |
| <p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p> | | |
| Bonds issued | | (8,755,000) |
| <p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p> | | |
| Issuance discounts | | 167,499 |
| <p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p> | | |
| Uncollected property taxes | | 11,636 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p> | | |
| Accrued interest | | <u>(18,602)</u> |
| Change in net position | | <u>\$ (6,992,704)</u> |

NOTE 4: CAPITAL ASSETS

At September 30, 2022, "Invested in capital assets, net of related debt" was \$(8,146,427). This amount was negative as not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and as further described in Note 9, under the terms of the agreements with the City, Culleoka Water Supply Corporation and Milligan Water Supply Corporation, the District is to pay for construction of a road system, a water production and distribution system, a sanitary sewer collection and treatment system, and a drainage system to serve the District. The District shall be the owner of each phase of the construction of each system until such phase is completed and approved by the applicable entity, at which time ownership of such phase shall be transferred to said entity. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the agreement are retired. The road system shall be owned and retained by the District and will not be transferred to another entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2022, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|----------------------|---------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 320,438 | \$ 683,648 | \$ | \$ 1,004,086 |
| Construction in progress | <u>56,999,037</u> | <u>11,088,875</u> | <u>7,255,022</u> | <u>60,832,890</u> |
| Total capital assets not being depreciated | <u>57,319,475</u> | <u>11,772,523</u> | <u>7,255,022</u> | <u>61,836,976</u> |
| Depreciable capital assets: | | | | |
| Roads | <u>2,665,400</u> | <u>265,574</u> | <u>0</u> | <u>2,930,974</u> |
| Total depreciable capital assets | <u>2,665,400</u> | <u>265,574</u> | <u>0</u> | <u>2,930,974</u> |
| Less accumulated depreciation for: | | | | |
| Roads | <u>(59,231)</u> | <u>(65,133)</u> | <u>0</u> | <u>(124,364)</u> |
| Total accumulated depreciation | <u>(59,231)</u> | <u>(65,133)</u> | <u>0</u> | <u>(124,364)</u> |
| Total depreciable capital assets, net | <u>2,606,169</u> | <u>200,441</u> | <u>0</u> | <u>2,806,610</u> |
| Total capital assets, net | <u>\$ 59,925,644</u> | <u>\$ 11,972,964</u> | <u>\$ 7,255,022</u> | <u>\$ 64,643,586</u> |
| Changes to capital assets: | | | | |
| Capital outlay | | \$ 949,222 | \$ | |
| Assets transferred to non-depreciable assets | | 683,648 | 683,648 | |
| Assets transferred to depreciable assets | | 265,574 | 265,574 | |
| Transfer of assets to other entities | | 6,305,800 | \$ 6,305,800 | |
| Increase in estimated value of developer construction | | 11,088,875 | | |
| Capital outlay paid (decrease in liability) to developer | | (7,255,022) | | |
| Less depreciation expense for the fiscal year | | <u>(65,133)</u> | | |
| Net increases / decreases to capital assets | | <u>\$ 11,972,964</u> | <u>\$ 7,255,022</u> | |

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2022, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due within One Year</u> |
|--|------------------------------|----------------------|---------------------|---------------------------|--------------------------------|
| Bonds payable | \$ 3,600,000 | \$ 8,755,000 | \$ | \$ 12,355,000 | \$ 365,000 |
| Add (less) deferred amounts: | | | | | |
| For issuance (discounts) premiums | <u>(78,593)</u> | <u>(181,975)</u> | <u>(14,476)</u> | <u>(246,092)</u> | <u>(16,402)</u> |
| Total bonds payable | <u>3,521,407</u> | <u>8,573,025</u> | <u>(14,476)</u> | <u>12,108,908</u> | <u>348,598</u> |
| Due to developers for operating advances (see below) | 120,000 | 34,000 | 65,000 | 89,000 | ----- |
| Due to developers for construction (see below) | <u>56,999,037</u> | <u>11,088,875</u> | <u>7,255,022</u> | <u>60,832,890</u> | ----- |
| Total due to developers | <u>57,119,037</u> | <u>11,122,875</u> | <u>7,320,022</u> | <u>60,921,890</u> | <u>0</u> |
| Total long-term liabilities | <u>\$ 60,640,444</u> | <u>\$ 19,695,900</u> | <u>\$ 7,305,546</u> | <u>\$ 73,030,798</u> | <u>\$ 348,598</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On November 10, 2022, the District issued its \$7,055,000 Series 2022 unlimited tax utility bonds and its Series 2022 \$13,750,000 unlimited tax road bonds.

As of September 30, 2022, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal | Interest | Total |
|----------------|----------------------|---------------------|----------------------|
| 2023 | \$ 365,000 | \$ 314,743 | \$ 679,743 |
| 2024 | 380,000 | 307,893 | 687,893 |
| 2025 | 390,000 | 300,676 | 690,676 |
| 2026 | 400,000 | 293,191 | 693,191 |
| 2027 | 410,000 | 285,857 | 695,857 |
| 2028 - 2032 | 2,225,000 | 1,304,955 | 3,529,955 |
| 2033 - 2037 | 2,550,000 | 1,040,857 | 3,590,857 |
| 2038 - 2042 | 2,945,000 | 672,518 | 3,617,518 |
| 2043 - 2046 | <u>2,690,000</u> | <u>204,900</u> | <u>2,894,900</u> |
| | <u>\$ 12,355,000</u> | <u>\$ 4,725,590</u> | <u>\$ 17,080,590</u> |

The bonds 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.

| | |
|--|----------------|
| Water, sewer and drainage bonds voted | \$ 371,499,000 |
| Water, sewer and drainage bonds approved for sale and sold | 7,655,000 |
| Water, sewer and drainage bonds voted and not issued | 363,844,000 |
| | |
| Road bonds voted | \$ 242,342,493 |
| Road bonds approved for sale and sold | 4,700,000 |
| Road bonds voted and not issued | 237,642,493 |

The bond issues payable at September 30, 2022, were as follows:

| | <u>Series 2021 Road</u> | <u>Series 2021 Utility</u> | <u>Series 2021A Road</u> |
|--|---------------------------|----------------------------|---------------------------|
| Amounts outstanding, September 30, 2022 | \$3,600,000 | \$7,655,000 | \$1,100,000 |
| Interest rates | 1.60% to 3.00% | 2.00% to 3.00% | 1.00% to 3.00% |
| Maturity dates, serially beginning/ending | September 1, 2023/2046 | September 1, 2023/2046 | September 1, 2023/2046 |
| Interest payment dates | September 1/March 1 | September 1/March 1 | September 1/March 1 |
| Callable dates | September 1, 2025* | September 1, 2026* | September 1, 2026* |

*Or any date thereafter, callable at the principal amount plus accrued interest, in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with the Series 2021 Road, 2021 Utility and 2021A Road Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

| | | |
|--|---------------|-------------------|
| Bond interest reserve, beginning of year | | \$ 93,813 |
| 18 months' interest from sale of Series 2021 utility bonds | \$ 295,959 | |
| Accrued interest received at date of sale | <u>12,058</u> | 308,017 |
| 12 months' interest from sale of Series 2021A road bonds | 25,913 | |
| Accrued interest received at date of sale | <u>1,583</u> | 27,496 |
| Deduct appropriation for bond interest paid | | <u>(277,541)</u> |
| Bond interest reserve, end of year | | <u>\$ 151,785</u> |

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At September 30, 2022, the cumulative amount of unreimbursed developer advances was \$89,000. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$212,048.

The developer within the District has constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that unreimbursed cost of the construction in progress at September 30, 2022, was \$60,832,890. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

The Collin County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after September 30 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 6, 2018, the voters within the District authorized a maintenance tax not to exceed \$1.20 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters also authorized a road maintenance tax not to exceed \$1.20 per \$100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater and drainage bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 28, 2021, the District levied the following ad valorem taxes for the 2021 tax year on the adjusted taxable valuation of \$64,105,936:

| | <u>Rate</u> | <u>Amount</u> |
|-------------------------|------------------|-------------------|
| Debt service, Utilities | \$ 0.3700 | \$ 211,550 |
| Debt service, Roads | 0.2500 | 160,265 |
| Maintenance | <u>0.3800</u> | <u>269,245</u> |
| | <u>\$ 1.0000</u> | <u>\$ 641,060</u> |

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

| | |
|--|-------------------|
| 2021 tax year total property tax levy | \$ 641,060 |
| Appraisal district adjustments to prior year taxes | <u>35,857</u> |
| Statement of Activities property tax revenues | <u>\$ 676,917</u> |

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past two fiscal years. At September 30, 2022, the District had consultant's crime coverage of \$10,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9: AGREEMENTS WITH OTHER ENTITIES

Water Supply

The District entered into Non-Standard Water Service Agreements (the "Agreements") with Culleoka Water Supply Corporation ("Culleoka"), Milligan Water Supply Corporation ("Milligan") and the City of Princeton (the "City"). The District lies partially within each of Culleoka's, Milligan's and the City's service areas for water services. Under the terms of the Agreements, the District will construct, or have constructed, water production and distribution system. Upon completion of such system, the system will be conveyed to appropriate entity. In consideration of the District's construction and conveying such systems, the receiving entity shall assume all operation and maintenance responsibilities for the water system.

Wastewater Treatment

The District has entered into a Non-Standard Wastewater Service Agreement (the "Agreement") with the City of Princeton (the "City") to provide wastewater treatment services within the District. Under the terms of the Agreement, the District will construct, or have constructed, wastewater collection system. Upon completion of such system, the system will be conveyed to the City. In consideration of the District's construction and conveying such systems, the City shall assume all operation and maintenance responsibilities for the wastewater collection system.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 170,900 | \$ 170,900 | \$ 243,568 | \$ 72,668 |
| Interest on deposits | <u>0</u> | <u>0</u> | <u>109</u> | <u>109</u> |
| TOTAL REVENUES | <u>170,900</u> | <u>170,900</u> | <u>243,677</u> | <u>72,777</u> |
| EXPENDITURES | | | | |
| Service operations: | | | | |
| Professional fees | 100,000 | 100,000 | 82,844 | (17,156) |
| Contracted services | 10,500 | 10,500 | 16,519 | 6,019 |
| Administrative expenditures | 16,515 | 16,515 | 10,999 | (5,516) |
| Capital outlay | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL EXPENDITURES | <u>127,015</u> | <u>127,015</u> | <u>110,362</u> | <u>(16,653)</u> |
| EXCESS REVENUES (EXPENDITURES) | 43,885 | 43,885 | 133,315 | 89,430 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer advances | <u>0</u> | <u>0</u> | <u>34,000</u> | <u>34,000</u> |
| TOTAL OTHER FINANCIAL SOURCES (USES) | <u>0</u> | <u>0</u> | <u>34,000</u> | <u>34,000</u> |
| EXCESS SOURCES (USES) | 43,885 | 43,885 | 167,315 | 123,430 |
| FUND BALANCE, BEGINNING OF YEAR | <u>40,893</u> | <u>40,893</u> | <u>40,893</u> | <u>0</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 84,778</u> | <u>\$ 84,778</u> | <u>\$ 208,208</u> | <u>\$ 123,430</u> |

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

The accompanying notes are an integral part of the financial statements.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2022

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- TSI-1. Services and Rates
- TSI-2. General Fund Expenditures
- TSI-3. Temporary Investments
Not applicable.
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-Term Debt Service Requirements by Years
- TSI-6. Changes in Long-Term Bonded Debt
- TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- TSI-8. Board Members, Key Personnel and Consultants

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2022

1. Services Provided by the District during the Fiscal Year:

- Retail Water
- Wholesale Water
- Drainage
- Retail Wastewater
- Wholesale Wastewater
- Irrigation
- Parks/Recreation
- Fire Protection
- Security
- Solid Waste/Garbage
- Flood Control
- Roads
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other

2. Retail Service Providers

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

Not Applicable. See Note 9 of the Notes to the Financial Statements.

b. Water and Wastewater Retail Connections:

Not Applicable. See Note 9 of the Notes to the Financial Statements.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

Does the District have Debt Service standby fees? Yes No

If yes, date of the most recent Commission Order: _____

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

If yes, date of the most recent Commission Order: _____

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2EXPENDITURESFOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|------------------------------------|-------------------------|----------------------------------|--------------------------------------|---|
| CURRENT | | | | |
| Professional fees: | | | | |
| Auditing | \$ 6,500 | \$ | \$ | 6,500 |
| Legal | 71,635 | 481 | | 72,116 |
| Engineering | 4,709 | | | 4,709 |
| | <u>82,844</u> | <u>481</u> | <u>0</u> | <u>83,325</u> |
| Contracted services: | | | | |
| Bookkeeping | 9,941 | | | 9,941 |
| Tax assessor-collector | 2,087 | | | 2,087 |
| Appraisal district | 4,491 | | | 4,491 |
| | <u>16,519</u> | <u>0</u> | <u>0</u> | <u>16,519</u> |
| Administrative expenditures: | | | | |
| Director's fees | 5,550 | | | 5,550 |
| Insurance | 1,795 | | | 1,795 |
| Other | 3,654 | 813 | 755 | 5,222 |
| | <u>10,999</u> | <u>813</u> | <u>755</u> | <u>12,567</u> |
| CAPITAL OUTLAY | | | | |
| Authorized expenditures | <u>0</u> | <u>0</u> | <u>7,320,022</u> | <u>7,320,022</u> |
| Interest on developer construction | <u>0</u> | <u>0</u> | <u>358,138</u> | <u>358,138</u> |
| DEBT SERVICE | | | | |
| Bond issuance expenditures | <u>0</u> | <u>0</u> | <u>542,457</u> | <u>542,457</u> |
| Interest and fees: | | | | |
| Interest | | 277,541 | | 277,541 |
| Paying agent fees | | 531 | | 531 |
| | <u>0</u> | <u>278,072</u> | <u>0</u> | <u>278,072</u> |
| TOTAL EXPENDITURES | <u>\$ 110,362</u> | <u>\$ 279,366</u> | <u>\$ 8,221,372</u> | <u>\$ 8,611,100</u> |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------------|----------------------------------|--------------------------------------|---|
| SOURCES OF DEPOSITS | | | | |
| Cash receipts from revenues excluding maintenance taxes | \$ 109 | \$ 446,973 | \$ 99 | \$ 447,181 |
| Maintenance tax receipts | | 243,568 | | 243,568 |
| Transfer of maintenance taxes | 254,708 | | | 254,708 |
| Proceeds from sale of bonds | | 321,872 | 8,251,153 | 8,573,025 |
| Developer advances | <u>34,000</u> | | | <u>34,000</u> |
| TOTAL DEPOSITS PROVIDED | <u>288,817</u> | <u>1,012,413</u> | <u>8,251,252</u> | <u>9,552,482</u> |
| APPLICATIONS OF DEPOSITS | | | | |
| Cash disbursements for: | | | | |
| Current expenditures | 68,501 | 1,294 | 4,705 | 74,500 |
| Capital outlay | | | 7,678,160 | 7,678,160 |
| Debt service | | 278,072 | 542,457 | 820,529 |
| Prepaid expenditures | 41,871 | | | 41,871 |
| Transfer of maintenance taxes | | <u>254,708</u> | | <u>254,708</u> |
| TOTAL DEPOSITS APPLIED | <u>110,372</u> | <u>534,074</u> | <u>8,225,322</u> | <u>8,869,768</u> |
| INCREASE (DECREASE) IN DEPOSITS | 178,445 | 478,339 | 25,930 | 682,714 |
| DEPOSITS BALANCES, BEGINNING OF YEAR | <u>1,685</u> | <u>93,793</u> | <u>94,131</u> | <u>189,609</u> |
| DEPOSITS BALANCES, END OF YEAR | <u>\$ 180,130</u> | <u>\$ 572,132</u> | <u>\$ 120,061</u> | <u>\$ 872,323</u> |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>Maintenance Taxes</u> | <u>Road Debt Service Taxes</u> | <u>Debt Service Taxes</u> |
|---|------------------------------|--|-----------------------------------|
| RECEIVABLE, BEGINNING OF YEAR | \$ 0 | \$ 0 | \$ 0 |
| Additions and corrections to prior year taxes | <u>35,858</u> | <u>0</u> | <u>0</u> |
| Adjusted receivable, beginning of year | 35,858 | 0 | 0 |
| 2021 ADJUSTED TAX ROLL | <u>211,550</u> | <u>160,265</u> | <u>269,245</u> |
| Total to be accounted for | 247,408 | 160,265 | 269,245 |
| Tax collections: Current tax year | (207,710) | (157,356) | (264,358) |
| Prior tax years | <u>(35,858)</u> | <u>0</u> | <u>0</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 3,840</u> | <u>\$ 2,909</u> | <u>\$ 4,887</u> |
| RECEIVABLE, BY TAX YEAR | | | |
| 2021 | <u>\$ 3,840</u> | <u>\$ 2,909</u> | <u>\$ 4,887</u> |
| RECEIVABLE, END OF YEAR | <u>\$ 3,840</u> | <u>\$ 2,909</u> | <u>\$ 4,887</u> |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2022

| ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR | <u>2021</u> | <u>2020</u> | <u>2019**</u> |
|---|--------------------------|--------------------------|-------------------------|
| Land | \$ 37,493,371 | \$ 15,438,100 | \$ 7,816,839 |
| Improvements | 29,012,784 | 0 | 0 |
| Personal property | 258,588 | 12,008 | 0 |
| Less exemptions | <u>(2,658,807)</u> | <u>(4,814,461)</u> | <u>(5,147,537)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 64,105,936</u> | <u>\$ 10,635,647</u> | <u>\$ 2,669,302</u> |
| TAX RATES PER \$100 VALUATION | | | |
| Debt service tax rates, utilities | \$ 0.37000 | \$ 0.00000 | \$ 0.00000 |
| Debt service tax rates, roads | 0.25000 | 0.00000 | 0.00000 |
| Maintenance tax rates* | <u>0.38000</u> | <u>1.00000</u> | <u>1.00000</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 1.00000</u> | <u>\$ 1.00000</u> | <u>\$ 1.00000</u> |
| TAX ROLLS | <u>\$ 641,060</u> | <u>\$ 106,356</u> | <u>\$ 26,824</u> |
| PERCENT OF TAXES COLLECTED TO TAXES LEVIED | <u>98.2 %</u> | <u>100 %</u> | <u>100 %</u> |

*Maximum tax rate approved by voters on November 6, 2018: \$1.20

**The District first levied taxes for tax year 2019.

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2022

| Series 2021 Road | | | |
|--|--|--|---------------------|
| <u>Due During Fiscal Years Ending September 30</u> | <u>Principal Due September 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2023 | \$ 100,000 | \$ 91,525 | \$ 191,525 |
| 2024 | 105,000 | 89,525 | 194,525 |
| 2025 | 110,000 | 87,425 | 197,425 |
| 2026 | 110,000 | 85,225 | 195,225 |
| 2027 | 115,000 | 83,465 | 198,465 |
| 2028 | 120,000 | 81,510 | 201,510 |
| 2029 | 120,000 | 79,350 | 199,350 |
| 2030 | 125,000 | 77,070 | 202,070 |
| 2031 | 130,000 | 74,570 | 204,570 |
| 2032 | 135,000 | 71,840 | 206,840 |
| 2033 | 140,000 | 68,870 | 208,870 |
| 2034 | 145,000 | 65,650 | 210,650 |
| 2035 | 150,000 | 62,170 | 212,170 |
| 2036 | 155,000 | 58,420 | 213,420 |
| 2037 | 160,000 | 54,390 | 214,390 |
| 2038 | 165,000 | 50,070 | 215,070 |
| 2039 | 170,000 | 45,450 | 215,450 |
| 2040 | 175,000 | 40,350 | 215,350 |
| 2041 | 180,000 | 35,100 | 215,100 |
| 2042 | 185,000 | 29,700 | 214,700 |
| 2043 | 190,000 | 24,150 | 214,150 |
| 2044 | 200,000 | 18,450 | 218,450 |
| 2045 | 205,000 | 12,450 | 217,450 |
| 2046 | 210,000 | 6,300 | 216,300 |
| TOTALS | \$ 3,600,000 | \$ 1,393,025 | \$ 4,993,025 |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2022

| <u>Series 2021 Utility</u> | | | |
|--|--|--|----------------------|
| <u>Due During Fiscal Years Ending September 30</u> | <u>Principal Due September 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2023 | \$ 220,000 | \$ 197,306 | \$ 417,306 |
| 2024 | 230,000 | 192,906 | 422,906 |
| 2025 | 235,000 | 188,306 | 423,306 |
| 2026 | 245,000 | 183,606 | 428,606 |
| 2027 | 250,000 | 178,707 | 428,707 |
| 2028 | 260,000 | 173,706 | 433,706 |
| 2029 | 265,000 | 168,506 | 433,506 |
| 2030 | 275,000 | 163,206 | 438,206 |
| 2031 | 280,000 | 157,706 | 437,706 |
| 2032 | 290,000 | 151,756 | 441,756 |
| 2033 | 300,000 | 145,232 | 445,232 |
| 2034 | 310,000 | 138,106 | 448,106 |
| 2035 | 315,000 | 130,356 | 445,356 |
| 2036 | 325,000 | 122,482 | 447,482 |
| 2037 | 335,000 | 113,950 | 448,950 |
| 2038 | 345,000 | 104,738 | 449,738 |
| 2039 | 355,000 | 95,250 | 450,250 |
| 2040 | 370,000 | 84,600 | 454,600 |
| 2041 | 380,000 | 73,500 | 453,500 |
| 2042 | 390,000 | 62,100 | 452,100 |
| 2043 | 400,000 | 50,400 | 450,400 |
| 2044 | 415,000 | 38,400 | 453,400 |
| 2045 | 425,000 | 25,950 | 450,950 |
| 2046 | 440,000 | 13,200 | 453,200 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTALS | <u>\$ 7,655,000</u> | <u>\$ 2,953,975</u> | <u>\$ 10,608,975</u> |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2022

| Series 2021A Road | | | |
|--|--|--|--------------|
| <u>Due During Fiscal Years Ending September 30</u> | <u>Principal Due September 1</u> | <u>Interest Due March 1, September 1</u> | <u>Total</u> |
| 2023 | \$ 45,000 | \$ 25,912 | \$ 70,912 |
| 2024 | 45,000 | 25,462 | 70,462 |
| 2025 | 45,000 | 24,945 | 69,945 |
| 2026 | 45,000 | 24,360 | 69,360 |
| 2027 | 45,000 | 23,685 | 68,685 |
| 2028 | 45,000 | 22,920 | 67,920 |
| 2029 | 45,000 | 22,065 | 67,065 |
| 2030 | 45,000 | 21,165 | 66,165 |
| 2031 | 45,000 | 20,265 | 65,265 |
| 2032 | 45,000 | 19,320 | 64,320 |
| 2033 | 45,000 | 18,330 | 63,330 |
| 2034 | 45,000 | 17,295 | 62,295 |
| 2035 | 40,000 | 16,215 | 56,215 |
| 2036 | 40,000 | 15,215 | 55,215 |
| 2037 | 45,000 | 14,176 | 59,176 |
| 2038 | 45,000 | 12,960 | 57,960 |
| 2039 | 45,000 | 11,700 | 56,700 |
| 2040 | 45,000 | 10,350 | 55,350 |
| 2041 | 45,000 | 9,000 | 54,000 |
| 2042 | 50,000 | 7,650 | 57,650 |
| 2043 | 50,000 | 6,150 | 56,150 |
| 2044 | 50,000 | 4,650 | 54,650 |
| 2045 | 50,000 | 3,150 | 53,150 |
| 2046 | 55,000 | 1,650 | 56,650 |
| TOTALS | \$ 1,100,000 | \$ 378,590 | \$ 1,478,590 |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2022

| <u>Due During Fiscal Years Ending September 30</u> | <u>Annual Requirements for All Series</u> | | |
|--|---|-----------------------------------|----------------------|
| | <u>Total Principal Due</u> | <u>Total Interest Due</u> | <u>Total</u> |
| 2023 | \$ 365,000 | \$ 314,743 | \$ 679,743 |
| 2024 | 380,000 | 307,893 | 687,893 |
| 2025 | 390,000 | 300,676 | 690,676 |
| 2026 | 400,000 | 293,191 | 693,191 |
| 2027 | 410,000 | 285,857 | 695,857 |
| 2028 | 425,000 | 278,136 | 703,136 |
| 2029 | 430,000 | 269,921 | 699,921 |
| 2030 | 445,000 | 261,441 | 706,441 |
| 2031 | 455,000 | 252,541 | 707,541 |
| 2032 | 470,000 | 242,916 | 712,916 |
| 2033 | 485,000 | 232,432 | 717,432 |
| 2034 | 500,000 | 221,051 | 721,051 |
| 2035 | 505,000 | 208,741 | 713,741 |
| 2036 | 520,000 | 196,117 | 716,117 |
| 2037 | 540,000 | 182,516 | 722,516 |
| 2038 | 555,000 | 167,768 | 722,768 |
| 2039 | 570,000 | 152,400 | 722,400 |
| 2040 | 590,000 | 135,300 | 725,300 |
| 2041 | 605,000 | 117,600 | 722,600 |
| 2042 | 625,000 | 99,450 | 724,450 |
| 2043 | 640,000 | 80,700 | 720,700 |
| 2044 | 665,000 | 61,500 | 726,500 |
| 2045 | 680,000 | 41,550 | 721,550 |
| 2046 | 705,000 | 21,150 | 726,150 |
| TOTALS | <u>\$ 12,355,000</u> | <u>\$ 4,725,590</u> | <u>\$ 17,080,590</u> |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

| | <u>(1)</u> | <u>(2)</u> | <u>(3)</u> | <u>Totals</u> |
|---|---------------------------|---------------------------|---------------------------|----------------------|
| Bond Series: | 2021 Road | 2021 Utility | 2021A Road | |
| Interest Rate: | 1.60% to 3.00% | 2.00% to 3.00% | 1.00% to 3.00% | |
| Dates Interest Payable: | March 1/ September 1 | March 1/ September 1 | March 1/ September 1 | |
| Maturity Dates: | September 1, 2023/2046 | September 1, 2023/2046 | September 1, 2023/2046 | |
| Bonds Outstanding at Beginning of Current Year | \$ 3,600,000 | \$ | \$ | \$ 3,600,000 |
| Add Bonds Sold | | 7,655,000 | 1,100,000 | 8,755,000 |
| Less Retirements | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Bonds Outstanding at End of Current Year | <u>\$ 3,600,000</u> | <u>\$ 7,655,000</u> | <u>\$ 1,100,000</u> | <u>\$ 12,355,000</u> |
| Current Year Interest Paid | <u>\$ 91,525</u> | <u>\$ 164,422</u> | <u>\$ 21,594</u> | <u>\$ 277,541</u> |

Bond Descriptions and Original Amount of Issue

- (1) Collin County Municipal Utility District No. 2 Unlimited Tax Road Bonds, Series 2021 (\$3,600,000)
(2) Collin County Municipal Utility District No. 2 Unlimited Tax Utility Bonds, Series 2021 (\$7,655,000)
(3) Collin County Municipal Utility District No. 2 Unlimited Tax Road Bonds, Series 2021 (\$1,100,000)

Paying Agent/Registrar

- (1) (2) (3) BOKF, N.A., Dallas, Texas

| <u>Bond Authority</u> | <u>Tax Bonds*</u> | <u>Other Bonds</u> | <u>Refunding Bonds</u> |
|------------------------------|-------------------|--------------------|------------------------|
| Amount Authorized by Voters: | \$ 613,841,493 | \$ 0 | \$ 557,248,500 |
| Amount Issued: | 12,355,000 | | 0 |
| Remaining to be Issued: | 601,486,493 | | 557,248,500 |

*See Note 5 of the notes to financial statements for additional information.

Net Debt Service Fund deposits and investments balances as of September 30, 2022: \$ 583,272
Average annual debt service payment for remaining term of all debt: 711,691

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|--|-------------------|--------------------|-------------------|--------------------|--------------------|---------------------------|-----------------|-----------------|--------------|--------------|
| | 2022* | 2021 | 2020 | 2019* | 2018 | 2022 | 2021 | 2020 | 2019 | 2018 |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 243,568 | \$ 106,356 | \$ 26,824 | \$ | \$ | 99.9 % | 99.6 % | 100 % | % | % |
| Penalty and interest | <u>109</u> | <u>460</u> | <u>0</u> | <u></u> | <u></u> | <u>0.1</u> | <u>0.4</u> | <u>0.0</u> | <u></u> | <u></u> |
| TOTAL REVENUES | <u>243,677</u> | <u>106,816</u> | <u>26,824</u> | <u>0</u> | <u>0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>N/A</u> | <u>N/A</u> |
| EXPENDITURES | | | | | | | | | | |
| Service operations: | | | | | | | | | | |
| Professional fees | 82,844 | 103,476 | 22,244 | 28,789 | 20,732 | 34.0 | 96.9 | 82.9 | | |
| Contracted services | 16,519 | 10,207 | 3,402 | 793 | 0 | 6.8 | 9.6 | 12.7 | | |
| Administrative expenditures | <u>10,999</u> | <u>10,094</u> | <u>7,883</u> | <u>4,070</u> | <u>1,057</u> | <u>4.5</u> | <u>9.4</u> | <u>29.4</u> | <u></u> | <u></u> |
| TOTAL EXPENDITURES | <u>110,362</u> | <u>123,777</u> | <u>33,529</u> | <u>33,652</u> | <u>21,789</u> | <u>45.3</u> | <u>115.9</u> | <u>125.0</u> | <u>N/A</u> | <u>N/A</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>\$ 133,315</u> | <u>\$ (16,961)</u> | <u>\$ (6,705)</u> | <u>\$ (33,652)</u> | <u>\$ (21,789)</u> | <u>54.7 %</u> | <u>(15.9) %</u> | <u>(25.0) %</u> | <u>N/A %</u> | <u>N/A %</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | | | | | |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | | | | | |

*District was funded by developer advances for fiscal years 2019 and prior.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED SEPTEMBER 30

| | AMOUNT | | | | | PERCENT OF TOTAL REVENUES | | | | |
|--|-------------------|--------------------|-------------|-------------|-------------|---------------------------|--------------------|--------------|--------------|--------------|
| | 2022 | 2021* | 2020 | 2019 | 2018 | 2022 | 2021 | 2020 | 2019 | 2018 |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 421,713 | \$ 0 | | | | 94.3 % | 0.0 % | % | % | % |
| Penalty and interest | 9,759 | 0 | | | | 2.2 | 0.0 | | | |
| Accrued interest on bonds received at date of sale | 13,641 | 2,288 | | | | 3.1 | 100.0 | | | |
| Interest on deposits | 1,860 | 0 | | | | 0.4 | 0.0 | | | |
| TOTAL REVENUES | 446,973 | 2,288 | 0 | 0 | 0 | 100.0 | 100.0 | 0.0 | 0.0 | 0.0 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Professional fees | 481 | 0 | | | | 0.1 | 0.0 | | | |
| Other expenditures | 813 | 20 | | | | 0.2 | 0.0 | | | |
| Debt service: | | | | | | | | | | |
| Principal retirement | 0 | 0 | | | | 0.0 | 0.0 | | | |
| Interest and fees | 278,072 | 45,763 | | | | 62.2 | 2000.1 | | | |
| TOTAL EXPENDITURES | 279,366 | 45,783 | 0 | 0 | 0 | 62.5 | 2000.1 | 0.0 | 0.0 | 0.0 |
| EXCESS REVENUES (EXPENDITURES) | \$ 167,607 | \$ (43,495) | \$ 0 | \$ 0 | \$ 0 | 37.5 % | (1,900.0 %) | 0.0 % | 0.0 % | 0.0 % |

*First year of financial activity.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2022

Complete District Mailing Address: Collin County Municipal Utility District No. 2
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, Texas 75254

District Business Telephone No.: 972-788-1600

Submission date of the most recent District Registration Form: December 15, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

BOARD MEMBERS

| <u>Name and Address</u> | <u>Term of Office (Elected/ Appointed)</u> | <u>Fees of Office Paid</u> | <u>Expense Reimb.</u> | <u>Title at Year End</u> |
|---|--|------------------------------------|---------------------------|------------------------------|
| Wynn Searle c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | Elected 5/02/20- 5/04/24 | \$ 1,200 | \$ 141 | President |
| Matt Robinson c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | Elected 5/07/22- 5/02/26 | 900 | 70 | Vice President |
| John Henney c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | Elected 5/07/22- 5/02/26 | 1,350 | 160 | Secretary |
| Wade Lowe c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | Elected 5/07/22- 5/02/26 | 900 | 0 | Assistant Secretary |
| Robert Cooper c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | Appointed 10/26/21- 5/04/24 | 1,200 | 251 | Assistant Secretary |

See accompanying independent auditor's report.

COLLIN COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2022

CONSULTANTS

| <u>Name and Address</u> | <u>Date Hired</u> | <u>Fees and Expense Reimbursements</u> | <u>Title at Year End</u> |
|---|-----------------------|--|----------------------------------|
| Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 75254 | 8/20/18 | \$ 71,635 232,874 Bonds | Attorney |
| L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377 | 8/20/18 | 9,941 2,400 Bonds | Bookkeeper |
| Kimley-Horn & Associates, Inc. 400 N. Oklahoma Drive, Suite 105 Celina, Texas 75009 | 8/20/18 | 4,709 65,671 Bonds | Engineer |
| Kenneth L. Maun Collin County Tax Assessor-Collector 2300 Bloomdale Road McKinney, Texas 75070 | 8/20/18 | 2,087 | Tax Assessor- Collector |
| Collin Central Appraisal District 250 Eldorado Parkway McKinney, Texas 75069 | Legislative Action | 4,491 | Central Appraisal District |
| Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010 | 8/20/18 | 186,831 | Financial Advisor |
| Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477 | 12/01/20 | 6,500 10,650 Bonds | Independent Auditor |

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN