

OFFICIAL STATEMENT DATED OCTOBER 30, 2024

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

The Bonds have NOT been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS –Not-Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

**RATING: S&P Global Ratings (BAM Insured)..... "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING" herein.**

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
(A political subdivision of the State of Texas, located within Ellis County)

\$9,860,000
Unlimited Tax Utility Bonds
Series 2024

\$3,920,000
Unlimited Tax Road Bonds
Series 2024

Dated: November 1, 2024

Due: September 1, as shown on inside cover page

Interest Accrues: Delivery Date

The \$9,860,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and \$3,920,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"), are obligations of Midlothian Municipal Management District No. 2 (the "District") and are not obligations of the State of Texas; Ellis County, Texas (the "County"); the City of Midlothian, Texas (the "City"); or any entity other than the District. The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds." Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to 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 BOKF, NA, Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent/Registrar") directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Principal of the Bonds is payable to the registered owner(s) of the Bonds at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. The Bonds are dated November 1, 2024, and interest on the Bonds accrues from the initial date of delivery (on or about November 20, 2024) (the "Delivery Date"), and is payable on March 1, 2025, and each September 1 and March 1 (each an "Interest Payment Date") thereafter until maturity or prior redemption to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds are issuable in principal denominations of \$5,000 or any integral multiple thereof in fully registered form only.

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



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

The Utility Bonds constitute the first series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a water, sewer, and drainage system to serve the District (the "Utility System") and the Road Bonds constitute the first series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). Voters of the District authorized the issuance of the following: \$151,060,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, \$229,560,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. Following the issuance of the Bonds, \$141,200,000 principal amount of unlimited tax bonds for Utility System purposes, \$225,640,000 principal amount of unlimited tax bonds for Road System purposes, \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System will remain authorized but unissued. See "THE BONDS—Authority for Issuance."

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

The Bonds are offered, when, as and if issued by the District to the winning bidders of the Bonds (the "Initial Purchasers") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 20, 2024.

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

\$9,860,000 Unlimited Tax Utility Bonds, Series 2024

\$8,820,000 Serial Bonds

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 59785U (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 59785U (b) |
|------------------------|------------------|---------------|------------------------------|----------------------|------------------------|------------------|---------------|------------------------------|----------------------|
| 2026 | \$230,000 | 6.500% | 3.400% | AA8 | 2039 (c) | \$420,000 | 4.000% | 4.120% | AP5 |
| 2027 | 240,000 | 6.500% | 3.350% | AB6 | 2040 (c) | 440,000 | 4.000% | 4.170% | AQ3 |
| 2028 | 250,000 | 6.500% | 3.350% | AC4 | 2041 (c) | 460,000 | 4.000% | 4.220% | AR1 |
| 2029 | 265,000 | 6.500% | 3.350% | AD2 | 2042 (c) | 480,000 | 4.125% | 4.270% | AS9 |
| 2030 | 275,000 | 6.500% | 3.450% | AE0 | 2043 (c) | 505,000 | 4.125% | 4.300% | AT7 |
| 2031 (c) | 290,000 | 4.125% | 3.550% | AF7 | 2044 (c) | 530,000 | 4.250% | 4.330% | AU4 |
| 2032 (c) | 300,000 | 4.000% | 3.650% | AG5 | 2045 (c) | 555,000 | 4.250% | 4.360% | AV2 |
| 2033 (c) | 315,000 | 4.000% | 3.750% | AH3 | 2046 (c) | 580,000 | 4.250% | 4.380% | AW0 |
| *** | *** | *** | *** | *** | 2047 (c) | 605,000 | 4.250% | 4.400% | AX8 |
| 2037 (c) | 380,000 | 4.000% | 4.040% | AM2 | 2048 (c) | 635,000 | 4.250% | 4.420% | AY6 |
| 2038 (c) | 400,000 | 4.000% | 4.080% | AN0 | 2049 (c) | 665,000 | 4.250% | 4.440% | AZ3 |

\$1,040,000 Term Bonds

\$1,040,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 59785U AL4 (b)

\$3,920,000 Unlimited Tax Road Bonds, Series 2024

\$3,505,000 Serial Bonds

| Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 59785U (b) | Maturity (September 1) | Principal Amount | Interest Rate | Initial Reoffering Yield (a) | CUSIP No. 59785U (b) |
|------------------------|------------------|---------------|------------------------------|----------------------|------------------------|------------------|---------------|------------------------------|----------------------|
| 2026 | \$90,000 | 6.250% | 3.400% | BA7 | 2039 (c) | \$165,000 | 4.000% | 4.120% | BP4 |
| 2027 | 95,000 | 6.500% | 3.350% | BB5 | 2040 (c) | 175,000 | 4.000% | 4.170% | BQ2 |
| 2028 | 100,000 | 6.500% | 3.350% | BC3 | 2041 (c) | 185,000 | 4.000% | 4.220% | BR0 |
| 2029 | 105,000 | 6.500% | 3.350% | BD1 | 2042 (c) | 190,000 | 4.125% | 4.270% | BS8 |
| 2030 | 110,000 | 6.500% | 3.450% | BE9 | 2043 (c) | 200,000 | 4.125% | 4.300% | BT6 |
| 2031 (c) | 115,000 | 4.500% | 3.550% | BF6 | 2044 (c) | 210,000 | 4.250% | 4.330% | BU3 |
| 2032 (c) | 120,000 | 4.000% | 3.650% | BG4 | 2045 (c) | 220,000 | 4.250% | 4.360% | BV1 |
| 2033 (c) | 125,000 | 4.000% | 3.750% | BH2 | 2046 (c) | 230,000 | 4.250% | 4.380% | BW9 |
| *** | *** | *** | *** | *** | 2047 (c) | 240,000 | 4.250% | 4.400% | BX7 |
| 2037 (c) | 150,000 | 4.000% | 4.040% | BM1 | 2048 (c) | 255,000 | 4.250% | 4.420% | BY5 |
| 2038 (c) | 160,000 | 4.000% | 4.080% | BN9 | 2049 (c) | 265,000 | 4.250% | 4.440% | BZ2 |

\$415,000 Term Bonds

\$415,000 Term Bonds Due September 1, 2036 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 59785U BL3 (b)

- (a) The initial reoffering yield has been provided by the Initial Purchasers (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption Provisions – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C. (“Bond Counsel”) for further information.

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission of the United States.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Utility Bonds Initial Purchaser"). The Utility Bonds Initial Purchaser has agreed to purchase the Utility Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.003159% of the principal amount thereof, which resulted in a net effective interest rate of 4.421299%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bonds Initial Purchaser"). The Road Bonds Initial Purchaser has agreed to purchase the Road Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.004621% of the principal amount thereof, which resulted in a net effective interest rate of 4.425470%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

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

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million and \$253.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will

produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

RATING

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

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

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OFFICIAL STATEMENT SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District..... Midlothian Municipal Management District No. 2 (the “District”), a political subdivision of the State of Texas, is located within the city limits of the City of Midlothian, Texas (the “City”) in Ellis County, Texas (the “County”). See “THE DISTRICT.”
- The Bonds..... The District is issuing its \$9,860,000 Unlimited Tax Utility Bonds, Series 2024 (the “Utility Bonds”) and \$3,920,000 Unlimited Tax Road Bonds, Series 2024 (the “Road Bonds”). The Utility Bonds and the Road Bonds are herein referred to collectively as the “Bonds.” The Bonds are dated November 1, 2024 and mature on September 1 in each of the years and principal amounts set forth on the inside cover page. Interest accrues from the initial date of delivery (expected to be on or about November 20, 2024) (the “Delivery Date”), at the rates per annum set forth on the inside cover page and is payable on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”
- Redemption Provisions *Optional Redemption:* Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, at the option of the District, on November 1, 2030, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS – Redemption Provisions — *Optional Redemption.*”
- Mandatory Redemption:* The Utility Bonds maturing on September 1 in the year 2036, are term bonds (the “Utility Term Bonds”) and the Road Bonds maturing on September 1 in the year 2036 are also term bonds (the “Road Term Bonds”). The Utility Term Bonds and the Road Term Bonds are collectively referred to herein as the “Term Bonds.” The Term Bonds are subject to certain mandatory sinking fund redemption provisions as set forth herein under “THE BONDS—Redemption Provisions — *Mandatory Redemption.*”
- Book-Entry-Only System..... The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., which will make distribution of the amounts so paid to the participating members of The Depository Trust Company for subsequent payment to the Beneficial Owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
- Source of Payment..... Principal of and interest on the Bonds is payable from the proceeds of two separate continuing direct annual ad valorem taxes, levied upon all taxable property within the District, each without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the City; or any entity other than the District. See “THE BONDS – Source of Payment.”

TIRZ Agreement.....Effective April 27, 2021, the District entered into an agreement (the “TIRZ Agreement”) with the City and the Developers (defined herein) whereby the District agreed to participate in Reinvestment Zone Number Three, City of Midlothian, Texas (the “TIRZ”). The TIRZ Agreement provides for the City to rebate \$0.195 per \$100 of assessed valuation of the District’s captured appraised value on all taxable property within the District back to the District (the “Rebate”). The captured appraised value of real property taxable by the District for a year is the total appraised value of all real property taxable by the District and located in the TIRZ for that year less the total appraised value of all real property taxable by the District and located in the TIRZ in the year in which the TIRZ was designated as such under Chapter 311 of the Texas Tax Code (the “TIRZ Act”). The boundaries of the TIRZ and the District are currently coterminous. Pursuant to the TIRZ Agreement, the Rebate will be used by the District to pay for the design and construction of the District’s Road System (hereinafter defined), Utility System (hereinafter defined), recreational facilities and/or firefighting facilities or to pay debt service on bonds issued by the District for such purposes. While the District intends to use the Rebate to pay debt service on the Bonds, the Rebate is **not** pledged to the payment of debt service on the Bonds. See “THE BONDS – TIRZ Agreement.”

Authority for Issuance.....At an election held within the District on May 1, 2021, voters of the District authorized the District’s issuance of \$151,060,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the water, sewer, and drainage facilities to serve the District (the “Utility System”); \$229,560,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the “Road System”); \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Utility Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the “TCEQ”); (ii) an order of the District’s Board of Directors authorizing the issuance of the Utility Bonds (the “Utility Bond Order”); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; (iv) Chapter 375 of the Local Government Code; and (v) an election held within the District on May 1, 2021.

The Road Bonds are issued pursuant to (i) an order authorizing the issuance of the Road Bonds (the “Road Bond Order”); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) Chapter 375 of the Local Government Code; and (iv) an election held within the District on May 1, 2021.

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

Payment Record.....The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the Utility System and the Road Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System.

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| Short-Term Debt..... | The District issued its \$4,660,000 Bond Anticipation Note, Series 2024 (the “BAN”), dated January 30, 2024. The BAN matures on January 29, 2025, and accrues interest at a rate of 6.250% per annum, calculated on the basis of actual days elapsed and a 360-day year. The District will use a portion of the proceeds from the sale of the Utility Bonds to redeem the BAN prior to its maturity. |
| Use of Proceeds of Utility Bonds..... | Proceeds from the sale of the Utility Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse Knox Steet 28 (herein defined) for a portion of the improvements and related costs shown under “THE BONDS – Use and Distribution of Utility Bond Proceeds.” Additionally, proceeds from the sale of the Utility Bonds will be used to reimburse Knox Street 28 for a portion of the water, wastewater, and drainage improvements and related costs that were not reimbursed by the BAN, to pay developer interest, to pay BAN interest, to pay eighteen (18) months of capitalized interest on the Utility Bonds, operating costs and certain costs associated with the issuance of the Utility Bonds. See “THE BONDS – Use and Distribution of Utility Bonds Proceeds” for further information. |
| Use of Proceeds of Road Bonds..... | Proceeds from sale of the Road Bonds will be used to reimburse Knox Street 28 for the construction costs set out herein under “THE BONDS – Use and Distribution of Road Bonds Proceeds.” Proceeds of the Road Bonds will also be used to pay eighteen (18) months of capitalized interest on the Road Bonds, developer interest, and general costs of issuance associated with the Road Bonds. See “THE BONDS – Use and Distribution of Road Bonds Proceeds” for further information. |
| Not Qualified Tax-Exempt Obligations | The District has <u>not</u> designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. |
| Municipal Bond Insurance | Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE” and “RATING.” |
| Rating..... | S&P (BAM insured): “AA.” See “MUNICIPAL BOND INSURANCE” and “RATING.” |
| Bond Counsel | Coats Rose, P.C., Dallas, Texas. |
| Disclosure Counsel | McCall, Parkhurst & Horton L.L.P., Dallas, Texas. |
| Financial Advisor..... | Robert W. Baird & Co. Incorporated, Irving, Texas. |
| Paying Agent/Registrar | BOKF, NA, Dallas, Texas. |

THE DISTRICT

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| Description..... | The District was created by House Bill 3852 of the 82nd Legislature of the State of Texas, June 17, 2011, Regular Session, codified as Chapter 3911 of the Texas Special District Local Laws Code. The District was created as a Municipal Management District under Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and operates under Chapter 375 of the Texas Local Government Code, and Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.” |
| Location | The District is located in Ellis County, approximately 23 miles southwest of downtown Dallas. The District is bounded by U.S. Route 287 to the southwest and is located entirely within the corporate limits of the City of Midlothian. The District is located partially |

within the Waxahachie Independent School District and partially within Midlothian Independent School District.

The Developers *Knox Street 28 and HPC Bridgewater*: Knox Street Partners No. 28 Ltd. (“Knox Street 28”), a Texas limited partnership, a subsidiary of Hanover Property Company, LLC (“HPC”), a Texas limited liability corporation, is a single purpose entity created for the purpose of purchasing and owning, as an investment, land within the District. Knox Street 28 initially purchased all of the land within the District, approximately 966.365 acres. To date, Knox Street 28 continues to own approximately 784.114 acres within the District. Knox Street 28 has retained all rights to reimbursement.

HPC Bridgewater Development Corporation (“HPC Bridgewater”), a Texas corporation, also a subsidiary of HPC, was created for the sole purpose of purchasing land for development within the District. In June 2021, HPC Bridgewater purchased approximately 108.110 acres from Knox Street 28, on which it has developed 340 lots as Bridgewater, Phase 1A. As of August 1, 2024, HPC Bridgewater continues to own 50 vacant developed lots. Additionally, HPC Bridgewater purchased approximately 140.709 acres of land within the District from Knox Street 28 for purposes of developing 343 single-family lots as Bridgewater Phase 2A.

Tri Pointe DFW: In June 2021, ResCal Bridgewater 282 LLC (“ResCal Bridgewater”), a Delaware limited liability company, purchased approximately 69.488 acres of land within the District from Knox Street 28. Pursuant to a Joint Operating Agreement between ResCal Bridgewater and Tri Pointe Homes DFW, LLC, a Texas limited liability company (“Tri Pointe DFW”), ResCal Bridgewater purchased such land within the District for the purpose of holding such land and delivering finished lots to Tri Pointe DFW pursuant to a takedown schedule agreed to by the parties. To date, ResCal Bridgewater has developed 284 single-family lots as Bridgewater, Phases 1B and 2B, on which Tri Pointe DFW will be the only homebuilder. HPC has been engaged as fee developer and manages the construction on behalf of Tri Pointe DFW. As of August 1, 2024, Tri Pointe DFW continues to own 198 vacant developed lots within the District. Tri Pointe DFW is a subsidiary of Tri Pointe Homes Inc, a Delaware corporation (“Tri Pointe”).

Tri Pointe Homes, Inc., is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “TPH.” Audited financial statements for Tri Pointe Homes, Inc. can be found online at <https://investors.tripointehomes.com>. Tri Pointe is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements, and other information filed by Tri Pointe can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Knox Street 28, HPC Bridgewater, and Tri Pointe DFW are collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

Status of Development.....The District consists of approximately 966.365 total acres. To date, approximately 179.111 acres have been developed as 624 single-family lots within Bridgewater Phase 1A, Phase 1B, and Phase 2B. As of August 1, 2024, the District included approximately 182 completed homes (approximately 152 occupied, 24 unoccupied, and 6 model home); approximately 112 homes under construction; and approximately 330 vacant developed lots.

The remaining land in the District includes approximately 510.296 acres planned for development as additional single-family residential sections; approximately 28.837 acres on which an elementary school will be constructed; approximately 15.620 acres on which an amenity center will be constructed; approximately 67.875 acres that are planned for development as multi-use and commercial properties; and approximately 164.626 acres that are undevelopable. See “DEVELOPMENT OF THE DISTRICT.”

HomebuildersThe homebuilders currently active in the District are American Legend Homes, Highland Homes, Perry Homes, J. Houston Homes, and Tri Pointe Homes. New homes being constructed in the District range in price from approximately \$350,000 to \$850,000 and range in size from approximately 1,800 square feet to 4,900 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

| | | |
|--|---------------------|-----|
| 2024 Taxable Assessed Valuation..... | \$ 85,550,860 | (a) |
| Estimate of Value as of July 1, 2024 | \$142,222,890 | (b) |
| Direct Debt: | | |
| The Utility Bonds | \$ 9,860,000 | |
| The Road Bonds..... | <u>\$ 3,920,000</u> | |
| Total..... | \$ 13,780,000 | |
| Estimated Overlapping Debt | <u>\$ 2,305,620</u> | (c) |
| Total Direct and Estimated Overlapping Debt | \$ 16,085,620 | (c) |
| Direct Debt Ratios: | | |
| As a percentage of 2024 Taxable Assessed Valuation..... | 16.11 | % |
| As a percentage of Estimate of Value as of July 1, 2024 | 9.69 | % |
| Direct and Estimated Overlapping Debt Ratios: | | |
| As a percentage of 2024 Taxable Assessed Valuation..... | 18.80 | % |
| As a percentage of Estimate of Value as of July 1, 2024 | 11.31 | % |
| Utility System Debt Service Fund Balance (as of Delivery Date) | \$ 654,628 | (d) |
| Road System Debt Service Fund Balance (as of Delivery Date) | \$ 260,531 | (e) |
| General Operating Fund Balance (as of September 17, 2024)..... | \$ 180,258 | (f) |
| 2024 Tax Rate | | |
| Utility System Debt Service | \$0.10 | |
| Road System Debt Service | \$0.05 | |
| Maintenance & Operation | <u>\$0.45</u> | |
| Total..... | \$0.60 | (g) |
| Average Annual Debt Service Requirement on the Bonds (2025–2049)..... | \$ 911,653 | (h) |
| Maximum Annual Debt Service Requirement on the Bonds (2049)..... | \$ 969,525 | (h) |
| Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2025–2049) | | |
| Based on 2024 Taxable Assessed Valuation..... | \$ 1.13 | |
| Based on Estimate of Value as of July 1, 2024 | \$ 0.68 | |
| Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2049) | | |
| Based on 2024 Taxable Assessed Valuation..... | \$ 1.20 | |
| Based on Estimate of Value as of July 1, 2024 | \$ 0.72 | |

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2024, as provided by the Ellis County Appraisal District (the "ECAD").
- (b) Provided by ECAD for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Represents eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund (defined herein) upon closing of the Utility Bonds. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Road Bonds.
- (e) Represents eighteen (18) months of capitalized interest to be deposited into the Road System Debt Service Fund (defined herein) upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.
- (f) See "RISK FACTORS – Operating Funds."
- (g) See "TAX DATA – Tax Rate Distribution."
- (h) See "DISTRICT DEBT – Debt Service Requirement Schedule."

OFFICIAL STATEMENT

relating to

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2

(a political subdivision of the State of Texas, located within Ellis County)

| | |
|--|---|
| \$9,860,000 Unlimited Tax Utility Bonds Series 2024 | \$3,920,000 Unlimited Tax Road Bonds Series 2024 |
|--|---|

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Midlothian Municipal Management District No. 2 (the "District") of its \$9,860,000 Unlimited Tax Utility Bonds, Series 2024 (the "Utility Bonds") and \$3,920,000 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds"). The Utility Bonds and the Road Bonds are referred to herein collectively as the "Bonds."

The Utility Bonds are issued pursuant to (i) an order by the Texas Commission on Environmental Quality (the "TCEQ"); (ii) an order of the District's Board of Directors authorizing the issuance of the Utility Bonds (the "Utility Bond Order"); (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; (iv) Chapter 375 of the Local Government Code; and (v) an election held within the District on May 1, 2021.

The Road Bonds are issued pursuant to (i) an order authorizing the issuance of the Road Bonds (the "Road Bond Order"); (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) Chapter 375 of the Local Government Code; and (iv) an election held within the District on May 1, 2021.

The Utility Bond Order and the Road Bond Order are collectively referred to hereinafter as the "Bond Orders," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Orders. This Official Statement also includes information about the District, the Developers (hereinafter defined), and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Ellis County, Texas (the "County"); the City of Midlothian, Texas (the "City"); or any political subdivision other than the District. The Bonds are secured by the proceeds of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied by the District upon all taxable property located within the District. See "THE BONDS – Source of Payment." The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential, commercial, retail and multi-family housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on construction activity, particularly on short-term interest rates at which developers are able to obtain financing for development costs.

Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued

construction within the District. In addition, since the District is located approximately 23 miles from the central downtown business district of the City of Dallas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Dallas metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Dallas and the nation could adversely affect development plans in the District and restrain the growth of the District's property tax base.

Competition: The demand for and construction of single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in the northern portion of the Dallas area market. In addition to competition for new home sales from other developments, there are numerous previously owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of a builder in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District and tax revenues to be received by the District.

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing development industry in the Dallas-Fort Worth metropolitan area. New construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. New construction can also be affected by energy availability and costs, including oil and gasoline prices, upon which the Texas economy is heavily dependent. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District.

Dependence on Major Taxpayers and the Developers: The District's tax base is concentrated in a small number of taxpayers. As reflected in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's top ten principal taxpayers as of January 1, 2024, owned approximately 50.87% of the assessed value of property located in the District. In addition, the Developers owned a total of approximately 20.76% of the assessed value of property located in the District as of January 1, 2024. The District cannot represent that its tax base will in the future be (i) distributed among a significantly larger number of taxpayers or (ii) less concentrated in property owned by a relatively small number of property owners than it is currently. Failure by the Developers or one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet its debt service requirements, the availability of which is uncertain. See "RISK FACTORS – Tax Collections and Foreclosure Remedies" below and "THE DEVELOPERS" herein.

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

Developers Under No Obligation to the District: The Developers have informed the District of their current plans to continue to develop land in the District for residential purposes. However, the Developers are not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developers will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DEVELOPERS" and "DEVELOPMENT OF THE DISTRICT."

Maximum Impact on District Tax Rate: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2024 Taxable Assessed Valuation of all taxable property located within the District is \$85,550,860 and the Estimate of Value as of July 1, 2024, is \$142,222,890. See "TAX DATA." After issuance of the Bonds, the maximum annual debt

service requirement on the Bonds (2049) is \$969,525, and the average annual debt service requirement on the Bonds (2025-2049) is \$911,653. Assuming no decrease to the District's 2024 Taxable Assessed Valuation, combined debt service tax rates of \$1.20 and \$1.13 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of July 1, 2024, combined debt service tax rates of \$0.72 and \$0.68 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "DISTRICT DEBT - Debt Service Requirement Schedule" and "TAX DATA - Tax Rate Calculations."

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

Vacant Developed Lots

As of August 1, 2024, approximately 330 developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Operating Funds

The District's only source of operating revenue is maintenance tax revenue. The District does not collect water and wastewater revenues from its residents. The District levied a 2024 maintenance tax of \$0.45 per \$100 of assessed valuation. The District's general fund balance as of September 17, 2024 was \$180,258. The revenue produced from a \$0.45 maintenance tax in 2024 or a reduced maintenance tax in subsequent years may not be sufficient to offset the operating expenses of the District. Continued maintenance of a positive general fund balance will depend upon (1) cash subsidies from the Developers and (2) continued development and increased amounts of maintenance tax revenues. If funds from these sources are not forthcoming, the District would have to increase its maintenance tax rate.

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 taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming, and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within six (6) months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the registered owners of the Bonds (the "Registered Owners") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not

specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

Notwithstanding noncompliance by the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceeds and in making the decision of whether to grant the petitioning District relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owners' claim.

If the 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 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.

Future Debt

At an election held within the District on May 1, 2021, voters of the District authorized the District's issuance of \$151,060,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing water, sewer and drainage facilities to serve the District (the "Utility System"); \$229,560,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing roads and improvements in aid thereof to serve the District (the "Road System"); \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, \$141,200,000 principal amount of unlimited tax bonds for the Utility System; \$225,640,000 principal amount of unlimited tax bonds for the Road System; \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System will remain authorized but unissued.

Based on current calculations and information available and provided to date, after reimbursement with the proceeds of the Bonds, the District will still owe the Developers approximately \$15,871,000 for the current expenditures related to the construction of the Road System and \$28,156,000 for the current expenditures related to the Utility System on behalf of the District.

Based on present engineering costs estimates and on development plans supplied by the Developers, in the opinion of the Engineer (hereinafter defined), following the issuance of the Bonds, the remaining principal amount of authorized but unissued bonds will be sufficient to fully reimburse the Developers for the existing facilities.

All of the remaining bonds that have heretofore been authorized by the voters of the District may be issued by the District from time to time as needed. The issuance of such bonds for the Utility System is subject to the prior approval of the TCEQ; however; the District's issuance of bonds for the Road System, including the Bonds, is not subject to approval of the TCEQ.

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

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

Marketability of the Bonds

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

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

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 Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “severe” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of August 3, 2024.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas 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 area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the 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 DFW Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES

Construction General Permit (TXR150000), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 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. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court decision.

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

Potential Impact of Natural Disaster

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

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

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 Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy

(the “Insurance Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the policy, if any (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 Insurance Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the District nor the Initial Purchasers have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATING.” herein for further information provided by the Bond Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Orders. A copy of the Bond Orders may be obtained from the District upon request to Coats Rose, P.C., Dallas, Texas, Bond Counsel. The Bond Orders authorize the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

Description

The Bonds are dated November 1, 2024, with interest payable on March 1, 2025, and each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds mature on September 1 of the years and in the amounts shown on the inside cover page of the Official Statement and interest on the Bonds accrues from the initial date of delivery (on or about November 20, 2024) (the “Delivery Date”), and thereafter from the most recent Interest Payment Date to which interest has been paid.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”) in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), the Paying

Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” below.

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

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

Book-Entry-Only System

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial

Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

Provisions are made in the Bond Orders for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying

Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Record Date

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

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of the Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series and in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Redemption Provisions

Optional Redemption:

Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on November 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the series and maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption:

The Utility Bonds maturing on September 1 in the year 2036 are term bonds (the "Utility Term Bonds") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal

amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), and in the principal amount set forth in the following schedule:

\$1,040,000 Utility Term Bonds Maturing on September 1, 2036

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2034 | \$ 330,000 |
| September 1, 2035 | \$ 345,000 |
| September 1, 2036 (Maturity) | \$ 365,000 |

The Road Bonds maturing on September 1 in the year 2036 are term bonds (the “Road Term Bonds” and together with the Utility Term Bonds, the “Term Bonds”), and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, and in the principal amount set forth in the following schedule:

\$415,000 Road Term Bonds Maturing on September 1, 2036

| <u>Mandatory Redemption Date</u> | <u>Principal Amount</u> |
|----------------------------------|-------------------------|
| September 1, 2034 | \$ 130,000 |
| September 1, 2035 | \$ 140,000 |
| September 1, 2036 (Maturity) | \$ 145,000 |

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

Source of Payment

The Bonds are secured by and payable from the proceeds of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property located within the District. See “TAXING PROCEDURES.” Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See “RISK FACTORS.” The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; the City; or any political subdivision or entity other than the District.

TIRZ Agreement

Effective April 27, 2021, the District entered into an agreement (the “TIRZ Agreement”) with the City and the Developers, whereby the District agreed to participate in the Reinvestment Zone Number Three, City of Midlothian, Texas (the “TIRZ”). The TIRZ Agreement provides for the City to rebate \$0.195 per \$100 of assessed valuation of the captured appraised value on all taxable property within the District back to the District (the “Rebate”). The captured appraised value of real property taxable by the District for a year is the total appraised value of all real property taxable by the District and located in the TIRZ for that year less the total appraised value of all real property taxable by the District and located in the TIRZ in the year in which the TIRZ was designated as such under Chapter 311 of the Texas Tax Code (the “TIRZ Act”). The boundaries of the TIRZ and the District are currently coterminous. Pursuant to the TIRZ Agreement, the Rebate will be used by the District to pay for the design and construction of the District’s Road System, Utility System, recreational facilities and/or firefighting facilities or to pay debt service on bonds issued by the District for such purposes.

The base value of the District is \$113,390. Based on the District’s 2024 Taxable Assessed Valuation of \$85,550,860, the captured appraised value within the District for the 2024 tax year is \$85,437,470 (\$85,550,860 - \$113,390 = \$85,437,470). The District expects to receive a rebate for the 2024 tax year of approximately \$166,603 $[(\$85,437,470 \div 100) \times \$0.195 = \$166,603.07]$ that is expected to be used to pay a portion of the debt service on the Bonds but is **not** pledged to the payment of debt service on the Bonds. No representation can be made as to the City’s future tax rates and the impact they would have on the anticipated Rebate. See “RISK FACTORS.”

Defeasance

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

Registered Owners' Remedies

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

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Orders may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce 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 be further 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 and creditors of political subdivisions, such as the District.

Authority for Issuance

The Utility Bonds are issued pursuant to (i) an order of the TCEQ; (ii) the Utility Bond Order; (iii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly including Chapters 49 and 54 of the Texas Water Code, as amended; (iv) Chapter 375 of the Local Government Code; and (v) an election held within the District on May 1, 2021.

The Road Bonds are issued pursuant to (i) the Road Bond Order; (ii) Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) Chapter 375 of the Local Government Code; and (iv) an election held within the District on May 1, 2021.

Issuance of Additional Debt

The Utility Bonds constitute the first series of unlimited tax bonds issued by the District for the Utility System. The Road Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. At an election held within the District on May 1, 2021, voters of the District authorized the District's issuance of \$151,060,000 principal amount of unlimited tax bonds for the Utility System; \$229,560,000 principal amount of unlimited tax bonds for the purpose of the Road System; \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, \$141,200,000 principal amount of unlimited tax bonds for the purpose of acquiring and/or constructing the Utility System; \$225,640,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$226,590,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Utility System; and \$344,340,000 principal amount of unlimited tax bonds for the purpose of refunding bonds previously issued for the Road System, will remain authorized but unissued. According to the Engineer the remaining bonds authorized will be sufficient to fully finance the reimbursable costs to fully develop the District.

Based on current calculations and information available and provided to date, after reimbursement with the proceeds of the Bonds, the District will still owe the Developers approximately \$15,871,000 for the current expenditures related to the construction of the Road System and \$28,156,000 for the current expenditures related to the Utility System on behalf of the District.

The Bond Orders impose 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. Bonds issued for water, sewer, and drainage purposes are required to be approved by the TCEQ.

The amount of bonds issued and the remaining authorized but unissued bonds following the issuance of the Bonds are summarized below:

| Election Date | Purpose | Amount Authorized | Issued to Date | Remaining Unissued |
|---------------|--------------------------|-------------------|-----------------------------|--------------------|
| May 1, 2021 | Utility System | \$ 151,060,000 | \$ 9,860,000 ^(a) | \$ 141,200,000 |
| May 1, 2021 | Road System | 229,560,000 | 3,920,000 ^(b) | 225,640,000 |
| May 1, 2021 | Utility System Refunding | 226,590,000 | - | 226,590,000 |
| May 1, 2021 | Road System Refunding | 344,340,000 | - | 344,340,000 |

(a) The Utility Bonds.

(b) The Road Bonds.

No Arbitrage

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

Funds

The Utility Bond Order establishes the District's fund for debt service on the Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Utility Bonds will be deposited into the

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

The Road Bond Order establishes the District's fund for debt service on the Bonds issued for the Road System and any additional unlimited tax bonds issued by the District for the Road System (the "Road System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Road Bonds will be deposited into the Road System Debt Service Fund. The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Road Bonds, and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Road Bonds, and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Road Bonds, and any additional bonds for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, including the Utility Bonds.

Amendments to the Bond Orders

The District may, without the consent of or notice to any Registered Owners, amend the Bond Orders in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Orders, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Orders relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Orders cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.

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

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

Payment Record

The District has no prior bonded indebtedness.

Short-Term Debt

In connection with the Utility Bonds, the District issued its \$4,660,000 Bond Anticipation Note, Series 2024 (the "BAN"), dated January 30, 2024. The BAN matures on January 29, 2025, and accrues interest at a rate of 6.250% per annum, calculated on the basis of actual days elapsed and a 360-day year. The District will use a portion of the proceeds from the sale of the Utility Bonds to redeem the BAN prior to its maturity.

Use and Distribution of Utility Bond Proceeds

Proceeds from the sale of the Utility Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse Knox Street 28 (herein defined) for a portion of the improvements and related costs shown below. Additionally, proceeds from the sale of the Utility Bonds will be used to reimburse Knox Street 28 for a portion of the cost of water, wastewater and drainage improvements and related costs that were not reimbursed by the BAN, to pay developer interest, BAN interest, pay eighteen (18) months of capitalized interest, operating costs and certain costs associated with the issuance of the Utility Bonds.

| Construction Costs | District's Share |
|--|-------------------------|
| A. Bridgewater Phase 1A – W, WW, D | \$ 5,081,320 |
| B. Bridgewater Phase 1B – W, WW, D | 1,418,014 |
| Total Construction Costs | \$ 6,499,334 |
| | |
| Non-Construction Costs | |
| A. Legal Fees | \$ 237,200 |
| B. Fiscal Agent Fees | 197,200 |
| C. Interest | |
| 1. Capitalized Interest (18 Months) | 654,628 |
| 2. Developer Interest | 1,069,155 |
| 3. BAN Interest | 238,663 |
| D. Bond Discount | 295,344 |
| E. Bond Application Report Costs | 50,000 |
| F. Bond Issuance Expenses | 40,395 |
| G. BAN Issuance Expenses | 110,466 |
| H. Attorney General Fee (0.10% or \$9,500 max) | 9,500 |
| I. TCEQ Bond Issuance Fee (0.25%) | 24,650 |
| J. Contingency (a) | 433,464 |
| Total Non-Construction Costs | \$ 3,360,666 |
| | |
| TOTAL BOND ISSUE REQUIREMENT | \$ 9,860,000 |

(a) Represents the difference between actual and allotted Capitalized Interest, BAN Interest and Bond Discount.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Utility Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

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

Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse Knox Street 28 for a portion of the construction costs set out below. Proceeds of the Road Bonds will also be used to pay developer interest, pay eighteen (18) months of capitalized interest, and certain other costs associated with the issuance of the Road Bonds.

| Construction Costs | District's Share |
|---|-------------------------|
| A. Bridgewater Phase 1A - Sidewalks | \$ 507,500 |
| B. Bridgewater Phase 1B - Sidewalks | 263,391 |
| C. Bridgewater Phase 1A - Paving | 710,850 |
| D. Bridgewater Phase 1B - Paving | 1,458,409 |
| Total Construction Costs | \$ 2,940,150 |
| | |
| Non-Construction Costs | |
| A. Legal Fees | \$ 98,000 |
| B. Fiscal Agent Fees | 78,400 |
| C. Interest | |
| 1. Capitalized Interest (18 Months) | 294,000 |
| 2. Developer Interest | 327,930 |
| D. Bond Discount | 117,600 |
| E. Bond Application Report Costs | 25,000 |
| F. Bond Issuance Expenses | 35,000 |
| G. Attorney General's Fee | 3,920 |
| H. Contingency (a) | 37,513 |
| Total Non-Construction Costs | \$ 979,850 |
| TOTAL BOND ISSUE REQUIREMENT | \$ 3,920,000 |

(a) Represents the difference between actual and allotted Capitalized Interest and Bond Discount.

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

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

THE DISTRICT

General

The District was created by House Bill 3852 of the 82nd Legislature of the State of Texas, June 17, 2011, Regular Session, codified as Chapter 3911 of the Texas Special District Local Laws Code. The District was created as a Municipal Management District under Section 52, Article III, and Section 59, Article XVI, of the Texas Constitution and operates under Chapter 375 of the Texas Local Government Code, and Chapters 49 and 54 of the Texas Water Code, as amended. The District, which lies wholly within the corporate limits of the City, is

subject to the continuing supervisory jurisdiction of the TCEQ with respect to water, sewer, and drainage facilities.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to purchase, construct, operate and maintain certain road improvements, recreational facilities, and fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the City and the voters of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See “THE BONDS – Issuance of Additional Debt.”

Location of the District

The District is located in Ellis County, approximately 23 miles southwest of downtown Dallas. The District is bounded by U.S. Route 287 to the southwest and is located entirely within the corporate limits of the City of Midlothian. The District is located partially within the Waxahachie Independent School District and partially within Midlothian Independent School District.

Management of the District

The District is governed by the Board, which consists of five directors and has control over, management, and supervision of all affairs of the District. All directors serve four-year staggered terms, and are appointed by the City:

| Name | Position | Term Expires May |
|------------------|---------------------|-----------------------------|
| Brian Hall (a) | President | 2025 |
| Ben Luedtke (a) | Vice President | 2026 |
| Danny Rodgers | Secretary | 2025 |
| Kyle Ballard | Assistant Secretary | 2025 |
| Dick LeBlanc (a) | Assistant Secretary | 2026 |

(a) The following members of the Board are principal stakeholders of the Hanover Property Group, the controlling entity of Knox Street 28 and HPC Bridgewater.

Investment Policy

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

Consultants

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

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

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

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

Tax Assessor/Collector: The tax assessor/collector for the District is Richard Rozier, the Ellis County Tax Assessor/Collector (the “Tax Assessor/Collector”).

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

Auditor: The District engaged McCall Gibson Swedlund Barfoot PLLC to audit its financial statements for the fiscal year ended June 30, 2024. The District’s audited financial statements are attached as “APPENDIX A” to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District’s facilities is LJA Engineering, Inc. (the “Engineer”).

Historical Operations of the Utility System

The following is a summary of the District’s Operating Fund. The figures for the fiscal years ending June 30 in the years 2023 and 2024, were obtained from the District’s annual financial reports, reference to which is hereby made. See “APPENDIX A.” The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ.

| | Fiscal Year Ending June 30, | |
|--|-----------------------------|-------------|
| | 2024 | 2023 |
| REVENUES: | | |
| Property Taxes | \$ 224,243 | \$ 28,357 |
| Interest Income | 1,444 | - |
| TOTAL REVENUES | \$ 225,687 | \$ 28,357 |
| EXPENDITURES: | | |
| Professional Fees | \$ 58,710 | \$ 31,929 |
| Contract Services | 4,427 | 2,344 |
| Other | 6,222 | 5,849 |
| TOTAL EXPENDITURES | \$ 69,359 | \$ 40,122 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 156,328 | \$ (11,765) |
| OTHER FINANCING SOURCES: | | |
| Developer Advances | \$ 97,000 | \$ 23,000 |
| Beginning Fund Balance | \$ (4,029) | \$ (15,264) |
| Ending Fund Balance | \$ 249,299 | \$ (4,029) |

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DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District consists of approximately 966.37 total acres. To date, approximately 179.111 acres have been developed as 624 single-family lots within Bridgewater Phase 1A, Phase 1B, and Phase 2B. As of August 1, 2024, the District included approximately 182 completed homes (approximately 152 occupied, 24 unoccupied, and 6 model homes); approximately 112 homes under construction; and approximately 330 vacant developed lots.

The remaining land in the District includes approximately 510.296 acres planned for development as additional single-family residential sections; approximately 28.837 acres on which an elementary school will be constructed; approximately 15.620 acres on which an amenity center will be constructed; approximately 67.875 acres that are planned for development as multi-use and commercial properties; and approximately 164.626 acres that are undevelopable.

The table below summarizes the status of development and land use within the District as of August 1, 2024.

| Subdivision | Acreage | Section Lots | Homes Completed | Homes Under Construction | Vacant Lots |
|-----------------------------------|----------------|-----------------|--------------------|--------------------------------|----------------|
| Bridgewater, Phase 1A | 108.110 | 340 | 135 | 73 | 132 |
| Bridgewater, Phase 1B | 35.797 | 135 | 47 | 39 | 49 |
| Bridgewater, Phase 2B | 35.204 | 149 | - | - | 149 |
| Totals | 179.111 | 624 | 182 | 112 | 330 |
| Remaining Residential Developable | 510.296 | | | | |
| Remaining Commercial Developable | 67.875 | | | | |
| School Site | 28.837 | | | | |
| Amenity Center | 15.620 | | | | |
| Undevelopable | 164.626 | | | | |
| District Total | 966.365 | | | | |

Homebuilders within the District

The active homebuilders within the District are American Legend Homes, Highland Homes, Perry Homes, J. Houston Homes, and Tri Pointe Homes. Homes in the District range in price from approximately \$350,000 to approximately \$850,000 and in size from approximately 1,800 square feet to approximately 4,900 square feet.

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**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(May 2024)**



PHOTOGRAPHS TAKEN IN THE DISTRICT
(May 2024)



THE DEVELOPERS

The Role of a Developers

In general, the activities of a landowner or developer in a district, such as the District, include the following: acquiring the land within the district, designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

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

None of the Developers, or any affiliate entities, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers or their affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers or its affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Description of the Developers

Knox Street 28 and HPC Bridgewater: Knox Street Partners No. 28 Ltd. ("Knox Street 28"), a Texas limited partnership, a subsidiary of Hanover Property Company, LLC ("HPC"), a Texas limited liability corporation, is a single purpose entity created for the purpose of purchasing and owning, as an investment, land within the District. Knox Street 28 initially purchased all of the land within the District, approximately 966.365 acres. To date, Knox Street 28 continues to own approximately 784.114 acres within the District. Knox Street 28 has retained all rights to reimbursement.

HPC Bridgewater Development Corporation ("HPC Bridgewater"), a Texas corporation, also a subsidiary of HPC, was created for the sole purpose of purchasing land for development within the District. In June 2021, HPC Bridgewater purchased approximately 108.110 acres from Knox Street 28, on which it has developed 340 lots as Bridgewater, Phase 1A. As of August 1, 2024, HPC Bridgewater continues to own 50 vacant developed lots. Additionally, HPC Bridgewater purchased approximately 140.709 acres of land within the District from Knox Street 28 for purposes of developing 343 single-family lots as Bridgewater Phase 2A.

Tri Pointe DFW: In June 2021, ResCal Bridgewater 282 LLC ("ResCal Bridgewater"), a Delaware limited liability company, purchased approximately 69.488 acres of land within the District from Knox Street 28. Pursuant to a Joint Operating Agreement between ResCal Bridgewater and Tri Pointe Homes DFW, LLC, a Texas limited liability company ("Tri Pointe DFW"), ResCal Bridgewater purchased such land within the District for the purpose of holding such land and delivering finished lots to Tri Pointe DFW pursuant to a takedown schedule agreed to by the parties. To date, ResCal Bridgewater has developed 284 single-family lots as Bridgewater, Phases 1B and 2B, on which Tri Pointe DFW will be the only homebuilder. HPC has been engaged as fee developer and manages the construction on behalf of Tri Pointe DFW. As of August 1, 2024, Tri Pointe DFW continues to own 198 vacant developed lots within the District. Tri Pointe DFW is a subsidiary of Tri Pointe Homes Inc, a Delaware corporation ("Tri Pointe").

Tri Pointe Homes, Inc., is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol "TPH." Audited financial statements for Tri Pointe Homes, Inc. can be found online at

<https://investors.tripointehomes.com>. Tri Pointe is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements, and other information filed by Tri Pointe can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Knox Street 28, HPC Bridgewater, and Tri Pointe DFW are collectively referred to herein as the “Developers.”

Development Financing

In connection with the acquisition of the Bridgewater, Phase 2A land, HPC Bridgewater obtained a development loan from Simmons Bank, secured by the property it owns within the District and additional land owned by Knox 28 within the District. The development loan has a maximum principal balance of \$22,800,000 of which \$1,000 was outstanding as of August 31, 2024, and matures in August 2027. According to HPC Bridgewater, it is in compliance with all material conditions of the loan.

Knox Street 28 has obtained financing for a portion of the development of Bridgewater through the Public Finance Authority of Wisconsin (the “PFA”). The PFA issued \$33,940,000 Texas Infrastructure Program Tax-Exempt Revenue Anticipation Bonds (Bridgewater Project), Series 2024 (the “PFA Bonds”), which are secured in part by the sale and assignment of Knox Street 28’s right to receive proceeds from the future sale of unlimited tax bonds issued by the District, including the Bonds. According to Knox Street 28, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See “RISK FACTORS – Approval of the Bonds.”

Lot Sales Contracts

HPC Bridgewater has entered into lot or land sales contracts with each of American Legend Homes, Highland Homes, Perry Homes, J. Houston Homes, and Tri Pointe Homes. The contracts for the sale of lots between HPC Bridgewater and the builders require that earnest money be released to HPC Bridgewater upon closing of a development loan. The builders collectively made earnest money deposits of \$4,073,680 associated with the phase 1 lot contracts and will deliver \$11,944,800 associated with the phase 2 lot contracts. The sales contracts establish certain required lot purchases quarterly on a semi-annual basis, with the earnest money deposit being returned to the builders on a pro rata basis. HPC Bridgewater sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit, which as of August 1, 2024 was approximately \$578,800 associated with the phase 1 lot contracts.

According to HPC Bridgewater, each of the builders is in compliance with their respective lot sale contracts. As of August 1, 2024, the total number of lots contracted and purchased by each builder is listed below:

| Homebuilder | Total Lots Contracted | Total Lots Purchased |
|-----------------------|-----------------------|----------------------|
| American Legend Homes | 226 | 64 |
| Highland Homes | 142 | 92 |
| Perry Homes | 159 | 63 |
| J. Houston Homes | 154 | 71 |
| Tri Pointe Homes | 284 | 284 |
| Totals | 965 | 574 |

Construction and Reimbursement Agreements

The District is a party to agreements for the construction and purchase of facilities and reimbursement for costs and amendment thereto with the Developers, which define the conditions under which the District will issue additional bonds to reimburse the Developers for the water, wastewater, drainage and roadway facilities within and outside the District. Under the terms of the agreements, the District has agreed to repay the cost of

facilities through a series of bond sales over time. The District's obligation to issue bonds and reimburse the Developers for funds advanced for facilities is subject to various conditions, including approval of such facilities and bonds by the TCEQ, as required by the rules of the TCEQ, approval of the bonds by the Attorney General of Texas, and the recommendation of the District's financial advisor that the sale of the bonds is feasible and prudent.

THE ROAD SYSTEM

The District's Road System has and will be funded with proceeds of the Road Bonds issued for the Road System, as well as future bonds issued by the District for acquiring or constructing the Road System. See "RISK FACTORS – Future Debt" and "THE BONDS – Issuance of Additional Debt." Construction of the District's roads is subject to certain regulations by the City and the Texas Department of Transportation. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime-stabilized subgrade. Remaining streets provide local interior service within the District. The District's road facilities will, upon completion, be conveyed to the City and will be maintained by the City. The Road System also includes streetlights, landscape, and irrigation. Public utilities such as water, wastewater, and storm drainage are typically located within street rights-of-way.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the Utility System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the County, Texas, and the City. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Description of the Utility System

Water Supply

Pursuant to Development Agreement and Finance Plan dated August 31, 2015 the District is located in its entirety within the City's incorporated limits and the City will at all times be the designated retail water provider for all land within the District, and the District will have no right to provide such retail services or enter into one or more agreements with any third party to provide such retail water services without the consent of the City. The City will provide sufficient water capacity to serve the District's ultimate development.

Wastewater Treatment

Pursuant to Development Agreement and Finance Plan dated August 31, 2015 the District is located in its entirety within the City's incorporated limits and the City will at all times be the designated retail sanitary sewer provider for all land within the District, and the District will have no right to provide such retail services or enter into one or more agreements with any third party to provide such retail sanitary sewer services without the consent of the City. The City will provide sufficient wastewater capacity to serve the District's ultimate development.

The District is served by the Mountain Creek Regional Wastewater Treatment Plant that is owned and operated by the Trinity River Authority of Texas. The treatment plant can currently treat 4.5 MGD and is under construction to expand its capacity to 6 MGD.

Drainage

The District's stormwater runoff drains into a system of underground storm sewers and outfalls at various points into tributaries of North Prong Creek.

100-Year Flood Plain

Approximately 165 acres within the District lie within the FEMA 100-year flood plain. None of such acreage will be used for development.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may

be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in 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.

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DISTRICT DEBT

| | |
|---|-------------------------|
| 2024 Taxable Assessed Valuation..... | \$ 85,550,860 (a) |
| Estimate of Value as of July 1, 2024 | \$142,222,890 (b) |
| Direct Debt: | |
| The Utility Bonds | \$ 9,860,000 |
| The Road Bonds..... | <u>\$ 3,920,000</u> |
| Total..... | \$ 13,780,000 |
| Estimated Overlapping Debt | <u>\$ 2,305,620 (c)</u> |
| Total Direct and Estimated Overlapping Debt | \$ 16,085,620 (c) |
| Direct Debt Ratios: | |
| As a percentage of 2024 Taxable Assessed Valuation..... | 16.11 % |
| As a percentage of Estimate of Value as of July 1, 2024 | 9.69 % |
| Direct and Estimated Overlapping Debt Ratios: | |
| As a percentage of 2024 Taxable Assessed Valuation..... | 18.80 % |
| As a percentage of Estimate of Value as of July 1, 2024 | 11.31 % |
| Utility System Debt Service Fund Balance (as of Delivery Date) | \$ 654,628 (d) |
| Road System Debt Service Fund Balance (as of Delivery Date) | \$ 260,531 (e) |
| General Operating Fund Balance (as of September 17, 2024)..... | \$ 180,258 (f) |
| 2024 Tax Rate | |
| Utility System Debt Service | \$0.10 |
| Road System Debt Service | \$0.05 |
| Maintenance & Operation | <u>\$0.45</u> |
| Total..... | \$0.60 (g) |
| Average Annual Debt Service Requirement on the Bonds (2025–2049)..... | \$ 911,653 (h) |
| Maximum Annual Debt Service Requirement on the Bonds (2049) | \$ 969,525 (h) |
| Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirement on the Bonds (2025–2049) | |
| Based on 2024 Taxable Assessed Valuation..... | \$ 1.13 |
| Based on Estimate of Value as of July 1, 2024 | \$ 0.68 |
| Combined Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2049) | |
| Based on 2024 Taxable Assessed Valuation..... | \$ 1.20 |
| Based on Estimate of Value as of July 1, 2024 | \$ 0.72 |

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2024, as provided by the Ellis County Appraisal District (the “ECAD”).
- (b) Provided by ECAD for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through July 1, 2024. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”
- (c) See “DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement.”
- (d) Represents eighteen (18) months of capitalized interest to be deposited into the Utility System Debt Service Fund upon closing of the Utility Bonds. Neither Texas law nor the Utility Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System, including the Road Bonds.
- (e) Represents eighteen (18) months of capitalized interest to be deposited into the Road System Debt Service Fund upon closing of the Road Bonds. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, including the Utility Bonds.
- (f) See “RISK FACTORS – Operating Funds.”
- (g) See “TAX DATA – Tax Rate Distribution.”
- (h) See “DISTRICT DEBT – Debt Service Requirement Schedule.”

Estimated Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the *Texas Municipal Reports* published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the 2024 Taxable Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

| Taxing Jurisdiction | Outstanding Debt September 30, 2024 | Overlapping | |
|---|--|-------------|---------------------|
| | | Percent | Amount |
| Ellis County | \$ 23,885,000 | 0.09% | \$ 20,936 |
| City of Midlothian | 134,578,022 | 0.42% | 562,866 |
| Waxahachie Independent School District | 592,221,701 | 0.12% | 717,237 |
| Midlothian Independent School District | 364,510,000 | 0.28% | 1,004,582 |
| Total Estimated Overlapping Debt | | | \$ 2,305,620 |
| Direct Debt (a) | | | <u>\$13,780,000</u> |
| Total Direct and Estimated Overlapping Debt | | | \$16,085,620 |

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratio (a):

| | |
|---|---------|
| As a percentage of the 2024 Taxable Assessed Valuation..... | 16.11 % |
| As a percentage of the Estimate of Value as of July 1, 2024 | 9.69 % |

Direct and Estimated Overlapping Debt Ratio (a):

| | |
|---|---------|
| As a percentage of the 2024 Taxable Assessed Valuation..... | 18.80 % |
| As a percentage of the Estimate of Value as of July 1, 2024 | 11.31 % |

(a) Includes the Bonds.

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Debt Service Requirement Schedule

The following schedule sets forth the principal and interest requirements on the Bonds.

| Year Ending 12/31 | The Bonds: | | | | Total Combined Debt Service |
|-------------------------|-------------------|--------------|----------------|--------------|--------------------------------|
| | The Utility Bonds | | The Road Bonds | | |
| | Principal | Interest | Principal | Interest | |
| 2025 | \$ - | \$ 340,649 | \$ - | \$ 135,573 | \$ 476,222 |
| 2026 | 230,000 | 436,419 | 90,000 | 173,688 | 930,106 |
| 2027 | 240,000 | 421,469 | 95,000 | 168,063 | 924,531 |
| 2028 | 250,000 | 405,869 | 100,000 | 161,888 | 917,756 |
| 2029 | 265,000 | 389,619 | 105,000 | 155,388 | 915,006 |
| 2030 | 275,000 | 372,394 | 110,000 | 148,563 | 905,956 |
| 2031 | 290,000 | 354,519 | 115,000 | 141,413 | 900,931 |
| 2032 | 300,000 | 342,556 | 120,000 | 136,238 | 898,794 |
| 2033 | 315,000 | 330,556 | 125,000 | 131,438 | 901,994 |
| 2034 | 330,000 | 317,956 | 130,000 | 126,438 | 904,394 |
| 2035 | 345,000 | 304,756 | 140,000 | 121,238 | 910,994 |
| 2036 | 365,000 | 290,956 | 145,000 | 115,638 | 916,594 |
| 2037 | 380,000 | 276,356 | 150,000 | 109,838 | 916,194 |
| 2038 | 400,000 | 261,156 | 160,000 | 103,838 | 924,994 |
| 2039 | 420,000 | 245,156 | 165,000 | 97,438 | 927,594 |
| 2040 | 440,000 | 228,356 | 175,000 | 90,838 | 934,194 |
| 2041 | 460,000 | 210,756 | 185,000 | 83,838 | 939,594 |
| 2042 | 480,000 | 192,356 | 190,000 | 76,438 | 938,794 |
| 2043 | 505,000 | 172,556 | 200,000 | 68,600 | 946,156 |
| 2044 | 530,000 | 151,725 | 210,000 | 60,350 | 952,075 |
| 2045 | 555,000 | 129,200 | 220,000 | 51,425 | 955,625 |
| 2046 | 580,000 | 105,613 | 230,000 | 42,075 | 957,688 |
| 2047 | 605,000 | 80,963 | 240,000 | 32,300 | 958,263 |
| 2048 | 635,000 | 55,250 | 255,000 | 22,100 | 967,350 |
| 2049 | 665,000 | 28,263 | 265,000 | 11,263 | 969,525 |
| | \$ 9,860,000 | \$ 6,445,424 | \$ 3,920,000 | \$ 2,565,898 | \$ 22,791,322 |

Average Annual Debt Service Requirements on the Bonds (2025-2049) \$911,653

Maximum Annual Debt Service Requirements on the Bonds (2049) \$969,525

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TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Utility Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of constructing or acquiring the Utility System (see “RISK FACTORS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds and any bonds payable from taxes that the District has heretofore or may hereafter issue for the purpose of acquiring or constructing the Road System (see “RISK FACTORS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. In the Bond Orders, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water, wastewater and drainage system and road system and for the payment of certain contractual obligations if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

Property Tax Code and County-Wide Appraisal District

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

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

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. The District has not adopted disabled or over 65 exemptions.

Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has not adopted a general homestead exemption.

Freeport Goods Exemption and "Goods-in-Transit": A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

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

During the 2nd Special Session, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 2"), which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect on January 1, 2024.

District and Taxpayer Remedies

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

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, Texas law provides for an additional notice and, upon petition by qualified voters, an

election which could result in the repeal of certain tax rate increases on residential homesteads. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Tax Abatement

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

Levy and Collection of Taxes

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

Taxes are due September 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person at least sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas Law is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes within the District in the preceding 24 months.

Reappraisal of Property after Disaster

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'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. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights 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 – Tax Collection Limitations" and "– Registered Owners' Remedies."

Tax Payment Installments After Disaster

The Property Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro-rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

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

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 pursuant to Chapter 49 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 on an annual basis. For the 2024 tax year, the District was 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.

TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and any future tax-supported bonds for the purpose of acquiring or constructing the Utility System or Road System that may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Orders to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an unlimited amount, for operation and maintenance purposes. The District levied a total tax of \$0.60 per \$100 of assessed valuation for the 2024 tax year, composed of a \$0.45 for maintenance and operations, \$0.05 for road debt service, and \$0.10 for utility debt service.

Tax Rate Limitation

Utility System Debt Service: Unlimited (no legal limit as to rate or amount).
 Road System Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$1.00 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Orders to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, two taxes adequate to provide funds to pay the principal of and interest on the Bonds. For the 2024 tax year, the District levied a debt service tax rate of \$0.05 per \$100 of assessed valuation for road debt service and \$0.10 per \$100 of assessed valuation for utility debt service. See “Tax Rate Distribution” below, “TAXING PROCEDURES,” and “RISK FACTORS.”

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. The Board is authorized by the District’s voters to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2024, the District levied a maintenance tax of \$0.45 per \$100 of assessed valuation. See “Tax Rate Distribution” below.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2022 – 2024 tax years:

| Tax Year | Adjusted Taxable Value | Tax Rate | Adjusted Tax Levy | Collections Current Year | Current Year Ending 9/30 | Collections 6/30/2024 |
|----------|------------------------|----------|-------------------|--------------------------|--------------------------|-----------------------|
| 2022 (a) | \$ 4,606,644 | \$ 0.600 | \$ 27,640 | 100.00% | 2023 | 100.00% |
| 2023 | 28,955,598 | 0.600 | 173,734 | 100.00 | 2024 | 100.00 |
| 2024 | 85,550,860 | 0.600 | 513,305 | (b) | 2025 | (b) |

(a) The District levied its first tax rate for the 2022 tax year.
 (b) In process of collections.

Tax Rate Distribution

| | 2024 | 2023 | 2022 |
|-----------------------------|--------------|--------------|--------------|
| Road System Debt Service | \$0.050 | \$0.000 | \$0.000 |
| Utility System Debt Service | 0.100 | 0.000 | 0.000 |
| Maintenance | <u>0.450</u> | <u>0.600</u> | <u>0.600</u> |
| Total | \$0.600 | \$0.600 | \$0.600 |

Analysis of Tax Base

The following table illustrates the District’s total taxable assessed value in the 2022–2024 tax years by type of property.

| Type of Property | 2024 Assessed Taxable Valuation | 2023 Assessed Taxable Valuation | 2022 Assessed Taxable Valuation |
|-------------------|---------------------------------|---------------------------------|---------------------------------|
| Land | \$ 49,014,773 | \$ 41,309,473 | \$ 12,803,911 |
| Improvements | 52,017,490 | 2,830 | - |
| Personal Property | 81,204 | - | - |
| Exemptions | <u>(15,562,607)</u> | <u>(12,356,705)</u> | <u>(8,197,267)</u> |
| Total | \$ 85,880,860 | \$ 28,955,598 | \$ 4,606,644 |

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2024:

| Taxpayer | Type of Property | Assessed Valuation 2024 Tax Roll | Percent of 2024 Value |
|---------------------------------|---------------------|-------------------------------------|--------------------------|
| American Legend Homes LLC (b) | Land & Improvements | \$ 8,936,487 | 10.45% |
| Tri Pointe Homes DFW LLC (a)b) | Land & Improvements | 7,924,129 | 9.26% |
| HPC Bridgewater Development (a) | Land & Improvements | 6,460,693 | 7.55% |
| J. Houston Homes LLC (b) | Land & Improvements | 6,137,737 | 7.17% |
| Highland Homes – Dallas LLC (b) | Land & Improvements | 4,755,200 | 5.56% |
| Rescal Bridgewater 282 LLC (a) | Land & Improvements | 3,371,314 | 3.94% |
| Perry Homes LLC (b) | Land & Improvements | 3,936,746 | 4.60% |
| Homeowner | Land & Improvements | 731,597 | 0.86% |
| Homeowner | Land & Improvements | 649,685 | 0.76% |
| Homeowner | Land & Improvements | 620,303 | 0.73% |
| Total | | \$ 43,523,591 | 50.87% |

(a) See “THE DEVELOPERS”

(b) See “DEVELOPMENT OF THE DISTRICT – Homebuilders within the District.”

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation that would be required to meet certain debt service requirements on the Bonds, if no growth in the District’s tax base occurs beyond the 2024 Taxable Assessed Valuation (\$85,550,860) or the Estimate of Value as of July 1, 2024 (\$142,222,890). The calculations assume collection of 95% of taxes levied, the sale of the Bonds, but not the sale of any additional bonds by the District.

| | |
|--|-----------|
| Average Annual Debt Service Requirement (2025-2049) | \$911,653 |
| Combined Debt Service Tax Rate of \$1.13 on the 2024 Taxable Assessed Valuation produces..... | \$918,388 |
| Combined Debt Service Tax Rate of \$0.68 on the Estimate of Value as of July 1, 2024, produces | \$918,760 |
| Maximum Annual Debt Service Requirement (2049)..... | \$969,525 |
| Combined Debt Service Tax Rate of \$1.20 on the 2024 Taxable Assessed Valuation produces..... | \$975,280 |
| Combined Debt Service Tax Rate of \$0.72 on the Estimate of Value as of July 1, 2024, produces | \$972,805 |

The District anticipates that a portion of the debt service on the Bonds will be paid with the Rebate pursuant to the TIRZ Agreement. The District expects to receive a Rebate of approximately \$0.195 per \$100 of assessed valuation that is expected to be used to pay debt service on the Bonds. See “THE BONDS – TIRZ Agreement.”

Estimated Overlapping Taxes

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

Set forth on the following page is an estimation of all 2024 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

| <u>Taxing Jurisdiction</u> | <u>District Property within Waxahachie ISD</u> | <u>District Property within Midlothian ISD</u> |
|--|--|--|
| The District | \$0.600000 | \$0.600000 |
| Ellis County | 0.255357 | 0.255357 |
| Ellis County Lateral Road | 0.018635 | 0.018635 |
| City of Midlothian | 0.650000 | 0.650000 |
| Waxahachie Independent School District | 1.168100 | --- |
| Midlothian Independent School District | --- | 1.106900 |
| Total Tax Rate | \$ 2.692092 | \$2.630892 |

LEGAL MATTERS

Legal Opinions

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

Coats Rose, P.C., Dallas, Texas, serves as Bond Counsel and General Counsel to the District. The legal fees paid to Bond Counsel, Disclosure Counsel, and General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Coats Rose, P.C., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of

the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for

purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Not Qualified Tax-Exempt Obligations

The District has not designated the Bonds as "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

As required by Rule 15c2-12, and in the Bond Orders, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated

to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

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

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2025. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financials if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. Neither the Bonds nor the Bond Orders make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial

obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds are the first issuance of bonded indebtedness by the District, and, as such, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12

OFFICIAL STATEMENT

General

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

The District’s audited financial statements for the year ended June 30, 2024, were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and have been included herein as “APPENDIX A.” McCall

Gibson Swedlund Barfoot PLLC, Certified Public Accountants, has agreed to the publication of its audit opinion on such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPERS," and "DEVELOPMENT OF THE DISTRICT" has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to engineering and to the description of the Utility System and the Road System, and, in particular, that engineering information included in the sections entitled "THE BONDS", "THE DISTRICT," "DEVELOPMENT OF THE DISTRICT," and "THE UTILITY 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 an expert in the field of civil engineering.

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

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the respective Initial Purchaser a certificate, executed by the authorized members of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. This Official Statement is duly approved by the Board of Directors of the District as of the date specified on the first page hereof.

Updating of Official Statement

The District will 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, to the other matters described in the Official Statement, until the delivery of the Bonds to the Initial Purchasers, unless the respective Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Midlothian Municipal Management District No. 2 as of the date shown on the cover page hereof.

/s/ Brian Hall
President, Board of Directors
Midlothian Municipal Management District No. 2

ATTEST:

/s/ Ben Luedtke
Secretary, Board of Directors
Midlothian Municipal Management District No. 2

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2

ELLIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Midlothian Municipal Management District No. 2
Ellis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Midlothian Municipal Management District No. 2 (the "District") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2024, 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 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.

Board of Directors
Midlothian Municipal Management District No. 2

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 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 17, 2024

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Management's discussion and analysis of the financial performance of Midlothian Municipal Management District No. 2 provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, property tax revenues, developer advances, professional fees, contracted services, and administrative costs. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information required by the Texas Commission on Environmental Quality.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$845,046 as of June 30, 2024. A portion of the District's net position reflects its net investment in capital assets which include intangible assets less any debt used to acquire those assets that is still outstanding.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

| | <u>Summary of Changes in the Statement of Net Position</u> | | |
|---|--|----------------------|----------------------------------|
| | 2024 | 2023 | Change Positive (Negative) |
| Current and Other Assets | \$ 281,418 | \$ 3,192 | \$ 278,226 |
| Intangible Assets (Net of Accumulated Amortization) | <u>17,843,931</u> | <u>16,083,656</u> | <u>1,760,275</u> |
| Total Assets | <u>\$ 18,125,349</u> | <u>\$ 16,086,848</u> | <u>\$ 2,038,501</u> |
| Due to Developer | \$ 14,167,303 | \$ 16,369,900 | \$ 2,202,597 |
| BAN Payable | 4,660,000 | | (4,660,000) |
| Other Liabilities | <u>143,092</u> | <u>7,221</u> | <u>(135,871)</u> |
| Total Liabilities | <u>\$ 18,970,395</u> | <u>\$ 16,377,121</u> | <u>\$ (2,593,274)</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ (898,845) | \$ (187,744) | \$ (711,101) |
| Unrestricted | <u>53,799</u> | <u>(102,529)</u> | <u>156,328</u> |
| Total Net Position | <u>\$ (845,046)</u> | <u>\$ (290,273)</u> | <u>\$ (554,773)</u> |

The following table provides a summary of the District's operations for the year ended June 30, 2024, and June 30, 2023:

| | <u>Summary of Changes in the Statement of Activities</u> | | |
|---------------------------------|--|---------------------|----------------------------------|
| | 2024 | 2023 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 224,243 | \$ 28,357 | \$ 195,886 |
| Other Revenues | <u>1,711</u> | | <u>1,711</u> |
| Total Revenues | <u>\$ 225,954</u> | <u>\$ 28,357</u> | <u>\$ 197,597</u> |
| Total Expenses | <u>780,727</u> | <u>227,866</u> | <u>(552,861)</u> |
| Change in Net Position | \$ (554,773) | \$ (199,509) | \$ (355,264) |
| Net Position, Beginning of Year | <u>(290,273)</u> | <u>(90,764)</u> | <u>(199,509)</u> |
| Net Position, End of Year | <u>\$ (845,046)</u> | <u>\$ (290,273)</u> | <u>\$ (554,773)</u> |

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of June 30, 2024, were a deficit of \$4,398,702, a decrease of \$4,394,673 from the prior year.

The General Fund fund balance increased by \$253,328, primarily due to property tax revenues and developer advances exceeding professional fees, contracted services, and administrative costs paid during the current fiscal year.

The Capital Projects Fund fund balance has a deficit fund balance of \$4,648,001. The District issued its Series 2024 Bond Anticipation Note (the “BAN”) in the amount of \$4,660,000 and used the proceeds to reimburse its developer as discussed in Note 10.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted a budget for the General Fund for the current fiscal year. Actual revenues were \$57,867 higher than budgeted and actual expenditures were \$13,359 higher than budgeted. Developer advances of \$97,000 were unbudgeted. The result was a positive budget variance of \$141,508. See the budget to actual comparison for further information.

INTANGIBLE ASSETS

Under the Amended and Restated Development Agreement and Finance Plan effective December 30, 2019, between the District, ECOM Real Estate Management, Inc., Knox Street Partners No. 28, LTD and the City of Midlothian, Texas, (the “City”), the District conveys completed water distribution, sanitary sewer collection, public storm drainage, roads, recreational facilities and related public facilities to the City in return for the City’s obligation to use such facilities to provide services to residents of the District. Intangible assets net of accumulated amortization totaled \$17,843,931 as of June 30, 2024.

LONG-TERM DEBT

The District issued its Series 2024 BAN in the amount of \$4,660,000 during the current fiscal year. The District also recorded a liability to its Developer of \$14,167,303 which consists of payments for public utilities, road infrastructure, and operating advances. Reimbursement to the Developer is anticipated to come from proceeds of bonds issued by the District.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Midlothian Municipal Management District No. 2, c/o Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2024

| | General Fund | Capital Projects Fund |
|---|-------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 214,419 | \$ 11,999 |
| Prepaid Costs | 55,000 | |
| Intangible Assets - Right to Receive Service (Net of Accumulated Amortization) | | |
| TOTAL ASSETS | \$ 269,419 | \$ 11,999 |
| LIABILITIES | | |
| Accounts Payable | \$ 20,120 | \$ |
| Accrued Interest Payable | | |
| Due to Developer | | |
| Bond Anticipation Note Payable | | 4,660,000 |
| TOTAL LIABILITIES | \$ 20,120 | \$ 4,660,000 |
| FUND BALANCES (DEFICIT) | | |
| Nonspendable: | | |
| Prepaid Costs | \$ 55,000 | \$ |
| Restricted for Authorized Construction | | (4,648,001) |
| Unassigned | 194,299 | |
| TOTAL FUND BALANCES (DEFICIT) | \$ 249,299 | \$ (4,648,001) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 269,419 | \$ 11,999 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

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

| <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|-------------------------------------|---------------------------------------|--------------------------------------|
| \$ 226,418 55,000 | \$ | \$ 226,418 55,000 |
| <u> </u> | 17,843,931 | <u>17,843,931</u> |
| <u>\$ 281,418</u> | <u>\$ 17,843,931</u> | <u>\$ 18,125,349</u> |
| | | |
| \$ 20,120 | \$ | \$ 20,120 |
| | 122,972 | 122,972 |
| | 14,167,303 | 14,167,303 |
| <u>4,660,000</u> | <u> </u> | <u>4,660,000</u> |
| <u>\$ 4,680,120</u> | <u>\$ 14,290,275</u> | <u>\$ 18,970,395</u> |
| | | |
| \$ 55,000 (4,648,001) 194,299 | \$ (55,000) 4,648,001 (194,299) | \$ |
| <u> </u> | <u> </u> | <u> </u> |
| <u>\$ (4,398,702)</u> | <u>\$ 4,398,702</u> | <u>\$ -0-</u> |
| | | |
| <u>\$ 281,418</u> | | |
| | | |
| | \$ (898,845) | \$ (898,845) |
| | 53,799 | 53,799 |
| | <u> </u> | <u> </u> |
| | <u>\$ (845,046)</u> | <u>\$ (845,046)</u> |

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

| | | |
|--|--|----------------|
| Total Fund Balances - Governmental Funds | | \$ (4,398,702) |
|--|--|----------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|---|--|------------|
| Intangible assets are not current financial resources and, therefore, are not reported as assets in the governmental funds. | | 17,843,931 |
|---|--|------------|

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

| | | |
|--|-----------------------------|-----------------------------|
| | \$ (14,167,303) | |
| Due to Developer | (122,972) | (14,290,275) |
| Accrued Interest Payable | <u> </u> | <u> </u> |
| Total Net Position - Governmental Activities | <u> </u> | <u>\$ (845,046)</u> |

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

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Capital Projects Fund |
|---|-------------------|--------------------------|
| REVENUES | | |
| Property Taxes | \$ 224,243 | \$ |
| Investment and Miscellaneous Revenues | <u>1,444</u> | <u>267</u> |
| TOTAL REVENUES | <u>\$ 225,687</u> | <u>\$ 267</u> |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 58,710 | \$ |
| Contracted Services | 4,427 | |
| Amortization | | |
| Other | 6,222 | 20 |
| Developer Reimbursements | | 4,549,533 |
| Debt Service: | | |
| Bond Anticipation Note Interest | | |
| Bond Anticipation Note Issuance Costs | | <u>98,715</u> |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 69,359</u> | <u>\$ 4,648,268</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES | <u>\$ 156,328</u> | <u>\$ (4,648,001)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Developer Advances | <u>\$ 97,000</u> | <u>\$ -0-</u> |
| NET CHANGE IN FUND BALANCES | \$ 253,328 | \$ (4,648,001) |
| CHANGE IN NET POSITION | | |
| FUND BALANCES (DEFICIT)/ NET POSITION - JULY 1, 2023 | <u>(4,029)</u> | <u></u> |
| FUND BALANCES (DEFICIT)/ NET POSITION - JUNE 30, 2024 | <u>\$ 249,299</u> | <u>\$ (4,648,001)</u> |

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

| <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|----------------|--------------------|------------------------------------|
| \$ 224,243 | \$ | \$ 224,243 |
| 1,711 | | 1,711 |
| \$ 225,954 | \$ -0- | \$ 225,954 |
| | | |
| \$ 58,710 | \$ | \$ 58,710 |
| 4,427 | | 4,427 |
| 6,242 | 489,661 | 489,661 |
| 4,549,533 | (4,549,533) | 6,242 |
| | 122,972 | 122,972 |
| 98,715 | | 98,715 |
| \$ 4,717,627 | \$ (3,936,900) | \$ 780,727 |
| | | |
| \$ (4,491,673) | \$ 3,936,900 | \$ (554,773) |
| | | |
| \$ 97,000 | \$ (97,000) | \$ -0- |
| \$ (4,394,673) | \$ 4,394,673 | \$ |
| | (554,773) | (554,773) |
| | | |
| (4,029) | (286,244) | (290,273) |
| | | |
| \$ (4,398,702) | \$ 3,553,656 | \$ (845,046) |

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|---|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (4,394,673) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Amortization expense is recorded on intangible assets in governmental activities. | (489,661) |
| Governmental funds report developer reimbursements as expenditures in the period paid. In governmental activities, developer reimbursements reduce long-term liabilities or increase intangible assets. | 4,549,533 |
| Interest expense accrued and payable on the Bond Anticipation Note is recorded as a liability in governmental activities. | (122,972) |
| Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability. | <u>(97,000)</u> |
| Change in Net Position - Governmental Activities | <u>\$ (554,773)</u> |

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

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1. CREATION OF DISTRICT

Midlothian Municipal Management District No. 2 (the “District”) was created pursuant to House Bill No. 3852, 82nd Texas Legislature Regular Session, 2011, codified as Chapter 3911 Texas Special District Local Laws Code, as a conservation and reclamation district created under and essential to accomplish the purposes of Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution and operating pursuant to Chapter 375, Texas Local Government Code, and Chapters 49 and 54, Texas Water Code, as amended. The District is empowered, among other things, to purchase and/or construct all roads, works, improvements, facilities and plants, and contract rights necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights. The Board of Directors held its organizational meeting on August 31, 2015.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The 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.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District’s fund financial statements are combined with the government-wide statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has two governmental funds and considers each to be a major fund.

General Fund – To account for resources not accounted for in another fund, property tax revenues, developer advances, professional fees, contracted services, and administrative costs.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets consist of water, sewer, drainage, roads and other public infrastructure conveyed to the City of Midlothian, Texas for ownership and maintenance and recorded as intangible assets (see Notes 6 and 8). These assets are being amortized using the straight-line method of amortization over the applicable contract term of 40 years.

Budgeting

The District adopts a budget on an annual basis which is prepared using the same method of accounting as for financial reporting. The General Fund budget was not amended for the current fiscal year. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

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.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board 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 has not adopted a formal policy regarding the assignment of fund balances. 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 of 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.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District’s deposits was \$226,418 and the bank balance was \$234,048. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits are summarized in the following table:

| | Cash |
|-----------------------|------------|
| GENERAL FUND | \$ 214,419 |
| CAPITAL PROJECTS FUND | 11,999 |
| TOTAL DEPOSITS | \$ 226,418 |

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors. Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest which is reviewed annually and may be more restrictive than the Public Funds Investment Act. As of June 30, 2024, the District did not own any investments.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage.

NOTE 5. BONDS VOTED

The District has the authority to issue bonds in the maximum aggregate amount as follows: \$151,060,000 for water, sewer, drainage and storm sewer facilities as well as organization and administration costs and \$226,590,000 for refunding of such bonds; and \$229,560,000 for road infrastructure and \$344,340,000 for refunding of such bonds.

NOTE 6. INTANGIBLE ASSETS

In accordance with the Amended and Restated Development Agreement and Finance Plan discussed in Note 8, public infrastructure is conveyed to the City of Midlothian, Texas for ownership and maintenance. In return, the City agrees to operate these facilities for the benefit of the residents of the District. The assets conveyed are recorded as intangible assets and amortized over the 40-year term of the contract.

The following table summarizes current fiscal year activity related to intangible assets:

| | July 1, 2023 | Increases | Decreases | June 30, 2024 |
|---|----------------------|---------------------|------------------|----------------------|
| Intangible Assets Subject to Amortization | | | | |
| Water System | \$ 2,976,183 | \$ | \$ 5,840 | \$ 2,970,343 |
| Wastewater System | 3,310,859 | | 6,320 | 3,304,539 |
| Drainage System | 2,400,665 | | 4,455 | 2,396,210 |
| Roads | <u>7,583,693</u> | <u>2,266,551</u> | | <u>9,850,244</u> |
| Total Intangible Assets Subject to Amortization | <u>\$ 16,271,400</u> | <u>\$ 2,266,551</u> | <u>\$ 16,615</u> | <u>\$ 18,521,336</u> |
| Accumulated Amortization | | | | |
| Water System | \$ 52,833 | \$ 80,951 | \$ | \$ 133,784 |
| Wastewater System | 58,838 | 90,070 | | 148,908 |
| Drainage System | 42,708 | 65,320 | | 108,028 |
| Roads | <u>33,365</u> | <u>253,320</u> | | <u>286,685</u> |
| Total Accumulated Amortization | <u>\$ 187,744</u> | <u>\$ 489,661</u> | <u>\$ -0-</u> | <u>\$ 677,405</u> |
| Total Intangible Assets, Net of Accumulated Amortization | <u>\$ 16,083,656</u> | <u>\$ 1,776,890</u> | <u>\$ 16,615</u> | <u>\$ 17,843,931</u> |

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7. MAINTENANCE TAX

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used for any costs lawfully authorized to be paid by the General Fund. During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$0.60 per \$100 of assessed valuation, which resulted in a tax levy of \$224,243 on the adjusted taxable valuation of \$37,373,794 for the 2023 tax year.

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

NOTE 8. DEVELOPMENT AGREEMENT AND FINANCE PLAN

The District, the City of Midlothian, Texas (the “City”), ECOM Real Estate Management, Inc. and Knox Street Partners No. 28, LTD entered into a Development Agreement and Finance Plan (the “Agreement”) on August 31, 2015, which was subsequently amended. The Agreement authorizes the improvement projects to be financed by the District which include the public water distribution, public sanitary sewer collection, public storm drainage, public streets and roads, recreational facilities, and related public facilities. The estimated costs of these improvements are set forth in the Agreement and authorize the costs to be financed through the issuance of bonds, notes or other obligations secured by and payable from ad valorem taxes or assessments. The Agreement requires that all District improvements will be conveyed to the City for ownership and maintenance. The term of the Agreement is 40 years from the effective date and may be terminated earlier if all of the improvements have been completed and all costs have been fully reimbursed to the entities who funded the improvements. The Agreement may be extended for two additional 20-year terms by mutual written agreement of the parties.

Additionally, the Agreement authorizes the City to create a tax increment reinvestment zone. Effective April 27, 2021, the District entered into an agreement (the “TIRZ Agreement”) with the City and the Developers, whereby the District agreed to participate in the Reinvestment Zone Number Three, City of Midlothian, Texas (the “TIRZ”). The TIRZ Agreement provides for the City to rebate \$0.195 per \$100 of assessed valuation of the captured appraised value on all taxable property within the District back to the District (the “Rebate”). Pursuant to the TIRZ Agreement, the Rebate will be used by the District to pay for the design and construction of the District’s Road System, Utility System, recreational facilities and/or firefighting facilities or to pay debt service on bonds issued by the District for such purposes.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the developer have entered into agreements which require the developer to fund costs associated with the construction of water, sanitary sewer and drainage facilities, roads, as well as operating advances. Reimbursement to the developer for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds. The following table summarizes current year activity.

| | | |
|-------------------------------------|----|--------------------|
| Due to Developer, beginning of year | \$ | 16,369,900 |
| Current year additions | | 2,363,552 |
| Current year reimbursements | | <u>(4,566,149)</u> |
| Due to Developer, end of year | \$ | <u>14,167,303</u> |

NOTE 10. BOND ANTICIPATION NOTE AND DEFICIT FUND BALANCE

On January 30, 2024, the District sold its Series 2024 Bond Anticipation Note (“BAN”) in the amount \$4,660,000 at an interest rate of 6.25%. Proceeds of the BAN were used by the District to reimburse its Developer for a portion of the costs of water, wastewater and drainage facilities serving Bridgewater, Phase 1A. BAN proceeds were also used to pay BAN issuance costs.

The District recorded a deficit fund balance in the Capital Projects Fund of \$4,648,001 as a result of the issuance of the BAN. The District expects the deficit to be alleviated upon the sale of the Series 2024 Utility Bonds discussed in Note 11.

NOTE 11. SUBSEQUENT EVENT – PENDING BOND SALES

During the fourth quarter of 2024, subsequent to the audit report date, the District anticipates closing on the sale of its \$9,860,000 Series 2024 Unlimited Tax Utility Bonds and \$3,920,000 Series 2024 Unlimited Tax Road Bonds. Proceeds of the Series 2024 Utility Bonds will be used to retire the BAN as well as reimburse the developer for a portion of the construction costs for the water, wastewater, and drainage facilities serving Bridgewater Phases 1A and 1B not paid with the BAN as well as pay bond issuance costs, developer interest, BAN interest, and capitalized interest. Proceeds of the Series 2024 Road Bonds will be used to reimburse the developer for Presidential Parkway Improvements paving costs, Bridgewater Phase 1A paving costs, and sidewalks for Bridgewater Phases 1A and 1B, as well as pay bond issuance costs, capitalized interest, and developer interest.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2024

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|--------------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 167,820 | \$ 224,243 | \$ 56,423 |
| Investment and Miscellaneous Revenues | <u> </u> | <u>1,444</u> | <u>1,444</u> |
| TOTAL REVENUES | <u>\$ 167,820</u> | <u>\$ 225,687</u> | <u>\$ 57,867</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 45,500 | \$ 58,710 | \$ (13,210) |
| Contracted Services | 3,600 | 4,427 | (827) |
| Other | <u>6,900</u> | <u>6,222</u> | <u>678</u> |
| TOTAL EXPENDITURES | <u>\$ 56,000</u> | <u>\$ 69,359</u> | <u>\$ (13,359)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 111,820</u> | <u>\$ 156,328</u> | <u>\$ 44,508</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advances | <u>\$ -0-</u> | <u>97,000</u> | <u>97,000</u> |
| NET CHANGE IN FUND BALANCE | \$ 111,820 | \$ 253,328 | \$ 141,508 |
| FUND BALANCE (DEFICIT) - JULY 1, 2023 | <u>(4,029)</u> | <u>(4,029)</u> | <u> </u> |
| FUND BALANCE - JUNE 30, 2024 | <u>\$ 107,791</u> | <u>\$ 249,299</u> | <u>\$ 141,508</u> |

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2024

**MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

Note: The City of Midlothian, Texas is the provider of various services to residents of the District, as more fully discussed in Note 8 to the financial statements.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Ellis County, Texas

Is the District located within a city?

Entirely Partly Not at all

City in which District is located:

City of Midlothian, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|-----------------------------------|-------------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 8,500 |
| Engineering | 11,872 |
| Legal | <u>38,338</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 58,710</u> |
| | |
| CONTRACTED SERVICES: | |
| Appraisal District | \$ 1,510 |
| Bookkeeping | <u>2,917</u> |
| TOTAL CONTRACTED SERVICES | <u>\$ 4,427</u> |
| | |
| ADMINISTRATIVE EXPENDITURES: | |
| Insurance | \$ 3,639 |
| Travel and Meetings | 418 |
| Website | <u>2,165</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 6,222</u> |
| | |
| TOTAL EXPENDITURES | <u><u>\$ 69,359</u></u> |

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024

| | Maintenance Taxes | |
|-----------------------------|-------------------|---------------|
| TAXES RECEIVABLE - | | |
| JULY 1, 2023 | \$ -0- | |
| Adjustments to Beginning | | |
| Balance | _____ | \$ -0- |
| Original 2023 Tax Levy | \$ 224,266 | |
| Adjustment to 2023 Tax Levy | _____ (23) | _____ 224,243 |
| TOTAL TO BE | | |
| ACCOUNTED FOR | | \$ 224,243 |
| TAX COLLECTIONS: | | |
| Prior Years | \$ -0- | |
| Current Year | _____ 224,243 | _____ 224,243 |
| TAXES RECEIVABLE - | | |
| JUNE 30, 2024 | | \$ -0- |

See accompanying independent auditor's report.

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MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2024

| | 2023 | 2022 |
|---|----------------------|---------------------|
| TOTAL PROPERTY VALUATIONS | <u>\$ 37,373,794</u> | <u>\$ 4,727,580</u> |
| TAX RATES PER \$100 VALUATION: | | |
| Maintenance | <u>\$ 0.60</u> | <u>\$ 0.60</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.60</u> | <u>\$ 0.60</u> |
| ADJUSTED TAX LEVY* | <u>\$ 224,243</u> | <u>\$ 28,357</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>100.00 %</u> | <u>100.00 %</u> |

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Note: The maximum maintenance tax rate of \$1.00 per \$100 assessed valuation was approved by voters on May 1, 2021.

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - TWO YEARS

| | Amounts | |
|--|-------------------|--------------------|
| | 2024 | 2023 |
| REVENUES | | |
| Property Taxes | \$ 224,243 | \$ 28,357 |
| Investment and Miscellaneous Revenues | <u>1,444</u> | <u> </u> |
| TOTAL REVENUES | <u>\$ 225,687</u> | <u>\$ 28,357</u> |
| EXPENDITURES | | |
| Professional Fees | \$ 58,710 | \$ 31,929 |
| Contracted Services | 4,427 | 2,344 |
| Other | <u>6,222</u> | <u>5,849</u> |
| TOTAL EXPENDITURES | <u>\$ 69,359</u> | <u>\$ 40,122</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ 156,328</u> | <u>\$ (11,765)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Developer Advances | <u>\$ 97,000</u> | <u>\$ 23,000</u> |
| NET CHANGE IN FUND BALANCE | \$ 253,328 | \$ 11,235 |
| BEGINNING FUND BALANCE (DEFICIT) | <u>(4,029)</u> | <u>(15,264)</u> |
| ENDING FUND BALANCE (DEFICIT) | <u>\$ 249,299</u> | <u>\$ (4,029)</u> |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | <u>**</u> | <u>**</u> |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | <u>**</u> | <u>**</u> |

** The City of Midlothian, Texas is the provider of water and wastewater services to residents of the District.

See accompanying independent auditor's report.

| Percentage of Total Revenues | |
|---------------------------------|-------------------|
| <u>2024</u> | <u>2023</u> |
| 99.4 % | 100.0 % |
| <u>0.6</u> | <u> </u> |
| <u>100.0 %</u> | <u>100.0 %</u> |
| 26.0 % | 112.6 % |
| 2.0 | 8.3 |
| <u>2.8</u> | <u>20.6</u> |
| <u>30.8 %</u> | <u>141.5 %</u> |
| <u>69.2 %</u> | <u>(41.5) %</u> |

See accompanying independent auditor’s report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

District Mailing Address - Midlothian Municipal Management District No. 2
c/o Coats Rose, P.C.
16000 North Dallas Parkway, Suite 350
Dallas, Texas 75248

District Telephone Number - (972) 788-1600

| Board Members | Term of Office (Elected or Appointed) | Fees of Office for the year ended <u>June 30, 2024</u> | Expense Reimbursements for the year ended <u>June 30, 2024</u> | <u>Title</u> |
|----------------------|--|---|--|------------------------|
| Brian Hall | 05/24 05/28 (Elected) | \$ -0- | \$ -0- | President |
| Ben Luedtke | 05/22 05/26 (Appointed) | \$ -0- | \$ -0- | Vice President |
| Danny Rodgers | 05/24 05/28 (Elected) | \$ -0- | \$ 299 | Secretary |
| Kyle Ballard | 05/24 05/28 (Elected) | \$ -0- | \$ 119 | Assistant Secretary |
| Dick LeBlanc | 05/22 05/26 (Appointed) | \$ -0- | \$ -0- | Assistant Secretary |

See accompanying independent auditor's report.

MIDLOTHIAN MUNICIPAL MANAGEMENT DISTRICT NO. 2
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2024

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended June 30, 2024</u> | <u>Title</u> |
|-------------------------------------|-------------------|--|-----------------------------------|
| Coats Rose, P.C. | 12/30/19 | \$ 38,338 \$ 52,115 | General Counsel BAN Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 06/21/23 | \$ 8,500 \$ 10,000 | Auditor BAN Related |
| L & S District Services, LLC | 02/14/20 | \$ 2,916 \$ -0- | Bookkeeper/ Investment Officer |
| LJA Engineering, Inc. | 02/14/20 | \$ 56,872 | Engineer |
| Robert W. Baird Co. Incorporated | 02/14/20 | \$ 46,600 | Financial Advisor |

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN