

OFFICIAL STATEMENT DATED NOVEMBER 13, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON 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" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book-Entry-Only

Rating: S&P "AA" (Stable Outlook)/Insured See "BOND INSURANCE" herein

\$5,000,000 NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2 (A political subdivision of the State of Texas located within Hays County) UNLIMITED TAX ROAD BONDS, SERIES 2023A

Dated: December 1, 2023

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery (defined below)

Principal of the above described bonds (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A. (the "Paying Agent/Registrar"), in Austin, Texas. Interest on the Bonds will accrue from the initial date of delivery (expected December 14, 2023) (the "Date of Delivery"), and be payable on September 1, 2024 and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360 day year of twelve 30 day months. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer"). See "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Table with 10 columns: Due, Principal, Interest, Reoffering, CUSIP, Due, Principal, Interest, Reoffering, CUSIP. Rows list bond terms from 2025 to 2032.

\$510,000 5.00% Term Bonds due September 1, 2042(c) Priced to Yield 5.00%(a) – 659608BT9(b)
\$565,000 5.00% Term Bonds due September 1, 2044(c) Priced to Yield 5.00%(a) – 659608BV4(b)
\$635,000 5.00% Term Bonds due September 1, 2046(c) Priced to Yield 5.01%(a) – 659608BX0(b)
\$700,000 5.00% Term Bonds due September 1, 2048(c) Priced to Yield 5.02%(a) – 659608BZ5(b)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser.
(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 purchasers of the Bonds.
(c) Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or in part, on September 1, 2028, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Bonds, when issued, will constitute valid and legally binding obligations of North Hays County Municipal Utility District No. 2 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Hays County, the City of Kyle or any entity other than the District. The Bonds are subject to special risk factors described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is on December 14, 2023.

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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 representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, 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 Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, Texas 78701, upon payment of duplication costs.

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The IssuerNorth Hays County Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas, is located in Hays County, Texas. See “THE DISTRICT.”

The Issue.....\$5,000,000 Unlimited Tax Road Bonds, Series 2023A (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery, at the rates shown on the cover hereof, and is payable on September 1, 2024, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2029, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2028, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.” Additionally, Term Bonds maturing on September 1 in the years 2042, 2044, 2046 and 2048 are subject to mandatory sinking fund redemption. See “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption.”

Authority for IssuanceThe Bonds are the first series of bonds issued out of an aggregate \$123,500,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring and constructing road facilities and refunding bonds issued for such purpose. The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), Article III, Section 52 of the Texas Constitution, Article XVI, Section 59 of the Texas Constitution, Senate Bill 2245, an act of the 85th Legislature of the State of Texas, Regular Session (2017), and codified as Chapter 7988 of the Special District Local Laws Code (the “Act”), Chapters 49 and 54 of the Texas Water Code, as amended, and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS – Authority for Issuance.”

Source of Payment.....The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, Hays County, the City of Kyle (the “City”), or any other political subdivision or agency other than the District. See “THE BONDS – Source of and Security for Payment.”

Use of Proceeds.....Proceeds from sale of the Bonds will be used, in part, to reimburse the Developer (as hereinafter defined) for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to capitalize twelve months of interest on the Bonds, to pay developer interest, and to pay certain costs associated with the issuance of the Bonds.

Payment RecordThe District has previously issued \$3,000,000 Unlimited Tax Bonds, Series 2023, which closed on October 18, 2023, all of which remains outstanding (the “Outstanding Bonds” or “Series 2023 Bonds”). The District has never defaulted on the payment of principal and interest on its previously issued bonds.

Qualified Tax-Exempt ObligationsThe Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Municipal Bond Rating and Insurance.....The Bonds are expected to be rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “MUNICIPAL BOND RATING” and “BOND INSURANCE.”

Legal Opinion.....Allen Boone Humphries Robinson LLP, Bond Counsel, Austin, Texas.

Financial Advisor.....Specialized Public Finance Inc., Austin, Texas.

Disclosure CounselOrrick, Herrington & Sutcliffe LLP, Austin Texas.

EngineerJones-Heroy & Associates, Inc., Austin, Texas.

Paying Agent/RegistrarUMB Bank, N.A., Austin, Texas.

Risk FactorsThe purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “RISK FACTORS.”

THE DISTRICT

Description.....The District was created by Senate Bill 2245, an act of the 85th Legislature of the State of Texas, Regular Session (2017), codified as Chapter 7988 of the Texas Special District Local Laws Code (the “Act”). The District presently contains approximately 694 acres of land. The District is comprised of multiple separate tracts of land located entirely within Hays County and within the corporate limits of the City of Kyle (the “City”), which City is located approximately 22 miles south of the central business district of the City of Austin, Texas.

Status of Development.....Development in the District, known as Plum Creek, consists of a variety of land uses across approximately 350 acres, including approximately 150,000 square feet of neighborhood scale retail and services, and seven business parks. Kyle Crossing Industrial Park by Majestic consists of two buildings combined of approximately 535,000 square feet with tenants such as Amazon, FedEx and Lowe’s. Plum Creek Logistics Center by Northpoint consists of three buildings of approximately 990,000 square feet total, with tenants such as Plastikon, Viking Supply, and American HVAC/Metals. ENF Technologies, a Samsung supplier, has a factory in the District of approximately 120,000 square feet with a planned expansion of approximately 120,000 square feet underway. Live Oak’s business park has recently been completed and consists of approximately 95,000 square feet of light industrial space. Fat Quarter Shop is under construction on approximately 250,000 square feet of an assembly plant and Sovereign Flavors is under construction on a 35,000 square foot factory for developing beverage flavors. Nearly 1,000,000 square feet of factory is planned to commence construction by the end of 2023 by DSBJ Solutions, a Tesla supplier.

In addition to the development described above, the District contains approximately 250 acres of developable land which are not provided with underground water, sanitary sewer, and drainage facilities or roads. There are approximately 94 acres of undevelopable or exempt land in the District that includes detention ponds, drainage channels, pipelines, and roads, and land dedicated to the City for municipal offices and park facilities. See “THE DISTRICT – Status of Development.”

The Developer and

Principal Landowner.....Mountain Plum, Ltd., a Texas limited partnership (the “Landowner”) initially owned the majority of the approximately 694 acres within the District. Plum Creek Development Partners, Ltd., a Texas limited partnership (the “Developer”) is the developer of the District that performs the necessary and required land development work.

Development of Plum Creek is managed by MG Realty Advisors, LLC, d/b/a Momark Development (“Momark”), through a Development Management Agreement with the Landowner and Developer. Momark is a planned community developer in the greater Austin, Texas area and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects for more than twenty years. See “THE DEVELOPER AND PRINCIPAL LANDOWNER.”

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$385,376,072 ^(a)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$ 8,000,000 ^(b)
Estimated Overlapping Debt	<u>21,639,924^(c)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$29,639,924
Ratio of Gross Direct Debt to 2023 Taxable Assessed Valuation.....	2.08%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to 2023 Taxable Assessed Valuation.....	7.69% ^(c)
Funds Available for Debt Service	
Water, Sewer, and Drainage Debt Service Fund.....	\$214,965 ^(d)
Capitalized Interest from Bond Proceeds.....	<u>261,250^(e)</u>
Total Upon Closing.....	\$476,215
Funds Available in Operating Fund as of October 16, 2023	\$461,650
2023 District Tax Rate:	
Debt Service.....	\$0.00
Maintenance and Operations.....	<u>0.20</u>
Total	\$0.20/\$100 A.V.
2023 City of Kyle Tax Rate ^(f)	\$0.4693/\$100 A.V.
Average Annual Debt Service Requirements (2024-2048) (“Average Requirement”).....	\$572,463 ^(g)
Maximum Annual Debt Service Requirement (2048) (“Maximum Requirement”).....	\$603,965 ^(g)
Tax rate required to pay Average Requirement based upon 2023 Taxable Assessed Valuation at a 95% collection rate	\$0.16/\$100A.V.
Tax rate required to pay Maximum Requirement based upon 2023 Taxable Assessed Valuation at a 95% collection rate	\$0.17/\$100A.V.

Area of District – 694 acres

- (a) As certified by the Hays Central Appraisal District (the “Appraisal District”). Includes \$385,163,016 of value certified by the Appraisal District and \$213,056 of value not yet certified by the Appraisal District. See “TAX PROCEDURES.”
- (b) Includes the District’s \$3,000,000 Unlimited Tax Bonds, Series 2023 (the “Outstanding Bonds” or “Series 2023 Bonds”) which closed on October 18, 2023, and the Bonds.
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT” herein.
- (d) Upon closing of the Series 2023 Bonds, eighteen (18) months of capitalized interest was deposited in the Water, Sewer, and Drainage Debt Service Fund. The Water, Sewer, and Drainage Debt Service Fund is not pledged to Road Bonds, including the Bonds. Funds in the Water, Sewer, and Drainage Debt Service Fund are not available to pay principal and interest on Road Bonds, including the Bonds.
- (e) The District will capitalize twelve (12) months of interest from Bond proceeds. Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- (f) See “ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2023.”
- (g) Includes the Series 2023 Bonds and the Bonds.

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OFFICIAL STATEMENT

\$5,000,000

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

UNLIMITED TAX ROAD BONDS

SERIES 2023A

This Official Statement provides certain information in connection with the issuance by North Hays County Municipal Utility District No. 2 (the “District”) of its \$5,000,000 Unlimited Tax Road Bonds, Series 2023A (the “Bonds”).

The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), Article III, Section 52 of the Texas Constitution, Article XVI, Section 59 of the Texas Constitution, Senate Bill 2245, an act of the 85th Legislature of the State of Texas, Regular Session (2017), and codified as Chapter 7988 of the Special District Local Laws Code (the “Act”), Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and Plum Creek Development Partners, Ltd. (the “Developer”), the developer of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefore.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, Texas, 78701 or from the District’s Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Hays County, the City of Kyle (the “City”), or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “Registered Owners’ Remedies and Bankruptcy Limitations” below.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of industrial/manufacturing/commercial facilities and vacant tracts of land. The market value of such properties is related to general economic conditions in the City of Austin, the State of Texas, and the nation and those conditions can affect the demand for such properties. Demand for industrial/manufacturing/commercial facilities of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 22 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Austin and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Developer/Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Dependence on Principal Taxpayers

The ten principal taxpayers in the District represent \$320,857,558, or 83.26%, of the District's 2023 Certified Taxable Assessed Valuation of \$385,376,072. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Dependence on Personal Property Tax Collections

Because substantially all of the District's 2023 tax base is comprised of industrial/manufacturing/commercial facilities, approximately 30.67% (\$118,208,615) of the certified 2023 taxable assessed valuation (\$385,376,072) is personal property. See "TAX DATA – Summary of Assessed Valuation," and "TAX PROCEDURES – Property Subject to Taxation by the District." Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year. If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult. The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitations period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2023 taxable assessed valuation of the District is \$385,376,072 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the maximum annual debt service requirement will be \$603,965 (2048) and the average annual debt service requirement will be \$572,463 (2024-2048). Assuming no increase or decrease from the 2023 taxable assessed valuation and a 95% collection rate, tax rates of \$0.17 and

\$0.16 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively (see “DEBT SERVICE REQUIREMENTS”). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2023 taxable assessed valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District’s assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction of taxable improvements within the District. See “TAX PROCEDURES” and “TAX DATA – Tax Adequacy for Debt Service.”

Future Debt

After issuance of the Bonds, the District will have \$118,500,000 principal amount of authorized but unissued unlimited tax bonds for road facilities and refunding of such bonds, and \$380,500,000 principal amount of authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities and refunding of such bonds, and the District may issue additional bonds which may be voted hereafter. See “THE BONDS – Issuance of Additional Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer, and drainage facilities must be approved by the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”).

The Developer has financed or is financing the engineering and construction costs of water, sewer, drainage and road facilities to serve the District. After reimbursement from the proceeds of the Bonds, the Developer will have expended approximately \$5,640,000 (as of October 15, 2023) for design, construction and acquisition of water, sewer, and drainage facilities and \$580,000 (as of October 15, 2023) for roads not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developer for these eligible costs to the extent permitted by the Commission or other applicable law. Additionally, the District contains approximately 250 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities or roads. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage. The District can make no representation that any additional development will occur within 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES – District’s Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy Limitations

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no 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. Based on recent Texas court

decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even 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.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires 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. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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."

Marketability

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

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 Austin area. Under the Clean Air Act (“CAA”) Amendments of 1990, the five-county Austin area (“Austin Area”)—Travis, Hays, Williamson, Bastrop, and Caldwell Counties—has been designated an attainment/unclassifiable area under two separate federal ozone standards: the 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”).

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that the Austin Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could 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. In the past, the Austin Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. Since 2004, the Austin Area has been party to a curtailment agreement with the TCEQ, and the Austin Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) 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 Austin Area. It is possible that additional controls will be necessary to allow the Austin Area to maintain attainment with the ozone standards. Such additional controls could have a negative impact on the Austin Area’s economic growth and development.

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

Certain governmental entities regulate groundwater usage in the Austin 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) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP 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.

In addition to the foregoing, special district activities in the Austin Area involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition, and contributing zones are subject to the TCEQ’s Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent structural and non-structural Best Management Practices and the protection of sensitive features.

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 District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Storm Water

The National Weather Service recently 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 interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. 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. See “THE SYSYEM – Water, Sanitary Sewer and Drainage Facilities – 100-Year Flood Plain.”

Changes in Tax Legislation

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

Bond Insurance Risks

The following risk factors related to municipal bond insurance policies generally apply:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy (as defined herein) 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 a redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by 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 monies received by the Paying Agent/Registrar pursuant to the Bond Resolution. 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 claims-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the 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 "BOND INSURANCE" herein.

The obligations of the Bond Insurer under the Policy 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 and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes 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 will be dated December 1, 2023 and will accrue interest from the Date of Delivery, at the rates shown on the cover hereof, and interest is payable on each March 1 and September 1 commencing September 1, 2024, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on May 5, 2018, the voters of the District authorized the issuance of a total of \$123,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities and refunding bonds issued for such purpose. The Bonds are being issued pursuant to such authorization. See "Issuance of Additional Debt" below.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, Article III, Section 52 of the Texas Constitution, Article XVI, Section 59 of the Texas Constitution, Senate Bill 2245, an act of the 85th Legislature of the State of Texas, Regular Session (2017), and codified as Chapter 7988 of the Special District Local Laws Code (the "Act"), Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas.

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

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, the City, or any entity other than the District.

Funds

In the Bond Resolution, the Road Debt Service Fund (as that term is defined in the Bond Resolution) is created, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The District also maintains a Water, Sewer, and Drainage Debt Service Fund that is not pledged to Road Bonds, including the Bonds. Funds in the Water, Sewer, and Drainage Debt Service Fund are not available to pay principal and interest on Road Bonds, including the Bonds.

Twelve months of capitalized interest on the Bonds shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund and used to reimburse the Developer for the costs of acquiring or constructing District road facilities, pay interest on such reimbursements and pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for 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 promulgated 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 in the Bond Resolution 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.

Record Date

The record date for determining to whom is owed payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2028, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar (hereinafter defined) by lot or other customary method of random selection (or by DTC (hereinafter defined) in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of

the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Bonds maturing on September 1 in the years 2042, 2044, 2046 and 2048 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

<u>Term Bonds Due September 1, 2042</u>		<u>Term Bonds Due September 1, 2044</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$250,000	September 1, 2043	\$275,000
September 1, 2042*	260,000	September 1, 2044*	290,000

<u>Term Bonds Due September 1, 2046</u>		<u>Term Bonds Due September 1, 2048</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$310,000	September 1, 2047	\$340,000
September 1, 2046*	325,000	September 1, 2048*	360,000

*Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 45 days prior to a mandatory redemption date, shall have been (1) 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) purchased and canceled by the Paying Agent/Registrar at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Registration and Transfer

UMB Bank, N.A. in Austin, Texas is the initial paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

After issuance of the Bonds, the District will have \$118,500,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of constructing road facilities and refunding of such bonds. The District will also have \$380,500,000 of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities and refunding of such bonds. The District anticipates issuing additional bonds in the future. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. See “RISK FACTORS – Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b)

approval of the fire plan and bonds for such purpose by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for fire-fighting purposes.

Abolishment by the City of Kyle

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District may be abolished by the City without the District's consent. Provided, however, the City has agreed in the Consent Agreement that the District will not be dissolved until the earlier of (i) August 18, 2037, which is 20 years from the date of the Consent Agreement or (ii) ninety percent (90%) of the land within the District has access to retail water and wastewater from the City. See "THE DISTRICT – Consent Agreement." If the District is abolished, the City will assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days. Abolishment of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that abolishment will or will not occur or as to the ability of the City to make debt service payments on the Bonds should abolishment occur.

Remedies in Event of Default

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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no 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 Resolution may not be reduced to a judgment for money damages. Even 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. Certain traditional legal remedies also may not be available. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any 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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and 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 or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of 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, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to 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.

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 S&P Global Rating rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are

transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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

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

THE DISTRICT

General

The District is a municipal utility district created by an act of the 85th Legislature of the State of Texas, Regular Session (2017), pursuant to Senate Bill 2245, codified as Chapter 7988 of the Texas Special District Local Laws Code (the "Act"), and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is located wholly within the corporate limits of the City and within the boundaries of Hays Consolidated Independent School District.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See "THE BONDS – Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the City. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Location

The District contains approximately 694 acres of land. The District is comprised of multiple separate tracts of land located entirely within Hays County and within the corporate limits of the City, which City is located approximately 22 miles south of the central business district of the City of Austin, Texas.

Status of Development

Development in the District, known as Plum Creek, consists of a variety of land uses across approximately 350 acres, including approximately 150,000 square feet of neighborhood scale retail and services, and seven business parks. Kyle Crossing Industrial Park by Majestic consists of two buildings combined of approximately 535,000 square feet with tenants such as Amazon, FedEx and Lowe's. Plum Creek Logistics Center by Northpoint consists of three buildings of approximately 990,000 square feet total, with tenants such as Plastikon, Viking Supply, and American HVAC/Metals. ENF Technologies, a Samsung supplier, has a factory in the District of approximately 120,000 square feet with a planned expansion of approximately 120,000 square feet underway. Live Oak's business park has recently been completed and consists of approximately 95,000 square feet of light industrial space. Fat Quarter Shop is under construction on approximately 250,000 square feet of an assembly plant and Sovereign Flavors is under construction on a 35,000 square foot factory for developing beverage flavors. Nearly 1,000,000 square feet of factory is planned to commence construction by the end of 2023 by DSBJ Solutions, a Tesla supplier.

In addition to the development described above, the District contains approximately 250 acres of developable land which are not provided with underground water, sanitary sewer, and drainage facilities or roads. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to finance the construction of facilities to complete the District's water, sewer, drainage, and roads for full development of the District. There are approximately 94 acres of undevelopable or exempt land in the District that includes detention ponds, drainage channels, pipelines, and roads, and land dedicated to the City for municipal offices and park facilities.

Consent Agreement

The District is party to that certain Consent Agreement, as amended (the “Consent Agreement”), entered into by and between the City; Plum Creek Development Partners Ltd, and Mountain Plum Ltd; and the District. The Consent Agreement provides, among other terms, the City's consent to creation of the District, the provision of water and wastewater service to the land within the District, and the City's agreement not to dissolve the District until the earlier of (i) August 18, 2037, which is 20 years from the date of the Consent Agreement, or (ii) ninety percent (90%) of the land within the District has access to retail water and wastewater service from the City. The City will thereafter have the right, but not the obligation to dissolve the District. The Consent Agreement also provides (i) the purposes for which the District is authorized to issue bonds, such purposes include those for the construction or acquisition of water, sewer, and drainage facilities, and roads and improvements in aid thereof, and (ii) the terms for the City's approval of bonds to be issued by the District, including the requirement to obtain City Council approval of the issuance of a series of bonds if such bonds, at the time of issuance of such bonds, are anticipated to require the District to levy a debt service tax rate that results in the District's total ad valorem tax rate exceeding twenty (20) cents per \$100 valuation.

The Consent Agreement further provides that the Developer or the District will construct, at no cost to the City, all water, wastewater, and drainage facilities and roads required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities and roads constructed by or on behalf of the District, and following the City's acceptance of such facilities, the facilities will be conveyed to the City for ownership, operation and maintenance. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed to the City and to provide retail water and wastewater services to customers within the District at the City's standard water and wastewater rates. The City is responsible for billing and collecting for water and wastewater services provided to customers within the District. All revenues from the water and wastewater customers in the District belongs exclusively to the City. The Consent Agreement will continue in effect until terminated by the City, which date shall not be sooner than the date that the developers have received the total amount of reimbursements permitted to be made to them by the Texas Water Code and Consent Agreement.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Each director owns land within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are currently held in May only in even numbered years. The directors and officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Erica Allison	President	May 2024
Marcel G. Garza	Vice President	May 2026
Kevin Howard	Secretary	May 2024
Hillary E. Sotello	Assistant Secretary	May 2026
Vacant	Assistant Vice President/Assistant Secretary	May 2024

While the District does not employ any full time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Hays Central Appraisal District (“Appraisal District”). The District’s Tax Assessor/Collector is contracted with by the Board, and the District has contracted with the Hays County Tax Assessor/Collector to serve in this capacity for the District.

Bookkeeper

The District has engaged Bott & Douthitt PLLC to serve as the District's bookkeeper (the "Bookkeeper").

Engineer

The consulting engineer for the District is Jones-Heroy & Associates, Inc. (the "Engineer").

Bond Counsel and General Counsel

The District engaged Allen Boone Humphries Robinson LLP as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP, Austin, Texas has been engaged by the District to serve as Disclosure Counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Specialized Public Finance Inc. (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

The District's financial statements for the fiscal year ended July 31, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District's July 31, 2022, audited financial statements. The District has engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended July 31, 2023.

THE DEVELOPER AND PRINCIPAL LANDOWNER

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In some instances, a landowner or developer will be required by the Commission to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the Commission to pave streets (in areas where District facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

The Developer and Principal Landowner

Mountain Plum, Ltd., a Texas limited partnership (the "Landowner") initially owned the majority of the approximately 694 acres within the District. Plum Creek Development Partners, Ltd., a Texas limited partnership (the "Developer") is the developer of the District that performs the necessary and required land development work.

The Developer has financed the development of Plum Creek with private equity and with a development loan provided by PlainsCapital Bank with a maturity date of February 2028. The balance of the development loan, as of July 1, 2023, was \$1,437,039. The loan is secured by, among other criteria, a first lien deed of trust upon certain property within the District.

Development of Plum Creek is managed by MG Realty Advisors, LLC, d/b/a Momark Development (“Momark”), through a Development Management Agreement with the Landowner and Developer. Momark is a planned community developer in the greater Austin, Texas area and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects for more than twenty years.

Neither the Developer, the Landowner, nor Momark are responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, the Landowner, nor Momark have any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time.

For financial information concerning the Developer, see “APPENDIX B – UNAUDITED FINANCIAL STATEMENTS OF THE DEVELOPER.”

THE SYSTEM

Regulation

According to Jones-Heroy & Associates, Inc. (the “Engineer”), the District’s water distribution, wastewater collection, and drainage facilities (the “System”) has been designed in accordance with accepted engineering practices and the requirements of all governmental authorities having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including the TCEQ, the City, and/or Hays County. The construction of the System is required to be accomplished in accordance with the standards and specifications of such authorities and is subject to inspection by each applicable authority. The City operates and maintains the water and sewer system within the District. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the City’s wastewater treatment plant, in which the District has capacity rights, beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District’s Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer, and drainage facilities to serve the District have been financed with funds advanced by the Developer. Certain of such advances have been reimbursed to the Developer from previously issued bonds of the District. It is expected that proceeds from sale of future issues of District bonds will be used to reimburse the Developer for certain of the advances.

Water Supply and Distribution: The District is supplied with water by the City. The City contracts with Guadalupe Brazos River Authority, Edwards Aquifer Authority, Barton Springs Edwards Aquifer Conservation District, City of San Marcos, and the Alliance Regional Water Authority to meet the City’s water supply needs with access for up to 9.3 million gallons per day (“MGD”). The City also has a 2.2 million gallon elevated storage tank and 2.6 million gallon ground storage tank. The District has constructed a water transmission line from the City’s water system to the District. A portion of the proceeds from the sale of the Outstanding Bonds have been or will be used to reimburse the Developer for the construction costs of the water transmission line. The District’s internal water infrastructure is reviewed for approval by the City prior to construction. Upon completion, the City inspects the construction and if deemed satisfactory, title to the infrastructure is conveyed to the City and the City maintains and operates the District’s water facilities.

Wastewater Collection and Treatment: The District receives wastewater treatment from the City. The City operates the Kyle Wastewater Treatment Plant, which plant is currently operating at 4.5 MGD. The District has constructed a wastewater interceptor to connect the District to the City’s wastewater system. A portion of the proceeds from the sale of the Outstanding Bonds have been or will be used to reimburse the Developer for the construction costs of the wastewater interceptor. The District’s internal wastewater infrastructure is reviewed for approval by the City prior to construction. Upon completion, the City inspects the construction and if deemed satisfactory, title to the infrastructure is conveyed to the City and the City maintains and operates the District’s wastewater facilities.

Storm Water Drainage: Storm water from the District is collected by a system of underground storm sewers that drain into detention/water quality ponds. Drainage facilities constructed by the District have, to date, been accepted by the City for ownership, operation and maintenance.

100-Year Flood Plain: According to the Engineer, approximately 70 acres of land in the District are located within the 100-year floodplain, as per approved Federal Insurance Rate Map. Substantially all of the land within the 100 year floodplain is located within the drainage ditches and other drainage facilities.

THE ROAD SYSTEM

All roadways and associated improvements are designed and constructed in accordance with City standards, rules, and regulations. Upon acceptance of roadway facilities, the City will be responsible for operation and maintenance thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for construction costs set out below, pay twelve months of capitalized interest on the Bonds, and pay costs of issuance associated with the Bonds.

Non-construction costs and issuance costs and fees are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of an agreed-upon procedures by the District’s Auditor.

CONSTRUCTION COSTS

Plum Creek Section 11H.....	\$221,945
Marketplace Avenue Phase 1.....	382,121
Marketplace Avenue Phase 2.....	683,317
Plum Creek Uptown Phase 1A.....	469,784
Plum Creek Phase 10-1.....	1,604,318
Plum Creek Phase 1B.....	215,070
Engineering and Testing.....	<u>235,517</u>
Total Construction Costs.....	\$3,812,072

NON-CONSTRUCTION COSTS

Bond Discount.....	\$149,940
Capitalized Interest.....	261,250
Interest on Construction Costs (Estimated).....	459,338
Contingency ^(a)	<u>13,810</u>
Total Non-Construction Costs.....	\$884,338

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees.....	\$278,590
Bond Report Costs.....	20,000
State Regulatory Fees.....	<u>5,000</u>
Total Issuance Costs and Fees.....	\$303,590

TOTAL BOND ISSUE REQUIREMENT..... \$5,000,000

(a) Contingency represents the difference in the estimated amount and actual amount of the bond discount and capitalized interest.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
5/5/2018	Water, Sanitary Sewer and Drainage and Refunding	\$383,500,000	\$3,000,000 ^(a)	\$380,500,000
5/5/2018	Road Bonds and Refunding	\$123,500,000	\$5,000,000 ^(b)	\$118,500,000

(a) Includes the Series 2023 Bonds.

(b) Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$385,376,072 ^(a)
District Debt:	
Outstanding Bonds	\$ 3,000,000 ^(b)
The Bonds	<u>5,000,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$ 8,000,000
Ratio of Gross Direct Debt to 2023 Taxable Assessed Valuation	2.08%

Area of District – 694 acres

- (a) As certified by the Appraisal District. Includes \$385,163,016 of value certified by the Appraisal District and \$213,056 of value not yet certified by the Appraisal District. See "TAX PROCEDURES."
 (b) Includes the Series 2023 Bonds.

Cash and Investment Balances (unaudited as of October 16, 2023)

Operating Fund	Cash and Temporary Investments	\$461,650
Water, Sewer, and Drainage Debt Service Fund	Cash and Temporary Investments	\$214,965 ^(a)
Road Debt Service Fund	Cash and Temporary Investments	\$0 ^(b)

- (a) Eighteen months of capitalized interest was deposited into such fund from the Series 2023 Bonds (\$214,965).
 (b) Twelve months of capitalized interest will be deposited into such fund from Bond proceeds (\$261,250). Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Road Debt Service Fund.

Outstanding Bonds^(a)

<u>Series</u>	Original Principal <u>Amount</u>	Principal Amount <u>Outstanding</u>
2023	\$3,000,000	\$3,000,000

- (a) Includes the Series 2023 Bonds.

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ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds^(a)</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Hays County	\$500,607,455	08/31/23	0.53%	\$ 2,653,220
Austin Community College District.....	562,445,000	08/31/23	0.07%	393,712
Hays Consolidated ISD	916,140,000	08/31/23	1.34%	12,276,276
City of Kyle.....	151,480,000	08/31/23	4.17%	<u>6,316,716</u>
Total Estimated Overlapping Debt				\$21,639,924
The District.....			100.00%	<u>8,000,000</u>
Total Direct and Estimated Overlapping Debt				\$29,639,924
Ratio of Total Direct and Estimated Overlapping Debt to 2023 Taxable Assessed Valuation				7.69%

- (a) Includes principal amounts of current interest bonds and capital appreciation bonds. Capital appreciation bonds are shown at original principal amount as opposed to maturity value.
 (b) Includes the Bonds and the Series 2023 Bonds.

Overlapping Tax Rates for 2023

	<u>2023 Tax Rate per \$100 Assessed Valuation</u>
Hays County	\$ 0.30750
Hays County ESD No. 9	0.04913
Hays County ESD No. 5	0.08130
Hays Consolidated Independent School District	1.15690
City of Kyle	0.46930
Austin Community College District	0.09860
Plum Creek Conservation District	0.01460
Plum Creek Groundwater Conservation District	0.01500
The District	<u>0.20000</u>
Total Overlapping Tax Rate	\$2.39233

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TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Total Collections as of 08/31/2023</u>	
				<u>Amount</u>	<u>Percent</u>
2018	\$1,253,630	\$0.15	\$1,880	\$1,880	100.00%
2019	6,740,046	0.15	10,110	10,110	100.00%
2020	32,405,044	0.15	48,608	\$48,608	100.00%
2021	121,172,125	0.15	181,758	181,758	100.00%
2022	286,704,592	0.20	540,896	540,383	99.91%

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance and Operations	<u>0.20</u>	<u>0.20</u>	<u>0.15</u>	<u>0.15</u>	<u>0.15</u>
Total	\$0.20	\$0.20	\$0.15	\$0.15	\$0.15

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$1.20 per \$100 assessed valuation.
 Road Maintenance: \$0.25 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution 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 Board did not levy a debt service tax.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On May 5, 2018, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation and a road maintenance tax at a rate not to exceed \$0.25 per \$100 assessed valuation. For the 2023 tax year, the Board levied a maintenance tax in the amount of \$0.20 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2023 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2023 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Simwon NA, Corp	Land and Improvements	\$57,932,053	15.03 %
Cromwell APC I LLC	Land and Improvements	45,545,551	11.82 %
Reef TX Kyle Crossing LLC	Land and Improvements	39,035,570	10.13 %
NP Austin Industrial 2 LLC	Land and Improvements	35,014,227	9.09 %
NP Austin Industrial 1 LLC	Land and Improvements	32,425,734	8.41 %
Sparrow Plum Creek Investors LLC	Land and Improvements	30,930,000	8.03 %
151 Rikardson SFR LLC	Land and Improvements	24,988,303	6.48 %
ENF (Kyle) Technology Inc.	Land and Improvements	23,719,926	6.16 %
Uptown at Plum Creek Phase 1A LLC	Land and Improvements	19,060,470	4.95 %
KAI.SE USA LLC	Land and Improvements	<u>12,205,724</u>	<u>3.17 %</u>
Total		\$320,857,558	83.26 %

Summary of Assessed Valuation

The following summary of the 2023, 2022, and 2021 Assessed Valuation is provided by the District’s Tax Assessor/Collector based on information contained in the 2023, 2022, and 2021 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided.

	<u>2023^(a)</u>	<u>2022</u>	<u>2021</u>
Land	\$81,533,713	\$64,590,540	\$39,544,615
Improvements	239,251,453	233,190,266	95,596,343
Personal Property	117,957,961	24,858,050	6,409,919
Exemptions and Deferments	<u>(53,580,111)</u>	<u>(31,024,436)</u>	<u>(11,264,700)</u>
Total Assessed Valuation	\$385,163,016	\$291,614,420	\$130,286,177

(a) Such amount does not include \$213,056 of value not yet certified by the Appraisal District. See “TAX PROCEDURES.”

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2023 Taxable Assessed Valuation, no use of available funds, and utilize tax rates necessary to pay the District’s average annual and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Average annual debt service requirement (2024-2048)	\$ 572,463
\$0.16 tax rate on the 2023 Taxable Assessed Valuation of \$385,376,072 at a 95% collection rate produces	\$ 585,772
Maximum annual debt service requirement (2048)	\$ 603,965
\$0.17 tax rate on the 2023 Taxable Assessed Valuation of \$385,376,072 at a 95% collection rate produces	\$ 622,382

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of 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 here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Appraisal District has the responsibility for appraising property for all taxing units within Hays County, including the District. Such appraisal values are subject to review and change by the Hays County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100%, and subject to certain conditions, the surviving spouse of such a veteran is entitled to the exemption for the full amount of the residential homestead. A disabled veteran who has a disability rating of less than 100% is entitled to an exemption equal to the percentage of the veteran’s disability rating for a residence homestead that was donated by a charitable organization to such veteran (i) at no cost to such veteran or (ii) effective January 1, 2018, at some cost to such veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50 percent of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Effective January 1, 2018, 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. 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 and surviving spouse. The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead if the surviving spouse has not remarried since the first responder’s death, and said property was the first responder’s residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised 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 before July 1. To date, the District has not adopted a homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: 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 is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The City may designate all or part of the area within the District as a reinvestment zone for abatement purposes. Thereafter, the City, Hays County, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. The District has not entered into any tax abatement agreements.

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. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation, or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of 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.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax rate disputes by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Tax Payment Installments After Disaster

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain

circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

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, may be 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. 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 Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

A determination as to the District's status as a Special Taxing Unit, Developed District, or Developing District is made by the Board on an annual basis. For the 2023 tax year, the District is classified as 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.

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 for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2023"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS."

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GENERAL FUND OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's general fund are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds, at the discretion and upon action of the Board. The District is provided water and sewer service by the City and all water and sewer revenues belong to the City. Consequently, the District's general fund is used primarily for administration and it is not expected that significant net revenues, if any, will be available for debt service.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal year ended 2022 and from the unaudited records of the District's bookkeeper for the fiscal year ended 2023. Reference is made to such statements for further and more complete information.

	8/01/2022 to 07/31/2023 ^(a)	Fiscal Year Ended July 31, 2022 ^(b)
REVENUES:		
Property taxes, including penalties	\$ 547,151	\$ 199,961
Other	12,131	213
TOTAL REVENUES	\$ 559,283	\$ 200,174
EXPENDITURES:		
Legal fees	\$ 89,827	\$ 95,523
Engineering fees	10,579	8,885
Accounting fees	10,850	5,500
Tax appraisal/collection fees	3,524	1,311
Public notice	3,169	3,890
Director fees, including payroll taxes	4,181	4,844
Insurance	3,769	3,019
Other	8,779	903
TOTAL EXPENDITURES	\$ 134,678	\$ 123,875
Excess of revenues over expenditures	\$ 424,605	\$ 76,299
OTHER FINANCING SOURCES-		
Developer advances	\$ -	\$ 17,000
NET CHANGE IN FUND BALANCE	\$ 424,605	\$ 93,299
FUND BALANCE:		
Beginning of the year	106,743	13,444
End of the year	\$ 531,348	\$ 106,743

(a) Unaudited, prepared by the Bookkeeper.

(b) The District's first audited financial statements.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service	Debt Service on the Bonds			Debt Service
	Requirements	Principal	Interest	Total	Requirements
2024	\$ 124,600	\$ -	\$ 186,503	\$ 186,503	\$ 311,104
2025	208,310	100,000	261,250	361,250	569,560
2026	205,710	110,000	253,750	363,750	569,460
2027	208,078	115,000	245,500	360,500	568,578
2028	210,208	125,000	236,875	361,875	572,083
2029	212,095	130,000	227,500	357,500	569,595
2030	213,735	140,000	221,000	361,000	574,735
2031	210,123	145,000	214,000	359,000	569,123
2032	211,510	155,000	206,750	361,750	573,260
2033	212,685	160,000	199,000	359,000	571,685
2034	213,553	170,000	191,000	361,000	574,553
2035	219,103	180,000	182,500	362,500	581,603
2036	219,098	190,000	173,500	363,500	582,598
2037	218,750	200,000	164,000	364,000	582,750
2038	218,050	210,000	154,000	364,000	582,050
2039	221,800	225,000	143,500	368,500	590,300
2040	220,050	235,000	132,250	367,250	587,300
2041	223,050	250,000	120,500	370,500	593,550
2042	220,550	260,000	108,000	368,000	588,550
2043	222,800	275,000	95,000	370,000	592,800
2044	224,550	290,000	81,250	371,250	595,800
2045	225,800	310,000	66,750	376,750	602,550
2046	226,365	325,000	51,250	376,250	602,615
2047	226,420	340,000	35,000	375,000	601,420
2048	225,965	360,000	18,000	378,000	603,965
Total	\$ 5,342,955	\$ 5,000,000	\$ 3,968,628	\$ 8,968,628	\$ 14,311,584

Average Annual Debt Service Requirements (2024-2048)\$572,463
 Maximum Annual Debt Service Requirements (2048)\$603,965

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LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on 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.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT – General,” “MANAGEMENT – Bond Counsel and General Counsel,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel for the District.

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment, and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated, (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

The federal income tax consequences of the purchase, ownership, and 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 interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2023 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2023.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of approximately 97.001% of the principal amount thereof which resulted in a net effective interest rate of 5.237947% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

Securities Laws

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

MUNICIPAL BOND RATING

The Bonds are expected to be rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See "BOND INSURANCE" and "INVESTMENT CONSIDERATIONS – Bond Insurance Risks."

An explanation of the significance of the foregoing rating may only be obtained from S&P. The foregoing rating expresses 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 the 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. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than those shown above.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX C to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings: On October 20, 2023, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

Capitalization of AGM: At September 30, 2023:

- The policyholders’ surplus of AGM was approximately \$2,569 million.
- The contingency reserve of AGM was approximately \$908 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);

- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (filed by AGL with the SEC on November 8, 2023).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

In approving this Official Statement the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the District’s water, wastewater, and drainage system and road system, and in particular that information included in the sections entitled “THE DISTRICT,” “THE SYSTEM” and “THE ROAD SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Hays County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by the Appraisal District and the Hays County Tax Assessor/Collector, and is included herein in reliance upon their authority as experts in assessing and collecting taxes.

Auditor: The District's financial statements for the year ended July 31, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District's July 31, 2022, audited financial statements.

Bookkeeper: The information related to the "unaudited" summary of the District's General Fund has been provided by Bott & Douthitt PLLC and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

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CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"), or any successor, through EMMA. The District may provide updated financial information in full text or may incorporate by reference documents available on EMMA or filed with the SEC.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District will be the District's audited financial statements and supplemental schedules as found in "APPENDIX A – Audited Financial Statements." The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023, if such audited financial statements are then available. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is July 31. Accordingly, it must provide updated information by January 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 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or beneficial owners 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 the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with 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 either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement 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.

Compliance with Prior Undertakings

Since entering into its first continuing disclosure agreement in 2023, the District has complied in all material respects with such continuing disclosure agreement in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

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

/s/ Erica Allison
President, Board of Directors
North Hays County Municipal Utility District No. 2

ATTEST:

/s/ Kevin Howard
Secretary, Board of Directors
North Hays County Municipal Utility District No. 2

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PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in September 2023, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.







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APPENDIX A

Audited Financial Statements for the fiscal year ended July 31, 2022

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of North Hays County Municipal Utility District No. 2 (the "District") as of and for the year ended July 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of July 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Information

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

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 12, 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2022**

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of North Hays County Municipal Utility District No. 2 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended July 31, 2022. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was \$106,743, an increase of \$93,299 from the previous fiscal year. General Fund revenues were \$200,174, expenditures were \$123,875 and other financing sources were \$17,000 for the fiscal year ending July 31, 2022.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenditures of \$79,605 in the current fiscal year. Net position increased from a deficit balance of \$226,343 at July 31, 2021 to a deficit balance of \$146,738 at July 31, 2022.

OVERVIEW OF THE DISTRICT

The District was created by Senate Bill 2245, Act of the 85th Legislature, Regular Session, and codified as Chapter 7988 of the Special District Local Laws Code. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Texas Water Code Chapters 49 and 54 for, among other purposes, financing the construction of the water, wastewater and drainage facilities and roads to serve the District

The District contains approximately 694 acres and is located entirely within the corporate limits of the City of Kyle, west of Interstate Highway 35 and divided into two tracts by FM 1626.

The creation of the District was confirmed at an election held within the District on May 5, 2018.

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2022**

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management’s Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table is a comparative summary of the Statement of Net Position for the current and prior fiscal years. The 2021 balances were unaudited.

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2022	2021	
Current and other assets	\$ 136,024	\$ 31,625	\$ 104,399
Current liabilities	\$ 25,762	\$ 17,968	\$ 7,794
Long-term liabilities	257,000	240,000	17,000
Total Liabilities	\$ 282,762	\$ 257,968	\$ 24,794
Unrestricted	\$ (146,738)	\$ (226,343)	\$ 79,605
Total Net Position	\$ (146,738)	\$ (226,343)	\$ 79,605

The District's net position increased by \$79,605 during the 2022 fiscal year to a deficit balance of \$146,738 at July 31, 2022 from the previous year's deficit balance of \$226,343. The 2021 balances were unaudited.

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2022	2021	
Property taxes	\$ 203,267	\$ 53,624	\$ 149,643
Interest and other	213	16	197
Total Revenues	\$ 203,480	\$ 53,640	\$ 149,840
Professional fees	\$ 109,908	\$ 98,172	\$ 11,736
Other	13,967	8,990	4,977
Total Expenses	\$ 123,875	\$ 107,162	\$ 16,713
Change in Net Position	\$ 79,605	\$ (53,522)	\$ 133,127
Beginning Net Position	(226,343)	(172,821)	(53,522)
Ending Net Position	\$ (146,738)	\$ (226,343)	\$ 79,605

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Revenues were \$203,480 for the fiscal year ended July 31, 2022 while expenses were \$123,875. Net position increased \$79,605 during the 2022 fiscal year.

For the fiscal year ended July 31, 2022, property tax revenues totaled \$203,267. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2021 tax year (July 31, 2022 fiscal year) were based upon a current assessed value of \$121,172,125 and a tax rate of \$0.15 per \$100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements and the Debt Service Fund debt service obligations of the District, if any. The District's primary revenue source is property taxes.

ANALYSIS OF GOVERNMENTAL FUND

	<u>Governmental Fund by Year</u>	
	2022	2021
Cash and cash equivalents	\$ 106,178	\$ 28,393
Receivables	18,077	213
Prepaid expenditures	11,769	3,019
Total Assets	\$ 136,024	\$ 31,625
Accounts payable and accrued	\$ 25,762	\$ 17,968
Total Liabilities	\$ 25,762	\$ 17,968
Deferred Inflows of Resources	\$ 3,519	\$ 213
Nonspendable	\$ 11,769	\$ 3,019
Unassigned	94,974	10,425
Total Fund Balances	\$ 106,743	\$ 13,444
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 136,024	\$ 31,625

As of July 31, 2022, the District's governmental fund reflected a fund balance of \$106,743. This fund balance includes a \$93,299 increase in the General Fund fund balance.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors initially adopted the 2022 budget on April 20, 2021 and amended the budget on July 11, 2022. The amended budget included revenues of \$195,480 as compared to expenditures of \$122,955 and other financing sources of \$17,000 for the 2022 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive net variance of \$3,774. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2022**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2022 tax year is approximately \$292 million. The fiscal year 2023 tax rate (2022 tax year) is \$0.20 on each \$100 of taxable value. All of the property tax collected during fiscal year 2023 will fund general operating expenses.

The adopted budget for fiscal year 2023 projects an operating fund balance increase of \$62,220.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Allen Boone Humphries Robinson, LLP, 1108 Lavaca Street, Suite 510, Austin, TX 78701.

FINANCIAL STATEMENTS

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JULY 31, 2022

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents:			
Cash	\$ 16,680	\$ -	\$ 16,680
Cash equivalents	89,498	-	89,498
Receivables -			
Property taxes	18,077	-	18,077
Prepaid costs	11,769	-	11,769
TOTAL ASSETS	<u>136,024</u>	<u>-</u>	<u>136,024</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 9,388	\$ -	\$ 9,388
Accrued costs	2,337	-	2,337
Intergovernmental payables	14,037	-	14,037
Long-term liabilities -			
Due to developer	-	257,000	257,000
TOTAL LIABILITIES	<u>\$ 25,762</u>	<u>\$ 257,000</u>	<u>\$ 282,762</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred revenue - property taxes	3,519	(3,519)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,519</u>	<u>(3,519)</u>	<u>-</u>
<u>FUND BALANCE / NET POSITION</u>			
Fund balance:			
Nonspendable	\$ 11,769	\$ (11,769)	\$ -
Unassigned	94,974	(94,974)	-
TOTAL FUND BALANCE	<u>\$ 106,743</u>	<u>\$ (106,743)</u>	<u>\$ -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 136,024</u>		
Net position -			
Unrestricted		\$ (146,738)	\$ (146,738)
TOTAL NET POSITION		<u>\$ (146,738)</u>	<u>\$ (146,738)</u>

The accompanying notes are an integral part of this statement.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JULY 31, 2022

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Activities</u>
<u>REVENUES:</u>			
Property taxes, including penalties	\$ 199,961	\$ 3,306	\$ 203,267
Interest and other	213	-	213
TOTAL REVENUES	\$ 200,174	\$ 3,306	\$ 203,480
<u>EXPENDITURES / EXPENSES:</u>			
Legal Fees	95,523	-	95,523
Engineering fees	8,885	-	8,885
Accounting fees	5,500	-	5,500
Tax appraisal/collection fees	1,311	-	1,311
Public notice	3,890	-	3,890
Director fees, including payroll taxes	4,844	-	4,844
Insurance	3,019	-	3,019
Other	903	-	903
TOTAL EXPENDITURES / EXPENSES	123,875	-	123,875
Excess of revenues over expenditures/expenses	76,299	3,306	79,605
<u>OTHER FINANCING SOURCES:</u>			
Developer advances	17,000	(17,000)	-
TOTAL OTHER FINANCING SOURCES	17,000	(17,000)	-
NET CHANGE IN FUND BALANCE	93,299	(93,299)	-
CHANGE IN NET POSITION	-	79,605	79,605
<u>FUND BALANCE / NET POSITION:</u>			
Beginning of the year	13,444	(239,787)	(226,343)
End of the year	<u>\$ 106,743</u>	<u>\$ (253,481)</u>	<u>\$ (146,738)</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of North Hays County Municipal Utility District No. 2 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District, a political subdivision of the State of Texas, was created by Senate Bill 2245, Act of the 85th Legislature, Regular Session, and codified as Chapter 7988 of the Special District Local Laws Code. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Texas Water Code Chapters 49 and 54 for, among other purposes, financing the construction of the water, wastewater and drainage facilities and roads to serve the District. The reporting entity of the District encompasses those activities and functions over which the District's officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which have been elected or deemed elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

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

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation and amortization expense on the District's capital and intangible assets, including infrastructure, if any.

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

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

Basis of Accounting

Government-wide Statements - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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

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

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

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was initially adopted on April 20, 2021 and amended on July 11, 2022, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end. The Budgetary Comparison Schedule – General Fund presents the amended budget amounts compared to actual amounts of revenues and expenditures for the current year.

Pensions - The District has not established a pension plan because the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes.

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

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

- ***Nonspendable***: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted***: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.
- ***Committed***: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- ***Assigned***: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.
- ***Unassigned***: all other spendable amounts in the General Fund.

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

2. RECONCILIATION OF THE GOVERNMENTAL FUND

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

Net Change in Fund Balance - Governmental Fund	\$	106,743
Amounts reported for governmental activities in the Statement of Activities are different because -		
Governmental funds report:		
Tax revenue when collected		3,519
Developer advances when received		(257,000)
		(146,738)
Change in Net Position - Governmental Activities	\$	(146,738)

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

Net Change in Fund Balance - Governmental Fund	\$	93,299
Amounts reported for governmental activities in the Statement of Activities are different because -		
Governmental funds report:		
Property tax revenue in year collected	\$	3,306
Developer advances in year received		(17,000)
		(13,694)
Change in Net Position - Governmental Activities	\$	79,605

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At July 31, 2022, the carrying amount of the District's cash was \$16,680 and the bank balance was \$20,599. The bank balance was covered by federal depository insurance.

Cash Equivalents and Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and other strategies.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments – (continued)

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

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

At July 31, 2022, the District held the following investments:

Investment	Fair Value at 7/31/2022	Governmental Fund		Investment Rating	
		General			
		Unrestricted	Rating	Rating Agency	
TexPool	\$ 89,498	\$ 89,498	AAAm	Standard & Poors	
	\$ 89,498	\$ 89,498			

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of July 31, 2022, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of July 31, 2022, the District's bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on October 7, 2021.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2021 tax roll. The tax rate, based on total taxable assessed valuation of \$121,172,125 was \$0.15 on each \$100 valuation and was allocated all to the General Fund. The maximum allowable maintenance tax of \$1.20 and road tax of \$0.25 were established by the voters at an election held on May 5, 2018.

Property taxes of \$18,077 were receivable and allocated to the General Fund as of July 31, 2022.

5. BONDED DEBT

Bonds authorized but not issued as of July 31, 2022, are as follows:

<u>Type</u>	<u>Amount</u>
Unlimited Tax Bonds	\$ 383,500,000
Road Bonds	\$ 123,500,000

The District has not issued any debt as of July 31, 2022.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2022

6. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues, subject to approval by the Commission, as applicable, or from operations. On May 5, 2018, a bond election held within the District approved authorization to issue \$383,500,000 of bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems to serve the District and the refunding of such bonds; and \$123,500,000 of bonds to fund road improvements and the refunding of such bonds. As of July 31, 2022, the District has not issued any bonds to repay the developers. The District owes the developers \$257,000 for advances used to fund operating expenditures as of July 31, 2022.

7. RISK MANAGEMENT

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

8. CONSENT AGREEMENT

Pursuant to the Consent Agreement entered into by the District, the developers and the City, effective August 18, 2017, as amended, the District and the developers will design, finance, and construct all water, wastewater, and drainage facilities and roads required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities and roads constructed by or on behalf of the District, and following the City's acceptance of such facilities, the facilities will be conveyed to the City for ownership, operation and maintenance. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed and to provide retail water and wastewater services to customers within the District at the City's standard water and wastewater rates. The City is responsible for billing and collecting for water and wastewater services provided to customers within the District. All revenues from the water and wastewater customers in the District belong exclusively to the City. The Consent Agreement will continue in effect until terminated by the City, which date shall not be sooner than the date that the developers have received the total amount of reimbursements permitted to be made to them by the Water Code and Consent Agreement.

By law, the City has the right to dissolve the District and acquire the District's assets and assume the District's obligations. However, pursuant to the Consent Agreement the City agrees not to dissolve the District until the earlier of 20 years from the date of the Consent Agreement or until ninety percent (90%) of the land within the District has access to retail water and wastewater service from the City.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JULY 31, 2022

	<u>Actual</u>	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Property taxes, including penalties	\$ 199,961	\$ 43,580	\$ 195,480	\$ 4,481
Other	213	-	-	213
TOTAL REVENUES	<u>\$ 200,174</u>	<u>43,580</u>	<u>\$ 195,480</u>	<u>\$ 4,694</u>
EXPENDITURES:				
Legal fees	95,523	90,000	90,000	(5,523)
Engineering fees	8,885	12,000	12,000	3,115
Accounting fees	5,500	4,450	5,400	(100)
Tax appraisal/collection fees	1,311	500	1,300	(11)
Public notice	3,890	3,000	3,000	(890)
Director fees, including payroll taxes	4,844	5,705	5,705	861
Insurance	3,019	4,000	4,000	981
Other	903	1,550	1,550	647
TOTAL EXPENDITURES	<u>123,875</u>	<u>121,205</u>	<u>122,955</u>	<u>(920)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>76,299</u>	<u>(77,625)</u>	<u>72,525</u>	<u>3,774</u>
OTHER FINANCING SOURCES -				
Developer advances	<u>17,000</u>	<u>77,625</u>	<u>17,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>17,000</u>	<u>77,625</u>	<u>17,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 93,299</u>	<u>\$ -</u>	<u>\$ 89,525</u>	<u>\$ 3,774</u>
FUND BALANCE:				
Beginning of the year	<u>13,444</u>			
End of the year	<u>\$ 106,743</u>			

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APPENDIX B

Unaudited Financial Statements of the Developer

Plum Creek Development Partners, Ltd. (the “Developer”) has delivered the financial information included in this APPENDIX B (the “Financial Information”) to the District for publication in connection with the District’s offer and sale of the Bonds. The Financial Information has been included herein solely as additional information concerning the financial condition and capability of the Developer. Such Financial Information is relevant, among other reasons, to the ability of the Developer to continue developing its property within the District and to pay ad valorem taxes thereon. However, the Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. Neither the Developer nor any landowner has any legal commitment to the District or owners of the Bonds to continue development of land within the District and landowners may sell or otherwise dispose of property within the District, or any other assets, at any time. Further, the Developer’s financial condition is subject to change, and financial information concerning the Developer will not be provided by the District after the sale of the Bonds. Therefore, the District cautions that the Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds.

The Developer has represented to the District that the Financial Information pertaining to the Developer was prepared from its books and records in accordance with generally accepted accounting principles (except where otherwise noted therein), are fair and accurate presentations of the items presented and of the financial condition of the Developer as of the dates stated, and do not fail to disclose any material fact necessary to make such Financial Information not misleading, and that there has not been any material adverse change in the financial condition of the Developer since the dates at which the financial information is presented. Additionally, the Developer has agreed to inform the District prior to delivery of the Bonds of any material adverse changes in its financial condition since the dates of the Financial Information contained herein.

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Plum Creek Development Partners, Ltd.
Balance Sheet
 As of July 31, 2023

	Jul 31, 23
ASSETS	
Current Assets	
Checking/Savings	
1000 · IBC PLUM CREEK CHECKING #3271	5,505,147.20
1100 · IBC PLUM CREEK SAVINGS #3077	413,209.33
1500 · PLAINS CAPITAL-COLLATERAL #9000	2,508.51
1600 · PLAINS CAPITAL-PROJECT A/C#3801	63,734.31
1610 · PLAINS CAPITAL- MONEY MKT #2202	287,090.44
1620 · PLAINS CAPITAL- MONEY MKT #5103	129,340.13
	6,401,029.92
Total Checking/Savings	6,401,029.92
Other Current Assets	
Lot 1 - PlumCreek	1,031,126.32
2100 · WORK IN PROCESS - PHASE I	
2110 · DEF INCOME WATER LUE'S	-1,296,096.95
2120 · DEF INCOME WW LUE'S	-587,390.63
	-1,883,487.58
Total 2100 · WORK IN PROCESS - PHASE I	-1,883,487.58
2300 · WORK IN PROCESS - PHASE II	
2201 · AREA 7B	2,599.63
2204 · PHASE II GENERAL	1,718,930.64
2205 · PHASE II OTHER PROJECTS	2,035.00
2206 · PHASE II - REGION UTILITY LINES	2,189,776.79
2207 · PHASE II - MARKETPLACE AVE PH 1	1,184,875.01
2208 · PHASE II - MARKETPLACE AVE PH 2	1,326,220.14
2209 · PHASE II - REGION DETENTION FAC	2,390,968.56
2210 · PHASE II - UPTOWN PHASE 1A	472,918.57
2300 · WORK IN PROCESS - PHASE II - Other	1,529,400.22
	10,817,724.56
Total 2300 · WORK IN PROCESS - PHASE II	10,817,724.56
Total Other Current Assets	9,965,363.30
Total Current Assets	16,366,393.22
Fixed Assets	
FURNITURE	
2500 · FURNITURE	8,437.04
2510 · ACCUM DEPREC-FURNITURE	-8,437.04
	0.00
Total FURNITURE	0.00
LEASEHOLD IMPROVEMENTS	
2800 · LEASEHOLD IMPROVEMENTS	50,386.50
2810 · ACCUM DEPREC-TI SALES CENTER	-50,386.50
	0.00
Total LEASEHOLD IMPROVEMENTS	0.00
Total Fixed Assets	0.00
Other Assets	
ESCROW-CORRIDOR TITLE	
3300 · SITE DEVELOPMENT ESCROW-11G 1A	74,763.74
3310 · SITE DEVELOPMENT ESCROW 11HLOT3	14,325.69
	89,089.43
Total ESCROW-CORRIDOR TITLE	89,089.43
3000 · A/R-CITY OF KYLE WATER LUE'S	1,297,527.50
3010 · A/R-CITY OF KYLE WW LUE'S	589,080.42
3350 · LOAN & TITLE FEES	500.00
3355 · MUNICIPAL UTILITY DIST. SETUP	551,498.20
3360 · PREPAID COK PHASE 2 FEES	516,479.68
	3,044,175.23
Total Other Assets	3,044,175.23
TOTAL ASSETS	19,410,568.45

Balance Sheet

As of July 31, 2023

	Jul 31, 23
LIABILITIES & EQUITY	
Liabilities	
Long Term Liabilities	
4500 · IBC PLUM CREEK LOC	529,144.62
4650 · N/P-MOUNTAIN PLUM, LTD.	2,690,395.90
4660 · N/P PLAINS CAPITAL #3989/3685-0	1,400,159.63
Total Long Term Liabilities	<u>4,619,700.15</u>
Total Liabilities	4,619,700.15
Equity	
5000 · CAP-MOUNTAIN PLUM, LTD.	6,324,433.80
5001 · CAPITAL CONTRIBUTION MNT PLUM	4,023,970.57
5010 · PARTNERSHIP DISTRIBUTIONS	-4,000,000.00
5020 · CAPITAL PCDP GENERAL PARTNER, L	-4,689.00
5500 · RETAINED EARNINGS	938,094.56
Net Income	7,509,058.37
Total Equity	<u>14,790,868.30</u>
TOTAL LIABILITIES & EQUITY	<u><u>19,410,568.45</u></u>

Profit & Loss

January through July 2023

	<u>Jan - Jul 23</u>
Ordinary Income/Expense	
Income	
6010 · CLOSING PROCEEDS	10,752,772.50
6200 · INTEREST INCOME	8,361.07
6500 · OTHER INCOME	2,500.00
	<u>10,763,633.57</u>
Total Income	10,763,633.57
Cost of Goods Sold	
6150 · LOT DEVELOPMENT FEE	1,483,032.47
	<u>1,483,032.47</u>
Total COGS	1,483,032.47
Gross Profit	9,280,601.10
Expense	
7000 · ACCOUNTING	20,776.00
7100 · BANK CHARGE	1,050.00
7110 · BUSINESS PROMOTION	25,575.00
7150 · CLOSING COSTS	366,424.05
7210 · INSURANCE	28,688.54
7220 · INTEREST EXPENSE	58,212.94
7240 · LEGAL FEES	253,805.22
7250 · MAINTENANCE	7,561.42
7260 · MANAGEMENT	
7255 · GUARANTOR FEES	88,000.00
7260 · MANAGEMENT - Other	304,984.90
	<u>392,984.90</u>
Total 7260 · MANAGEMENT	392,984.90
7270 · OFFICE EXPENSE	546.23
7300 · PROFESSIONAL FEES	399,334.24
7310 · PROPERTY TAX	96,908.13
7311 · FRANCHISE TAX	16,849.17
7665 · MUNICIPAL UTILITY DISTRICT	102,826.89
8000 · UTILITIES	
GAS & ELECTRIC	0.00
	<u>0.00</u>
Total 8000 · UTILITIES	0.00
Total Expense	<u>1,771,542.73</u>
Net Ordinary Income	<u>7,509,058.37</u>
Net Income	<u><u>7,509,058.37</u></u>

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APPENDIX C

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES