

In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (defined herein) after the date of initial delivery of the Bonds described below (the “Bonds”) with certain covenants contained in the Bond Order (defined below) authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See “TAX MATTERS” herein.

The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – EARNINGS IN LAW” herein.

NEW ISSUE—BOOK-ENTRY ONLY**CUSIP Prefix No. 51805E****Insured Rating (BAM): S&P “AA” (stable outlook)****See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein****\$9,200,000****LASALLE MUNICIPAL UTILITY DISTRICT NO. 1**

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

UNLIMITED TAX UTILITY BONDS**SERIES 2025****Dated: December 1, 2025****Due: April 1 (as shown below)**

Interest on the \$9,200,000 Unlimited Tax Utility Bonds, Series 2025 (the “Bonds” or the “Series 2025 Bonds”) will accrue from December 1, 2025, and will be payable on April 1 and October 1 of each year, commencing April 1, 2026. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (identified herein) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar for the Bonds is BOKF, N.A. in Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).

**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$155,000	2028	6.625%	3.200%	\$295,000	2041(b)	4.375%	4.450%
\$160,000	2029	6.625%	3.200%	\$310,000	2042(b)	4.500%	4.550%
\$170,000	2030	6.625%	3.300%	\$325,000	2043(b)	4.500%	4.600%
\$180,000	2031(b)	6.625%	3.350%(c)	\$345,000	2044(b)	4.625%	4.650%
\$190,000	2032(b)	6.625%	3.400%(c)	\$360,000	2045(b)	4.625%	4.700%
\$200,000	2033(b)	5.125%	3.450%(c)	\$380,000	2046(b)	4.625%	4.710%
\$210,000	2034(b)	4.125%	3.600%(c)	\$400,000	2047(b)	4.625%	4.720%
***	***	***	***	\$420,000	2048(b)	4.625%	4.730%
\$240,000	2037(b)	4.125%	4.050%(c)	\$440,000	2049(b)	4.625%	4.740%
\$255,000	2038(b)	4.125%	4.125%	\$465,000	2050(b)	4.625%	4.750%
\$265,000	2039(b)	4.125%	4.200%	\$490,000	2051(b)	4.625%	4.760%
\$280,000	2040(b)	4.250%	4.350%				

\$450,000 4.125% Term Bonds Due April 1, 2036 to Yield 4.000% (a) (b) (c) (d)

\$1,055,000 4.625% Term Bonds Due April 1, 2053 to Yield 4.770% (a) (b) (d)

\$1,160,000 4.625% Term Bonds Due April 1, 2055 to Yield 4.780% (a) (b) (d)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Initial Purchaser (defined herein) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2030, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.”
- (c) Yield shown to first optional redemption date of April 1, 2030.
- (d) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – mandatory Redemption.”

The proceeds of the Bonds will be used by LaSalle Municipal Utility District No. 1 (the “District”) to: (1) reimburse the Developer (defined herein) for certain operational expenses; (2) reimburse the Developer for advancing funds for water and wastewater impact fees paid to the City of Kyle; (3) purchase the District’s pro-rata share of shared water and wastewater lines and sewer pump station and associated engineering costs; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay certain administrative costs and costs related to the issuance of the Bonds. See “USE OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Hays County, or any political subdivision or agency other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Hays County, or any political subdivision or agency other than the District are pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Winstead PC, Austin, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 11, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, 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 Winstead PC, 600 W. 5th Street, Suite 900, Austin, TX, 78701, for further information.

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

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.

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 "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.001711% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.763151%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

The Initial Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial offering prices may be changed from time to time by the Initial Purchaser.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL

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

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

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

In the order authorizing the issuance of the Bonds (the "Bond Order"), the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide certain updated financial information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements 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, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month 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 Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to 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 the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial

obligation of the District, any of which reflect financial difficulties. "Financial obligation" in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the information vendors described above. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

No default by the District with respect to its continuing disclosure agreement shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws. The District's undertakings and agreements are subject to appropriation of necessary funds and to applicable legal restrictions.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not have prevented the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds represent the first series of bonds to be issued by the District; therefore, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

MUNICIPAL BOND RATING

S&P Global Ratings ("S&P") assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as 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 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: <https://bambonds.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 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 September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 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 <https://bambonds.com/>, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (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 <https://bambonds.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.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$9,200,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), are dated December 1, 2025. The Bonds represent the first series of bonds to be issued by the District and the first of such bonds to be issued for the purpose of constructing or acquiring a water, wastewater, and drainage system to serve the District. The Bonds mature on April 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, Chapter 8472, Texas Special District Local Laws Code, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality, and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Hays County, or any political subdivision or agency other than the District. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2031, are subject to early redemption in whole or in part from time to time at the option of the District, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2036, 2053 and 2055 are Term Bonds and are subject to annual mandatory sinking fund redemption. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
- Payment Record:** The Bonds represent the first series of bonds to be issued by the District. Therefore, the District has never defaulted in the payment of principal of or interest on any outstanding obligations. See "DISTRICT DEBT."
- Use of Bond Proceeds:** Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (defined herein) for certain operational expenses; (2) reimburse the Developer for advancing funds for water and wastewater impact fees paid to the City of Kyle; (3) purchase the District's pro-rata share of shared water and wastewater lines and sewer pump station and associated engineering costs; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay certain administrative costs and costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Qualified Tax-Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- Municipal Bond Insurance and Rating:** S&P assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."
- Legal Opinion:** Winstead PC, Bond Counsel, Austin, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** BOKF, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Risk Factors:** The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

THE DISTRICT

Authority:	<p>The District is a municipal utility district created by an Act of the 83rd Texas Legislative Session effective June 14, 2013 (codified as Chapter 8472, Texas Special District Local Laws Code). The District was created and operates pursuant to the authority of Article XVI, Section 59 of the Texas Constitution, Article III, Section 52 of the Texas Constitution, Chapter 8472, Texas Special District Local Laws Code, and Chapters 49 and 54, Texas Water Code, as amended. Additional authority relating to assessment powers has been provided to the District by an Act of the 85th Texas Legislative Session effective June 12, 2017. See "THE DISTRICT – Authority."</p>
Description and Location:	<p>The District, as it was originally created, included approximately 236 acres. Since its creation, the District has not excluded any tracts of land and annexed 73.11 acres of land on December 14, 2023 (the "Annexation Tract"). The current acreage of the District is approximately 309 acres. The District is located in eastern Hays County, Texas and is further located approximately seven (7) miles north of the central business district of the City of San Marcos, Texas ("San Marcos"), approximately 25 miles south of the central business district of the City of Austin, Texas, and 55 miles north of the City of San Antonio, Texas. The District is east of Interstate 35 and adjacent to Yarrington Road, with the northern tract bound on the north by County Road 158 and southern tract bisected by Loop 110. At the time of creation in 2014, the District was located entirely within the extraterritorial jurisdiction of San Marcos, however in 2024, San Marcos adopted an ordinance releasing all of the land within the District from its extraterritorial jurisdiction. The District is located entirely within Hays Consolidated Independent School District. Residents gain access to the District by traveling north from San Marcos's central business district on Interstate Highway 35, east on Waterstone Boulevard. See "THE DISTRICT – Description and Location."</p>
Development in the District:	<p>A portion of the District is being developed for single-family residential purposes in the subdivision known as Waterstone. Homebuilding in the District has taken place in Waterstone, Units A, B, & C. As of October 1, 2025, single-family development in the District included 304 completed homes (296 of which were occupied), 16 homes under construction, and 55 vacant developed lots. The single-family residential land in the District has been developed by Lennar Homes of Texas and Construction, Ltd. (herein "Lennar") and Lennar is currently in the process of constructing homes in the District located in Waterstone, Units A, B, & C. See "THE DISTRICT – Status of Development in the District."</p> <p>Additionally, approximately 47 acres in the District have been developed for light industrial use; such acres have been sold to Lincoln Property Group ("Lincoln") who has developed the land and is in the process of constructing three buildings totaling approximately 893,712 square feet. It is currently anticipated that such building(s) will be completed during the first quarter of 2026. See "THE DISTRICT – Status of Development in the District."</p> <p>No acres are currently under development and approximately 158 acres of vacant land remain to be developed in the District.</p>
The Developer:	<p>The developer of the District is Waterstone Land Partners, Ltd. (the "Developer"). The developer is a Texas limited partnership with Commerce Texas Properties, Inc., a Texas Corporation, as general partner, and Redwood Holdings Limited Partnership, a Texas limited partnership, Tack Capital Holdings, LLC, a Texas limited liability company, Timothy Timmerman, Tack Partners LLC, a Texas limited liability company, and WCR Capital LLC, a Texas limited liability company, Hunter C. Barron, and Travis M. Barron, as limited partners. The President of the Developer is Timothy Timmerman who has 30 years of experience as a land developer and building developer in the central Texas area.</p> <p>Tack Development, LP, and the District entered into the Agreement for the Construction and Purchase of Facilities and Reimbursement for Costs (the "Reimbursement Agreement") on May 9, 2018. Tack Development, LP subsequently assigned all of its right, title, and interest to the Reimbursement Agreement to Tack Development, Ltd., and Tack Waterstone, LLC. On January 14, 2021, Tack Development, Ltd., and Tack Waterstone, LLC, assigned certain obligations in, to, and under the Reimbursement Agreement to Lennar Homes of Texas Land and Construction, Ltd, while explicitly retaining all of their rights to reimbursement. On March 12, 2024, Tack Development, Ltd., and Tack Waterstone, LLC, assigned all of its remaining right, title, and interest to the Reimbursement Agreement to the Developer. The Developer and the District entered into a First Amendment to the Reimbursement Agreement on April 8, 2025. Following the District's annexation of the Annexation Tract, the District and the Developer entered into that certain Agreement for the Construction of Improvements and Reimbursement of Advances dated effective December 10, 2024, and specifically relating to the Annexation Tract.</p> <p>The Developer (or affiliates of the Developer) has sold substantially all of the land being developed for residential use in the District to Lennar. The Developer has sold approximately 47 acres of land to Lincoln who has developed such land for light industrial use and as noted above is in the process of constructing</p>

three buildings totaling 893,712 square feet of light industrial buildings in the District. The Maxwell Special Utility District has agreements with the District/Lincoln to provide water service to the light industrial acreage located in the southern portion of the District. The Developer continues to own approximately 18 acres of light industrial land located in the District

Homebuilder: Lennar is the homebuilder in Waterstone, Units A, B, & C.

Industrial Builder: Lincoln Property Group ("Lincoln") is currently the industrial land developer and building developer in the District.

Water and Wastewater Facilities Agreement: Water supply and wastewater treatment facilities serving the District are provided by the City of Kyle ("Kyle") pursuant to the Retail Water and Wastewater Services Agreement (the "Agreement") entered into on December 16, 2014, and to continue for a period of 30 years. The term of the Agreement may be extended by mutual agreement of the District and Kyle. The Agreement provides that the Developers (on behalf of the District) or the District will construct all of the utility facilities located within the District, according to all of the appropriate regulatory standards. All of the system improvements needed to serve Waterstone, Units A, B, & C and the approximately 47 acres currently being improved by Lincoln have been constructed by the Developer and approved by Kyle. The Agreement provides that as the system improvements in the District are completed by the Developer and approved by Kyle, such water supply improvements are conveyed by the District to Kyle. In exchange for the conveyance, Kyle will operate and maintain all water supply facilities conveyed and will provide retail water services to customers within the District at Kyle's standard or out-of-city water rates. The District is funding its share of a 24-inch waterline connecting the District to Kyle's water supply system with Bond proceeds. Pursuant to the Agreement, the District must pay water impact fees at the rate in effect at the time a connection is made to Kyle's water supply system. The District is funding 355 water impact fees with the Bonds.

Kyle maintains a water supply and distribution system to serve the current and future needs of the District. Kyle's water supply system includes multiple elevated and ground storage tanks, 8 booster pump stations, and approximately 218 miles of water mains. Kyle's water supply is sourced through a combination of groundwater and surface water. Kyle holds groundwater permits from the Edwards Aquifer Authority and maintains a long-term contract with the Guadalupe-Blanco River Authority for surface water delivered from Canyon Lake.

Pursuant to the Agreement, the District's water supply is capable of serving the ultimate buildout of the District (approximately 1,182 equivalent single-family connections).

The Maxwell Special Utility District supplies water service to the industrial portion of the District pursuant to an agreement between the Maxwell Special Utility District and the District/Lincoln. Fees for water are paid directly to Maxwell Special Utility District.

Pursuant to the Agreement, Kyle agrees to supply wastewater service to the District (and LaSalle Municipal Utility District Nos. 2-5) in an amount sufficient to service 7,600 equivalent single-family connections in the Waterstone Project. Per the Agreement, the Developer will construct the necessary internal wastewater collection facilities to serve the single-family connections and other users in the District; thereafter, such wastewater collection facilities will be conveyed to Kyle for ownership, operations, and maintenance. The District is funding its pro-rata share of certain wastewater lines and a lift station in the District with the Series 2025 Bonds.

Pursuant to the Agreement, the District must pay wastewater impact fees at a rate in effect at the time a wastewater connection is made. The District is funding 355 wastewater impact fees with the Bonds. See "THE SYSTEM – Water Supply and Wastewater Treatment Facilities Serving the District."

Pursuant to the Agreement, the District's wastewater supply is capable of serving the ultimate buildout of the District (approximately 1,182 equivalent single-family connections).

Drainage System: The underground storm sewer facilities to serve Waterstone, Units A, B, & C are complete and the 47 acres of light industrial development. The natural course of drainage in the District flows in a easterly direction through a series of tributaries of Clear Fork Plum Creek and ultimately to the San Marcos River. See "THE SYSTEM – Drainage System."

The Waterstone Project: Waterstone is located within Hay County, 6 miles from downtown San Marcos, Texas, and 22 miles from downtown Austin, Texas, and outside the City limits of Kyle, Texas, and consists of the approximately 1,746 acres within land located within LaSalle Municipal Utility District Nos. 1-5. Waterstone includes approximately 1,668 acres planned as a residential community as well as approximately 78 acres of commercial and light industrial sites.

In the future, the residential portion of Waterstone is expected to consist of approximately 2,034 single family lots. Amenities for the residential portion of Waterstone are anticipated to include approximately 15 parks, a pond and more than nine miles of walking trails, and lake clubhouse with an onsite pool, a fitness center, playground and sports court. A new elementary school is currently under construction within the residential portion of Waterstone. The commercial/light industrial portion of Waterstone is expected to include in excess of 1,100,000 square feet of building space at build out.

SELECTED FINANCIAL INFORMATION
(Unaudited)

8/1/2025 Estimated Taxable Value	\$111,416,743	(a)
2025 Certified Taxable Value	\$82,516,728	(b)
Direct Debt:		
Outstanding Bonds	\$0	
The Bonds	<u>\$9,200,000</u>	
Total Direct Debt	\$9,200,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$6,564,593</u>	(c)
Direct and Estimated Overlapping Debt	\$15,764,593	(c)
Percentage of Direct Debt to:		
8/1/2025 Estimated Taxable Value	8.26%	
2025 Certified Taxable Value	11.15%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2025 Estimated Taxable Value	14.15%	
2025 Certified Taxable Value	19.10%	
See "DISTRICT DEBT"		
2025 Tax Rate Per \$100 of Assessed Value:		
Maintenance Tax	<u>\$0.95</u>	
Total 2025 Tax Rate	\$0.95	
Cash and Temporary Investment Balances as of October 14, 2025:		
General Fund	\$86,129	(d)
Debt Service Fund	\$433,919	(e)

- (a) Reflects data supplied by the Hays Central Appraisal District (the "Appraisal District"). The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District. Such value is not binding on the Appraisal District. Any new value since January 1, 2025 will not be included on the District's tax roll until the 2026 tax roll is prepared and certified by the Appraisal District during the second half of 2026. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$2,370,320 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (e) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. The cash and investment balance in the Debt Service Fund represents 12 months of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue," "USE OF BOND PROCEEDS," and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the debt service requirements for the Bonds.

<u>Year</u>	Debt Service Requirements on the Bonds		Total Debt
	<u>Principal</u>	<u>Interest</u>	<u>Service Requirements</u>
2026	-	\$361,599	\$361,599
2027	-	\$433,919	\$433,919
2028	\$155,000	\$428,784	\$583,784
2029	\$160,000	\$418,350	\$578,350
2030	\$170,000	\$407,419	\$577,419
2031	\$180,000	\$395,825	\$575,825
2032	\$190,000	\$383,569	\$573,569
2033	\$200,000	\$372,150	\$572,150
2034	\$210,000	\$362,694	\$572,694
2035	\$220,000	\$353,825	\$573,825
2036	\$230,000	\$344,544	\$574,544
2037	\$240,000	\$334,850	\$574,850
2038	\$255,000	\$324,641	\$579,641
2039	\$265,000	\$313,916	\$578,916
2040	\$280,000	\$302,500	\$582,500
2041	\$295,000	\$290,097	\$585,097
2042	\$310,000	\$276,669	\$586,669
2043	\$325,000	\$262,381	\$587,381
2044	\$345,000	\$247,091	\$592,091
2033	\$360,000	\$230,788	\$590,788
2046	\$380,000	\$213,675	\$593,675
2047	\$400,000	\$195,638	\$595,638
2048	\$420,000	\$176,675	\$596,675
2049	\$440,000	\$156,788	\$596,788
2050	\$465,000	\$135,859	\$600,859
2051	\$490,000	\$113,775	\$603,775
2052	\$515,000	\$90,534	\$605,534
2053	\$540,000	\$66,138	\$606,138
2054	\$565,000	\$40,584	\$605,584
2055	<u>\$595,000</u>	<u>\$13,759</u>	<u>\$608,759</u>
TOTALS	\$9,200,000	\$8,049,033	\$17,249,033

Maximum Annual Debt Service Requirements (2055).....\$608,759 (a)

Requires a \$0.58 debt service tax rate on the August 1, 2025 Estimated Taxable Value of \$111,416,743
at 95% collections.....\$613,906 (a)

Requires a \$0.78 debt service tax rate on the 2025 Certified Taxable Value of \$82,516,728
at 95% collections.....\$611,449 (a)

(a) See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$9,200,000

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
(A political subdivision of the State of Texas located within Hays County, Texas)

UNLIMITED TAX UTILITY BONDS SERIES 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$9,200,000 LaSalle Municipal Utility District No. 1 Unlimited Tax Utility Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of LaSalle Municipal Utility District No. 1 (the "District"), an approving order of the Texas Commission on Environmental Quality ("TCEQ"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition and the developers in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from General Counsel (identified herein) to the District upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Hays County, or any other political subdivision or agency. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners/

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by: (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies

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

and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's governmental immunity from suits for money damages. Even if such governmental immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District 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 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 the 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Note, however, that Texas law requires a conservation and reclamation district such as the District to obtain approval from the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the district.

The District may not be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and the maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development on comparable sites within the District.

Landowners/Developer/Homebuilders under No Obligation to the District

The Developer, landowners, and the Homebuilders do not have any commitments or obligations to proceed at any particular rate or according to any specified plan with the construction of homes in the District. Currently, there is no restriction on the Developer's sale of its land. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of any of such principal taxpayers will be or what effect, if any, such conditions may have on their ability to pay taxes. See "THE DISTRICT'S DEVELOPER" and "DISTRICT TAX DATA – Principal Taxpayers."

Operating Funds

The District levied a 2025 maintenance tax in the amount of \$0.95 per \$100 of assessed valuation. The revenue produced from the District's annual maintenance tax levy in the future must be sufficient to offset the operating expenses of the District. The District's 2025 maintenance tax levy amount is approximately \$783,909, which will be deposited into the District's General Fund. As of September 9, 2025, the District's General Fund had an unaudited cash and investment balance of \$136,292. For the fiscal year ended September 30, 2025, the District's General Fund experienced unaudited expenditures of \$251,197 for the 10-month period ended July 31, 2025. For the fiscal year ending September 30, 2026, the District is currently budgeting General Fund expenditures of \$589,412. Continued maintenance of a positive General Fund balance will depend upon development and increased amounts of maintenance tax revenue. If the District's General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such tax, when added to the District's debt service tax rates, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of the taxpayers in the District to pay taxes on their property. The District currently plans to manage its debt service and operating expenditure requirements with a total tax rate of \$0.95 per \$100 of assessed valuation. See "THE SYSTEM – General Fund Operating History."

Dependence on Major Taxpayers and the Developer

The District's principal taxpayers include the Developer and the Homebuilders, which collectively represent approximately \$15,079,990 of assessed valuation, or approximately 18.06% of the District's 2025 certified assessed valuation. If the Developer and the Homebuilders were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Utility Debt Service Fund. See "Tax Collections" herein, "DISTRICT TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Assessment and Levy."

The Developer has sold substantially all of its land holdings in the District to Lennar and Lincoln, including Millrose Properties Texas LLC, an entity owned and controlled by Lennar, and Waterstone San Marcos Owner LLC, an entity owned and controlled by Lincoln, respectively. Lennar and Lincoln are responsible for the development of the land and lots in their respective tracts, while the Developer retains ownership of the reimbursable development costs to be received from the District. The Developer, along with Lennar and Lincoln, has no commitment or obligation to proceed at any particular rate or according to any specified plan with the construction of homes in the District. Thus, the furnishing of information related to any proposed homebuilding should not be interpreted as such a commitment and the District makes no representation about the probability of future homebuilding continuing in a timely manner. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer, the Homebuilders, or any other landowner. See "THE DISTRICT'S DEVELOPER."

Development and Home Construction in the District

The District includes vacant developed lots that remain available for home construction and which are either owned by Lennar. Failure of Lennar 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 other tax-supported obligations of the District. Future increases in the District's taxable value will result primarily from the construction of additional homes by the Homebuilders. See "Dependence on Future Development and Potential Impact on District Tax Rates" below.

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 tax rate is \$0.95 per \$100 of assessed valuation (including operations and maintenance and debt service), which is in line with the tax rate that is common among many other utility districts providing similar services located in Hays County, Texas. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further construction of residential or building development projects within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$608,759 (2055). The August 1, 2025 Estimated Taxable Value of property within the District is \$111,416,743. Assuming no increase or decrease from the August 1, 2025 Estimated Taxable Value and no use of other District funds, a utility debt service tax rate \$0.58 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2025 Certified Taxable Value of property within the District is \$82,516,728. Assuming no increase or decrease from the 2025 Certified Taxable Value and no use of other District funds, a utility debt service tax rate of \$0.78 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

Pursuant to Article XVI, Section 59 of the Texas Constitution and an election held for and within the District on May 5, 2018, the duly authorized registered voters of the District authorized the District to issue a total of \$101,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and improvements (the "Utility Bonds"), \$116,150,000 of unlimited refunding tax bonds for the purpose of refunding the Utility Bonds (the "Utility Refunding Bonds"), \$55,000,000 for the purposes of providing road facilities and improvements (the "Road Bonds"), and \$63,250,000 of unlimited refunding tax road bonds for the purpose of refunding the Road Bonds (the "Road Refunding Bonds").

Following the issuance of the Bonds, \$91,800,000 of the Utility Bonds, \$116,150,000 of the Utility Refunding Bonds, \$55,000,000 of the Road Bonds, and \$63,250,000 of the Road Refunding Bonds will remain authorized and unissued.

The District has the right to issue the remaining unissued new money bonds and refunding bonds as may hereafter be approved by the Board. Voters could authorize the issuance of additional bonds in the future, and the District may issue additional refunding bonds without additional elections. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Generally, the Board of Directors has indicated that, in the future, new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to keep the total tax rate at approximately \$0.95 per \$100 of assessed valuation.

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas would be required. The outstanding principal amount of any road bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of taxable real property in the District. The District conducted a road bond election that authorized \$55,000,000 of road bonds at an election held on May 5, 2018, of which \$55,000,000 remain authorized but unissued. See "THE ROADS."

Should the District issue road bonds payable from taxes, the District would create and maintain a Road Debt Service Fund that would not be pledged to the Road Bonds. Funds in the Road Debt Service Fund would not be available to pay principal of and interest on the Road Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county Austin area ("Austin Area")—Travis, Hays, Williamson, Bastrop, and Caldwell Counties—has been designated an attainment/unclassifiable area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard").

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that the Austin Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional

permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. In the past, the Austin Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. Since 2004, the Austin Area has been party to a curtailment agreement with the TCEQ, and the Austin Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the Austin Area. It is possible that additional controls will be necessary to allow the Austin Area to maintain attainment with the ozone standards. Such additional controls could have a negative impact on the Austin Area's economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. 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) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

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

As noted elsewhere in this Official Statement, the City of Kyle ("Kyle") currently provides water and wastewater services within the District.

Drought Conditions

The Austin area, including the area in and around the District in Hays County, like other areas of the State, is susceptible to drought conditions. Kyle provides water to the District in amounts sufficient to service the residents of the District. However, if drought conditions occur, water usage and rates could be impacted.

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim flood plain 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 flood plain. See "THE SYSTEM – 100-Year Flood Plain."

Changes in Tax Legislation

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

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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 Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an 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 BAM at such time and in such amounts as would have been due absent such prepayment by the District unless BAM chooses to pay such amounts at an earlier date.

Default of payment of principal and interest does not obligate acceleration of the obligations of BAM without appropriate consent. BAM may direct and must consent to any remedies and BAM's consent may be required in connection with amendments to any applicable bond documents.

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

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

The obligations of BAM are contractual obligations and in an event of default by BAM, 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 Purchaser have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of BAM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (defined herein) for certain operational expenses; (2) reimburse the Developer for advancing funds for water and wastewater impact fees paid to the City of Kyle; (3) purchase the District's pro-rata share of shared water and wastewater lines and sewer pump station and associated engineering costs; (4) fund developer interest related to the advancement of funds for certain costs; (5) fund 12 months of capitalized interest on the Bonds; and (6) pay certain administrative costs and costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS</u>	<u>Total Amount</u>
<i>District Items</i>	
Shared Wastewater – Phase 1A	\$682,098
Shared Water & Wastewater – Units A, B, C	\$503,289
Sewer Pump Station 1	\$1,085,558
Shared Wastewater – Phase 1B & Unit D	\$39,927
Shared Wastewater – Phase 2	\$469,798
Engineering	\$222,454
City Water and Wastewater Impact Fees	\$3,857,935
<i>Total District Items</i>	<u>\$6,861,059</u>
TOTAL CONSTRUCTION COSTS	<u>\$6,861,059</u> (a)
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$230,000
Fiscal Agent Fees	\$184,000
Interest Costs	
Capitalized Interest	\$433,919
Developer Interest	\$671,852
Bond Discount	\$275,843
Bond Issuance Expenses	\$50,971
Bond Application Report Costs	\$60,500
Operating Costs	\$373,418
Attorney General Fee	\$9,200
TCEQ Bond Issuance Fee	\$23,000
Contingency	\$26,239
TOTAL NON-CONSTRUCTION COSTS	<u>\$2,338,941</u> (b)
TOTAL BOND ISSUE REQUIREMENT	<u><u>\$9,200,000</u></u>

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. None of the facilities being financed with proceeds of the Bonds are "30% facilities" per TCEQ rules.

(b) Represents the difference between the estimated and actual amounts of capitalized interest and Bond Discount. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by an Act of the 83rd Texas Legislative Session effective June 14, 2013 (codified as Chapter 8472, Texas Special District Local Laws Code). The District was created and operates pursuant to the authority of Article XVI, Section 59 of the Texas Constitution, Article III, Section 52 of the Texas Constitution, Chapter 8472, Texas Special District Local Laws Code, and Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, acquire, own, operate, maintain, repair, improve, and extend inside and outside the District's boundaries any and 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 design, acquire, construct, finance, issue bonds for, improve, operate, maintain, and convey to this state, a county, or a municipality for operation and maintenance macadamized, graveled, or paved roads, or improvements, including storm drainage, in aid of those roads.

Additional authority was provided to the District by an Act of the 85th Texas Legislative Session effective June 12, 2017. Although the District may not issue bonds payable wholly or partly from assessments, it is empowered to finance the construction and maintenance of certain recreational facilities and improvements with assessments. The Board may only do so if a written petition requesting an eligible facility is signed by the owners of a majority of assessed value of real property in the District subject to the assessment and filed with the Board and the Board holds a hearing on the proposed assessment. An assessment imposed by the District is a first and prior lien against the property assessed and are superior to any other lien or claim other than of a county, school district, or municipal ad valorem taxes.

Description and Location

The District, as it was originally created, included approximately 236 acres. Since its creation, the District has not excluded any tracts of land and annexed 73.11 acres of land on December 14, 2023 (the "Annexation Tract"). The current acreage of the District is approximately 309 acres. The District is located in eastern Hays County, Texas and is further located approximately seven (7) miles north of the central business district of the City of San Marcos, Texas ("San Marcos"), approximately 25 miles south of the central business district of the City of Austin, Texas, and 55 miles north of the City of San Antonio, Texas. The District is east of Interstate 35 and adjacent to Yarrington Road, with the northern tract bound on the north by County Road 158 and southern tract bisected by Loop 110. At the time of creation in 2014, the District was located entirely within the extraterritorial jurisdiction of San Marcos, however in 2024, San Marcos adopted an ordinance releasing all of the land within the District from its extraterritorial jurisdiction. The District is located entirely within Hays County Consolidated Independent School District. Residents gain access to the District by traveling north from San Marcos's central business district on Interstate Highway 35, east on Waterstone Boulevard.

Summary of Land Use

A summary of the approximate land use in the District as of October 15, 2025, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Fully Developed Acres (a)	136
Acres Under Development	0
Additional Developable Acreage	158
Recreational/Amenity Center (b)	15
Undevelopable Acres	0
Total Approximate Acres	309

- (a) Represents land located in Waterstone, Units A, B, & C which has been developed and improved for single-family residential purposes and 47 acres that has been developed for light industrial use. See "Status of Development in the District" herein.
- (b) Represents land that is being developed as an amenity center for the Waterstone Community.

Status of Development in the District

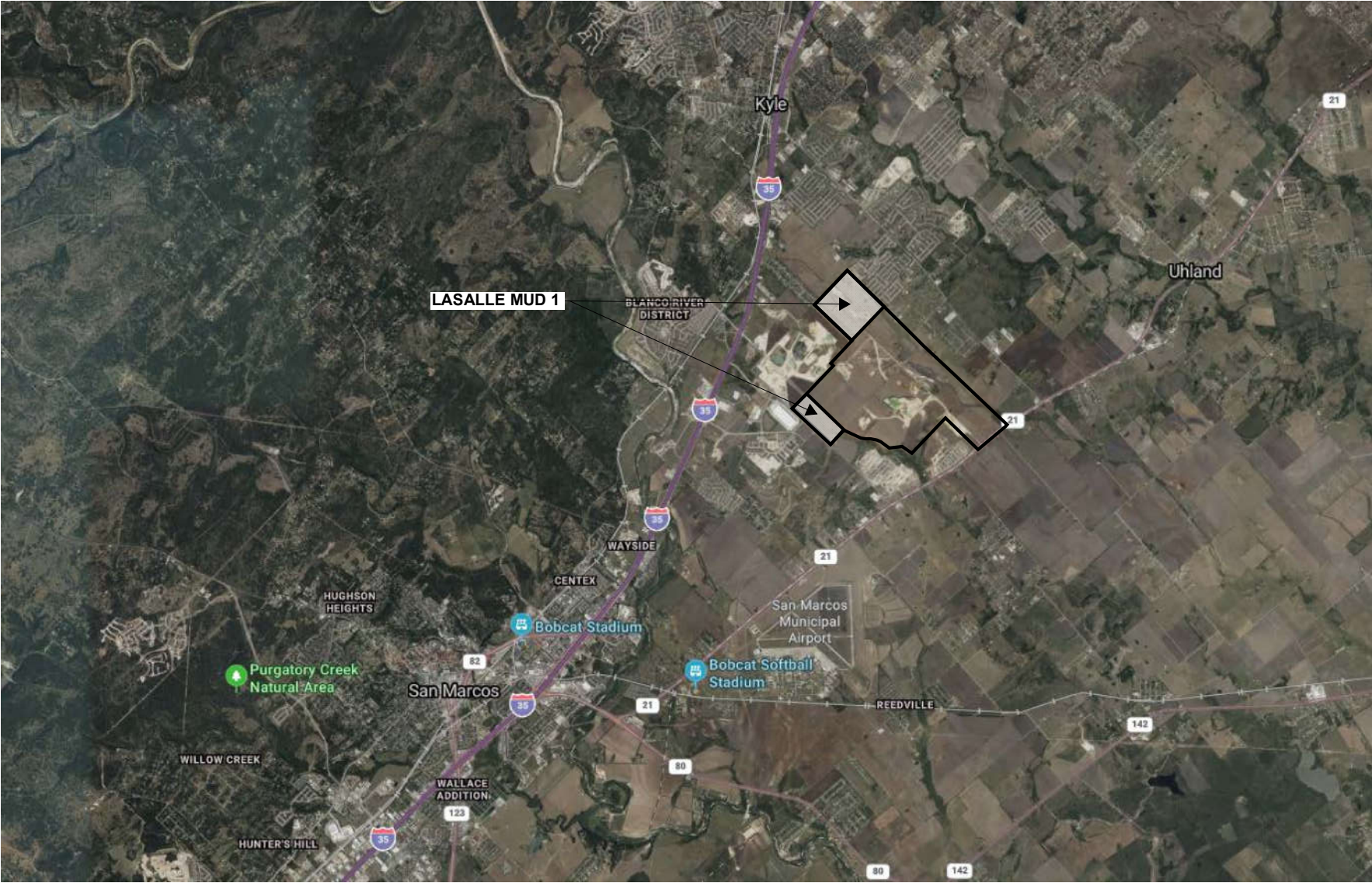
A portion of the District is being developed for single-family residential purposes in the subdivision known as Waterstone. Homebuilding in the District has taken place in Waterstone, Units A, B, & C. As of October 1, 2025, single-family development in the District included 304 completed homes (296 of which were occupied), 16 homes under construction, and 55 vacant developed lots. The single-family residential land in the District has been developed by Lennar Homes of Texas and Construction, Ltd. (herein "Lennar") and Lennar is currently in the process of constructing homes in the District located in Waterstone, Units A, B, & C.

Additionally, approximately 47 acres in the District have been developed for light industrial use; such acres have been sold to Lincoln Property Group ("Lincoln") who has developed the land and is in the process of constructing three buildings totaling approximately 893,712 square feet. It is currently anticipated that such building(s) will be completed during the first quarter of 2026.

No acres are currently under development and approximately 158 acres of vacant land remain to be developed in the District.

LOCATION MAP

LASALLE MUNICIPAL UTILITY DISTRICT NUMBER 1
HAYS COUNTY, TEXAS



LOCATION MAP
SCALE: NO SCALE

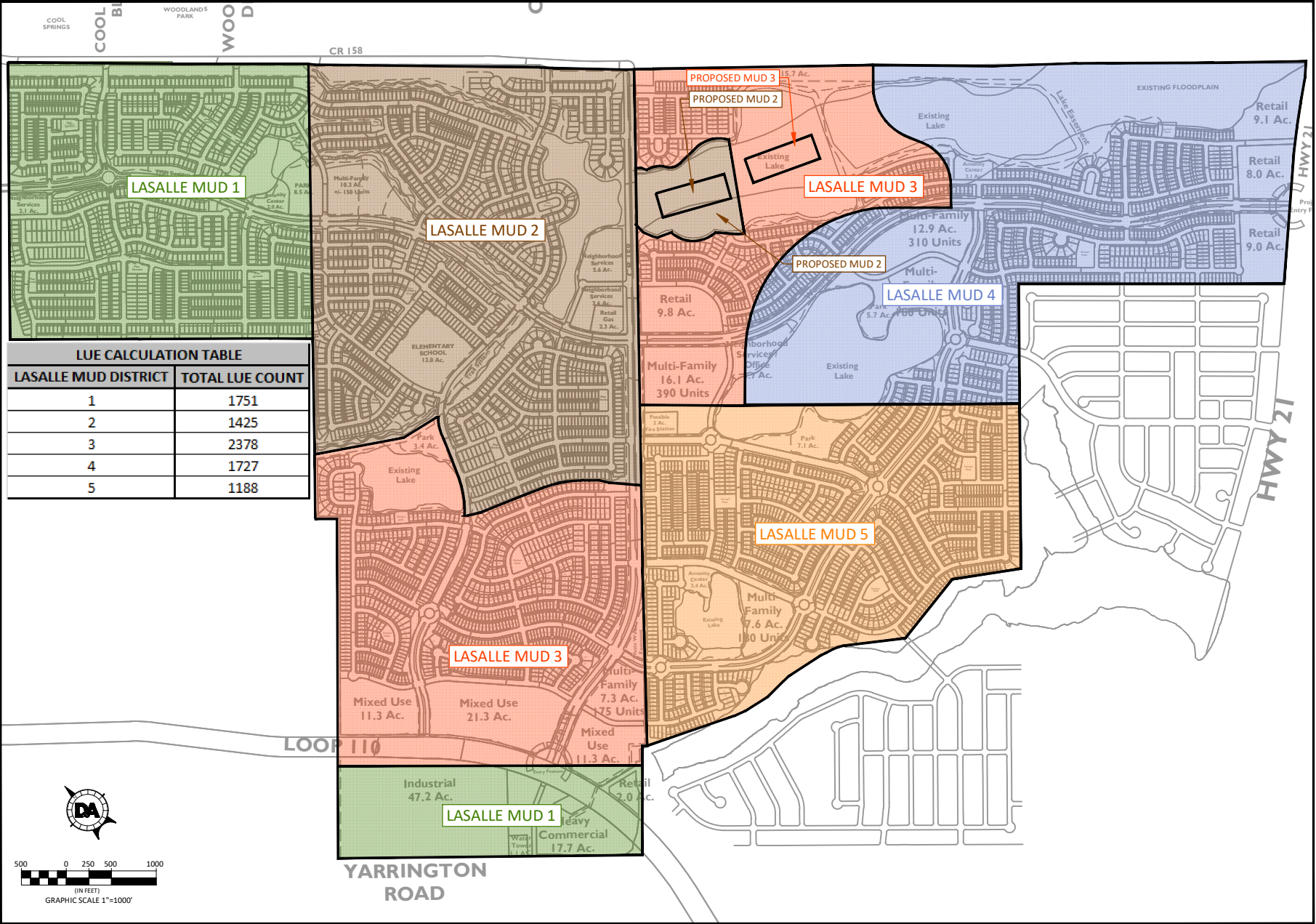


JONES - HEROY & ASSOCIATES, INC.

LOCATION MAP

JOB: 0282-001	
DATE:	2024-10-24
DRAWN:	M. RUTTE
DESIGN:	M. RUTTE
PER:	K. HEROY
REVISIONS:	
DELTA	DESCRIPTION
SHEET:	
EXHIBIT	

VICINITY MAP



DA DOUCET & ASSOCIATES
123 Union Street, Suite 302
Easthampton, MA 01027, Tel: (413)-203-2349
www.doucetengineers.com
TDE Firm Number: 3907
TDE Firm Number: 10156900

WATERSTONE MUD MAP

MUD DISTRICTS
WATERSTONE SUBDIVISION
KYLE, TEXAS

SHEET
1
OF 1
Project No.:
1208-022

THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of developers in a utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within 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 district.

Description of the Developer

The developer of the District is Waterstone Land Partners, Ltd. (the "Developer"). The developer is a Texas limited partnership with Commerce Texas Properties, Inc., a Texas Corporation, as general partner, and Redwood Holdings Limited Partnership, a Texas limited partnership, Tack Capital Holdings, LLC, a Texas limited liability company, Timothy Timmerman, Tack Partners LLC, a Texas limited liability company, and WCR Capital LLC, a Texas limited liability company, Hunter C. Barron, and Travis M. Barron, as limited partners. The President of the Developer is Timothy Timmerman who has 30 years of experience as a land developer and building developer in the central Texas area.

Tack Development, LP, and the District entered into the Agreement for the Construction and Purchase of Facilities and Reimbursement for Costs (the "Reimbursement Agreement") on May 9, 2018. Subsequently, Tack Development, LP, assigned all of its right, title, and interest to the Reimbursement Agreement to Tack Development, Ltd., and Tack Waterstone, LLC. On January 14, 2021, Tack Development, Ltd., and Tack Waterstone, LLC, assigned certain obligations in, to, and under the Reimbursement Agreement to Lennar Homes of Texas Land and Construction, Ltd, while explicitly retaining all of their rights to reimbursement. On March 12, 2024, Tack Development, Ltd., and Tack Waterstone, LLC, assigned all of its remaining right, title, and interest to the Reimbursement Agreement to the Developer. The Developer and the District entered into a First Amendment to the Reimbursement Agreement on April 8, 2025, whereby the Developer made certain statutory verifications required by law. Following the District's annexation of the Annexation Tract, the District and the Developer entered into that certain Agreement for the Construction of Improvements and Reimbursement of Advances dated effective December 10, 2024, and specifically relating to the Annexation Tract.

The Developer (or affiliates of the Developer) has sold substantially all of the land being developed for residential use in the District to Lennar. The Developer has sold approximately 47 acres of land to Lincoln who has developed such land for light industrial use and as noted above is in the process of constructing three buildings totaling 893,712 square feet of light industrial buildings in the District. The Maxwell Special Utility District has agreements with the District/Lincoln to provide water service to the light industrial acreage located in the southern portion of the District. The Developer continues to own approximately 18 acres of light industrial land located in the District.

The Developer has received development financing from \$53,575,000 Revenue Anticipation Bonds ("PFA Bonds") issued by the Public Finance Authority of Wisconsin (the "PFA") for development financing related to a portion of the Waterstone Project (including land located within the District and LaSalle Municipal Utility District No. 2). The financing provided the Developer with fixed rate financing with annual principal repayments beginning in December 2025 through and including a 2038 maturity date. The financing is secured in part by an assignment of the Developer reimbursements to be received from the District by the Developer. Therefore, substantially all of the proceeds of the Bonds and future District bond issues that included reimbursements to the Developer will be used to pay the accrued interest on and a portion of the outstanding principal due on the outstanding PFA Bonds. According to the Developer, 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.

The Developer has sold substantially all of its land holdings in the District to Lennar and Lincoln. The Developer retains ownership of the reimbursable development costs to be received from the District from the Bonds and potential future bond sales.

As stated elsewhere in this Official Statement, the Developer, including Lennar and Lincoln, have no commitment or obligation to proceed at any particular rate or according to any specified plan with the construction of homes or other improvements in the District. Future homebuilding and industrial development depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District, the Developer, Lennar, or Lincoln represent that any taxable improvements will ever be constructed on the vacant developed lots or vacant tracts of industrial land located within the District. See "RISK FACTORS – Economic Factors" and "– Landowners/Developer/Homebuilders Under No Obligation to the District."

THE SYSTEM

Regulation

According to the District's engineer, Doucet & Associates ("Engineer"), the District's water distribution, wastewater collection, storm drainage, and detention facilities (the "System") have 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, Kyle, and Hays County.

Operations of the water and wastewater systems serving the District are provided by Kyle. The water supply and wastewater treatment facilities serving the District are subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. Certain of the regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply and Wastewater Treatment Facilities Serving the District

Water supply and wastewater treatment facilities serving the District are provided by Kyle pursuant to the Retail Water and Wastewater Services Agreement (the "Agreement") entered into on December 16, 2014, and to continue for a period of 30 years. The term of the Agreement may be extended by mutual agreement of the District and Kyle. The Agreement provides that the Developers (on behalf of the District) or the District will construct all of the utility facilities located within the District, according to all of the appropriate regulatory standards. All of the system improvements needed to serve Waterstone, Units A, B, & C and the approximately 47 acres currently being improved by Lincoln have been constructed and approved by Kyle. The Agreement provides that as the system improvements in the District are completed by the Developer and approved by Kyle, such improvements are conveyed by the District to Kyle. In exchange for the conveyance, Kyle will operate and maintain all water and wastewater facilities conveyed and provide retail water and wastewater services to customers within the District at Kyle's standard or out-of-city water and wastewater rates. The District is funding its share of a 24-inch waterline connecting the District to Kyle's water supply system. Pursuant to the Agreement, the District must pay impact fees at the rate in effect at the time a connection is made to Kyle's system. The District is funding 355 water impact fees with the Bonds.

Kyle maintains a water supply and distribution system to serve the current and future needs of the District. Kyle's water supply system includes multiple elevated and ground storage tanks, 8 booster pump stations, and approximately 218 miles of water mains. Kyle's water supply is sourced through a combination of groundwater and surface water. Kyle holds groundwater permits from the Edwards Aquifer Authority and maintains a long-term contract with the Guadalupe-Blanco River Authority for surface water delivered from Canyon Lake.

Pursuant to the Agreement, the District's water supply is capable of serving the ultimate buildout of the District (approximately 1,182 equivalent single-family connections).

Pursuant to the Agreement, Kyle agrees to supply wastewater service to the District (and LaSalle Municipal Utility District Nos. 2-5) in an amount sufficient to service 7,600 equivalent single-family connections. Per the Agreement, the Developer will construction the necessary internal wastewater collection facilities to serve the single-family connections and other users in the District; thereafter, such wastewater collection facilities will be conveyed to Kyle for ownership, operations, and maintenance. The District is funding its pro-rata share of certain wastewater lines and a lift station in the District with the Bonds. Pursuant to the Agreement, the District must pay wastewater impact fees at a rate in effect at the time a wastewater connection is made. The District is funding 355 wastewater impact fees with the Bonds. The District's wastewater supply is capable of serving the ultimate buildout of the District (approximately 1,182 equivalent single-family connections).

Drainage System

The underground storm sewer facilities to serve Waterstone, Units A, B, & C are complete. The natural course of drainage in the District flows in a easterly direction through a series of tributaries of Clear Fork Plum Creek and ultimately to the San Marcos River.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

<u>REVENUES</u>	<u>2024</u>
Property taxes	\$60,702
Interest and other	\$256
TOTAL REVENUES	<u>\$60,958</u>
<u>EXPENDITURES</u>	
Management/operation fees	\$3,500
Facility maintenance	\$1,258
Pond maintenance	\$5,953
Legal fees	\$4,055
Engineering fees	-
Accounting fees	\$5,851
Audit fees	-
Tax appraisal/collection fees	\$1,109
Director fees, payroll taxes	\$12,660
Insurance	\$3,974
Bank fees	\$4,222
Other	\$1,303
TOTAL EXPENDITURES	<u>\$43,885</u>
EXCESS/DEFICIENCY (b)	<u>\$17,073</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of October 14, 2025, the District's General Fund had an unaudited cash and investment balance of \$686,129. For the fiscal year ended September 30, 2025, the District's General Fund has experienced unaudited revenues of \$1,123,425 and unaudited expenditures of \$395,567. For the fiscal year ending September 30, 2026, the District's General Fund is currently budgeting revenues of \$937,296 and expenditures of \$589,412.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Kristi LaRue	President	2026
Eric Willis	Vice President	2028
Chuck Kaufman	Secretary	2026
Douglas J. Goss	Assistant Secretary	2028
John Christopher Gee	Assistant Secretary	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services and annual auditing of its financial statements as follows:

Consultants

Tax Assessor/Collector – Services related to the District's property tax matters are provided by the Hays Central Appraisal District and the Hays County Tax Office.

Bookkeeper – The District has contracted with Bott and Douthitt, PLLC for bookkeeping services.

Auditor – The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2024, audited financial statements.

Engineer – The consulting engineer for the District is Doucet & Associates (the “Engineer”).

Operator – The water supply and wastewater treatment system serving the District is operated by The City of Kyle, Texas. Si Environmental, LLC provides operational services for the District’s stormwater quality and detention facilities and maintenance and management services thereof.

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of bonds, if and when such bonds are delivered.

Bond Counsel – Winstead PC serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

General Counsel – Andy Barrett & Associates, PLLC serves as General Counsel to the District on matters relating to, and other than, the issuance of bonds. Fees paid for the General Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP, Austin, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and 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 District portfolio.

DISTRICT DEBT

8/1/2025 Estimated Taxable Value	\$111,416,743	(a)
2025 Certified Taxable Value	\$82,516,728	(b)
Direct Debt:		
The Bonds	<u>\$9,200,000</u>	
Total Direct Debt	\$9,200,000	
Estimated Overlapping Debt	<u>\$6,564,593</u>	(c)
Direct and Estimated Overlapping Debt	\$15,764,593	(c)
Percentage of Direct Debt to:		
8/1/2025 Estimated Taxable Value	8.26%	
2025 Certified Taxable Value	11.15%	
Percentage of Direct and Estimated Overlapping Debt to:		
8/1/2025 Estimated Taxable Value	14.15%	
2025 Certified Taxable Value	19.10%	
2025 Tax Rate Per \$100 of Assessed Value:		
Maintenance Tax	<u>\$0.95</u>	
Total 2025 Tax Rate	\$0.95	

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- (a) Reflects data supplied by the Appraisal District. The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District. Such value is not binding on the Appraisal District. Any new value since January 1, 2025 will not be included on the District's tax roll until the 2026 tax roll is prepared and certified by the Appraisal District during the second half of 2026. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$2,370,320 of uncertified taxable value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "Estimated Overlapping Debt" herein.

Estimated Overlapping Debt

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which has not been reported. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Approximate Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Hays County	\$635,108,993	0.15%	\$952,663
Hays Consolidated Independent School District	\$1,274,510,000	0.43%	\$5,480,393
Austin Community College District	\$657,685,000	0.02%	\$131,537
Total Estimated Overlapping Debt			\$6,564,593
The District (a)			<u>\$9,200,000</u>
Total Direct and Estimated Overlapping Debt			\$15,764,593

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax collection experience of the District for the years 2023 through 2025, and includes certain information relative to the 2025 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation (a)</u>	<u>Tax Rate (b)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (c)</u>	<u>Tax Year Ended September 30</u>
2025	\$82,516,728	\$0.95	\$783,909	(d)	2026
2024	\$24,998,989	\$0.95	\$237,490	99%	2025
2023	\$5,971,680	\$0.95	\$56,731	100%	2024

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of August 31, 2025.

(d) The 2025 tax levy is due and payable on January 1, 2026; such taxes become delinquent if not paid before February 1, 2026. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.00 per \$100 of assessed valuation at an election held on May 5, 2018. See "– Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2022 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Maintenance/Operation	<u>\$0.95</u>	<u>\$0.95</u>	<u>\$0.95</u>	<u>\$0.95</u>
Total	<u>\$0.95</u>	<u>\$0.95</u>	<u>\$0.95</u>	<u>\$0.95</u>

Additional Penalties

The District has the authority to contract with a tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain

delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent, or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2025 and the other information provided by this table were provided by the Appraisal District to the District based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of the Appraisal District.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Millrose Properties Texas LLC (a)	Land and Improvement	\$9,308,250	11.15%
Waterstone San Marcos Owner LLC (b)	Land and Improvement	\$2,513,920	3.01%
Homeowner	Land and Improvement	\$434,190	0.52%
Homeowner	Land and Improvement	\$431,210	0.52%
Homeowner	Land and Improvement	\$422,190	0.51%
Homeowner	Land and Improvement	\$415,990	0.50%
MRA Trust	Land and Improvement	\$388,560	0.47%
Homeowner	Land and Improvement	\$388,560	0.47%
SARV7 LLC	Land and Improvement	\$388,560	0.47%
Homeowner	Land and Improvement	\$388,560	0.47%
TOTALS		\$15,079,990	18.06%

(a) Represents an entity owned and controlled by Lennar. See "THE DISTRICT'S DEVELOPER – Description of the Developer."

(b) Represents an entity owned and controlled by Lincoln Properties. See "THE DISTRICT'S DEVELOPER – Description of the Developer."

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2022 through 2025 and includes the August 1, 2025, Estimated Taxable Value.

<u>Tax Roll Year</u>	<u>Type of Property</u>		<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>	
	<u>Land</u>	<u>Improvements</u>					
8/1/2025						\$111,416,743	(a)
2025	\$29,226,060	\$54,299,928	\$0	\$83,525,988	\$1,009,260	\$82,516,728	(b)
2024	\$25,015,610	\$0	\$0	\$25,015,610	\$52,263	\$24,963,347	
2023	\$5,992,070	\$0	\$0	\$5,992,070	\$20,390	\$5,971,680	
2022	\$3,985,880	\$0	\$0	\$3,985,880	\$1,766,870	\$2,219,010	

(a) Reflects data supplied by the Appraisal District. The Estimated Taxable Value as of August 1, 2025, was prepared by the Appraisal District and provided to the District for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by the Appraisal District. Such value excludes \$2,370,320 of uncertified taxable value that is still in the certification process.

Estimated Overlapping Taxes

The following table sets forth all 2024 taxes levied by overlapping taxing jurisdictions and includes the District's 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2024 Tax Rate</u>
Austin Community College District	\$0.10130
Hays Consolidated Independent School District	\$1.15460
Hays County	\$0.30850
Hays County Special Road District	\$0.04150
Hays County Emergency Services District No. 5	\$0.10000
Hays County Emergency Services District No. 9	\$0.05044
Plum Creek Conservation District	\$0.01400
Plum Creek Groundwater Conservation District	\$0.01580
Overlapping Taxes	\$1.78614
 The District (2025)	 <u>\$0.95000</u>
Total Direct & Overlapping Taxes	\$2.73614

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Utility Debt Service Fund, and no increase or decrease in assessed valuation over the August 1, 2025 Estimated Taxable Value and the 2025 Certified Taxable Value and utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2055)..... \$608,759 (a)

Requires a \$0.58 debt service tax rate on the August 1, 2025 Estimated Taxable Value
at 95% collection \$613,906 (a)

Requires a \$0.78 debt service tax rate on the 2025 Certified Taxable Value
at 95% collection \$611,449 (a)

(a) A certain amount of the maximum annual debt service requirement will be paid for with the District's utility debt service tax rate.

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 an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District has previously or may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Tax Code are complex and are not fully summarized here. The 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 in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Hays Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Hays County, including the District. Such appraisal values are subject to review and change by the Hays County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Exempt Property

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, an action which to date the District has not undertaken, exempt certain property owned by qualified organizations engaged primarily in charitable activities, residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action 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 is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death. Such exemption would be transferable to a subsequent resident homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Residential Homestead Exemptions. The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the reduction or cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date, the Board has not granted a residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions. A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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 certain tangible personal property as defined by the Tax Code. The exemption excludes oil, natural gas, petroleum products, aircraft, and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicles, dealer's heavy equipment, and retail manufactured housing inventory. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is further limited to tangible personal property acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. For tax year 2012 and subsequent years, 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Tax Abatement

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

Valuation of Property for Taxation

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

The Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a landowner of qualified open-space land is a member of the United States Armed Forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

Assessment and Levy

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity or private tax assessor/collector approved by the Board. Each year the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due when billed 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. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. In addition, if the District engages an attorney for the collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent (20%) on all taxes, penalty, and interest unpaid on July 1. The Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District and Taxpayer Remedies

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

The Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda, which could result in the repeal of certain tax increases. The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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 that 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 Collections" and "– Bankruptcy Limitation to Registered Owners' Rights."

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts. Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2025 tax rate. 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.

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from December 1, 2025, at the per annum rates shown on the cover page hereof. The Bonds are fully registered bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2026, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY-SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar 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 a Registered Owner at the risk and expense of such Registered Owner.

Optional Redemption

The District reserves the right to redeem, prior to maturity, the Bonds maturing on or after April 1, 2031, in whole or in part from time to time, on April 1, 2030, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random selection method. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by providing written notice to each registered securities depository and national information service. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption

The Bonds maturing on April 1 in the years 2036, 2053 and 2055 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

\$450,000 Term Bonds, due April 1, 2036

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2035	\$220,000
April 1, 2036 (maturity)	\$230,000

\$1,055,000 Term Bonds, due April 1, 2053

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2052	\$515,000
April 1, 2053 (maturity)	\$540,000

\$1,160,000 Term Bonds, due April 1, 2055

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2054	\$565,000
April 1, 2055 (maturity)	\$595,000

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, or any political subdivision or agency other than the District.

Defeasance

Any Bond and the interest thereon will be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) has been made or caused to be made in accordance with the terms of the Bond Order (including the giving of any required notice of redemption) or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment and/or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds have become due and payable. At such time as a Bond is deemed to be a Defeased Bond, such Bond and the interest thereon will no longer be secured by, payable from, or entitled to the benefits of the ad valorem taxes levied and pledged, as provided in the Bond Order, and such principal and interest shall be payable solely from such money and/or Government Obligations.

The term "Government Obligations" as used in this Section, means all obligations authorized for defeasance purposes under Texas law, currently: (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (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 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 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.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law.

Funds

In the Bond Order, the Utility Debt Service Fund is created and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Order, and any additional bonds attributable to water, sewer, and drainage, payable from taxes which may be issued in the future by the District, shall be deposited as collected in such fund.

Accrued interest on the Bonds shall be deposited into the Utility Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Utility Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Utility Capital Projects Fund after paying the above costs will be used as described in the Bond Order or ultimately transferred to the Utility Debt Service Fund.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., located in Dallas, Texas. The District will maintain at least one Paying Agent/Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Paying Agent/Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of

Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Paying Agent/Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent/Registrar. Neither the Paying Agent/Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part beginning fifteen (15) calendar days prior to and ending on the date of mailing of the notice of redemption or, where such redemption is scheduled to occur, within forty-five (45) days. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, 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 as may be required by either of them to hold them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

- "(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them."

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

Issuance of Additional Debt

Pursuant to Article XVI, Section 59 of the Texas Constitution and an election held for and within the District on May 5, 2018, the duly authorized registered voters of the District authorized the District to issue a total of \$101,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities and improvements (the "Utility Bonds") and \$116,150,000 of unlimited refunding tax bonds for the purpose of refunding the Utility Bonds (the "Utility Refunding Bonds"). Pursuant to Article III, Section 52 of the Texas Constitution and an election held for and within the District on May 5, 2018, the duly authorized registered voters of the District authorized the District to issue a total of \$55,000,000 of unlimited tax bonds for the purposes of providing road facilities and improvements (the "Road Bonds"), and \$63,250,000 of unlimited refunding tax road bonds for the purpose of refunding the Road Bonds (the "Road Refunding Bonds").

Following the issuance of the Bonds, \$91,800,000 of the Utility Bonds, \$116,150,000 of the Utility Refunding Bonds, \$55,000,000 of Road Bonds, and \$63,250,000 of the Road Refunding Bonds will remain authorized and unissued.

The District has the right to issue the remaining unissued new money bonds and refunding bonds as may hereafter be approved by the Board. Voters could authorize the issuance of additional bonds in the future, and the District may issue additional refunding bonds without additional elections. Any future new money bonds, other than road bonds, to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Generally, the Board of Directors has indicated that, in the future, new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to keep the total tax rate at approximately \$0.95.

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, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to 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 United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on

DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities 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, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Initial Purchaser takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Winstead PC, Austin, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations discussed herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See "TAX MATTERS." Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as disclosure counsel to the District.

Legal Review

In its capacity as Bond Counsel, Winstead PC, has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12," "THE DISTRICT - Authority," "TAXING PROCEDURES," "THE BONDS," "TAX MATTERS," and "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) solely to determine whether such information fairly summarizes the procedures and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Andy Barrett & Associates, PLLC, serves as general counsel to the District on matters relating to, and other than, the issuance of bonds. The legal fees paid to Bond Counsel and General Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

Opinion

Winstead PC, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield, and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The District has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the District relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the District.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the “Service”). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service’s view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the District might have different or conflicting interests from those of the owners of the Bonds.

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel’s knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Original Issue Discount

Certain of the Bonds (the “Discount Bonds”) may be offered and sold to the public at an “original issue discount” (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds. In general, the issue price of Discount Bonds is the first price at which a substantial amount of Discount Bonds of the same maturity are sold to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers).

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond’s period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is

interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the District encounters financial difficulties, and it is treated as interest earned by cash-basis owners, even though no cash corresponding to the accrual is received in the year of accrual. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Bonds (the "Premium Bonds") may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity ("Bond Premium"). In general, under section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Collateral Tax Consequences Summary

The following discussion is a brief discussion of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively. Prospective investors should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by section 884 of the Code.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. PROSPECTIVE 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, owners 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 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 owner 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 of 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.

Changes in Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Hays Central Appraisal District, the Hays County Tax Office, the Developer, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

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

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM" and certain engineering matters included in "THE DISTRICT – Description and Location" and certain matters under the headings "THE DISTRICT – Summary of Land Use" and "– Status of Development in the District" (excluding house count information which has been provided by the Developer) have been provided by Doucet & Associates, and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned “DISTRICT TAX DATA,” has been provided by the Hays Central Appraisal District and the Hays County Tax Office in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2024, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District’s audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District’s financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Winstead PC, 600 W. 5th Street, Suite 900, Austin, Texas, 78701.

Certification as to Official Statement

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

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Initial Purchaser.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of LaSalle Municipal Utility District No. 1 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2024**

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF HAYS }

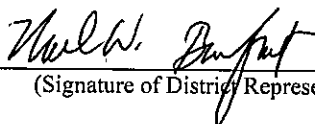
I, Noel W. Barfoot _____ of the
(Name of Duly Authorized District Representative)
LaSalle Municipal Utility District No. 1
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 10th day of June, 2025, its annual audit report for the fiscal year or period ended September 30, 2024 and that copies of the annual audit report have been filed in the district office, located at

600 W. 5th Street, Suite 1900, Austin, Texas 78701
(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

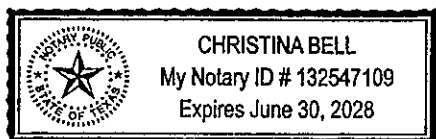
Date: June 13, 2025

By: 
(Signature of District Representative)

Noel W. Barfoot, Auditor
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 13th day of June, 2025.

(Seal)




(Signature of Notary)

My Commission Expires On: June 30, 2028.
Notary Public in the State of Texas.

INDEPENDENT AUDITOR'S REPORT

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
LaSalle Municipal Utility District No. 1
Hays County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of LaSalle Municipal Utility District No. 1 (the "District") as of and for the year ended September 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 major fund of the District as of September 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 Budgetary Comparison Schedule - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

June 10, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2024

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of LaSalle Municipal Utility District No. 1 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2024. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned fund balance was \$35,797, an increase of \$17,073 from the previous fiscal year. General Fund revenues were \$60,958 and expenditures were \$43,885 for the fiscal year ending September 30, 2024.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$17,073 in the current fiscal year. Net position increased from a deficit balance of \$39,098 at September 30, 2023 to deficit balance of \$22,025 at September 30, 2024.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by Senate Bill No. 1899, Acts of the 83rd Legislature, effective June 2013, and confirmed at an election held on May 5, 2018. The District was created for the purpose of providing maintaining water, wastewater and drainage facilities and has road powers pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 236 acres and is located in Hays County.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED SEPTEMBER 30, 2024

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Current and other assets	\$ 50,171	\$ 20,377	\$ 29,794
Total Assets	\$ 50,171	\$ 20,377	\$ 29,794
Current liabilities	\$ 14,374	\$ 1,653	\$ 12,721
Long-term liabilities	57,822	57,822	-
Total Liabilities	\$ 72,196	\$ 59,475	\$ 12,721
Unrestricted	\$ (22,025)	\$ (39,098)	\$ 17,073
Total Net Position	\$ (22,025)	\$ (39,098)	\$ 17,073

The District's net position increased by \$17,073 during the 2024 fiscal year to a deficit balance of \$22,025 at September 30, 2024 from the previous year's deficit balance of \$39,098.

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Property taxes	\$ 60,702	\$ 22,962	\$ 37,740
Other	256	-	256
Total Revenues	\$ 60,958	\$ 22,962	\$ 37,996
District operations	\$ 33,979	\$ 11,128	\$ 22,851
Professional fees	9,906	6,200	3,706
Total Expenses	\$ 43,885	\$ 17,328	\$ 26,557
Change in Net Position	\$ 17,073	\$ 5,634	\$ 11,439
Beginning Net Position	(39,098)	(44,732)	5,634
Ending Net Position	\$ (22,025)	\$ (39,098)	\$ 17,073

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED SEPTEMBER 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Revenues were \$60,958 for the fiscal year ended September 30, 2024 while expenses were \$43,885. Net position increased \$17,073 during the 2024 fiscal year.

For the fiscal year ended September 30, 2024, property tax revenues totaled \$60,702. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2023 tax year (September 30, 2024 fiscal year) were based upon a current assessed value of \$5,971,680 and a tax rate of \$0.95 per \$100 of assessed valuation

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements and the debt service obligations of the District, if any.

ANALYSIS OF GOVERNMENTAL FUND

	<u>Governmental Fund by Year</u>	
	2024	2023
Cash and cash equivalents	\$ 50,171	\$ 20,377
Total Assets	\$ 50,171	\$ 20,377
Accounts payable and other	\$ 14,374	\$ 1,653
Total Liabilities	\$ 14,374	\$ 1,653
Unassigned	\$ 35,797	\$ 18,724
Total Fund Balance	\$ 35,797	\$ 18,724
Total Liabilities and Fund Balance	\$ 50,171	\$ 20,377

As of September 30, 2024, the District's governmental fund reflected a fund balance of \$35,797, a \$17,073 increase over the previous year.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted the 2024 budget on September 14, 2023. The budget included revenues of \$56,164 and other financing sources of \$15,000 as compared to expenditures of \$67,960 for the 2024 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive net variance of \$13,869. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2024 tax year is approximately \$25 million. The fiscal year 2025 tax rate (2024 tax year) is \$0.95 on each \$100 of taxable value. All of the property tax collected during fiscal year 2025 will fund general operating expenses.

The adopted budget for fiscal year 2025 projects an operating fund balance increase of \$118,104.

**LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2024**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Winstead PC, 600 W. 5th Street, Suite 900, Austin, TX 78701.

FINANCIAL STATEMENTS

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2024

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Net Position</u>
<u>ASSETS</u>			
Cash and cash equivalents:			
Cash	\$ 27,801	\$ -	\$ 27,801
Cash equivalents	22,370	-	22,370
TOTAL ASSETS	<u>\$ 50,171</u>	<u>-</u>	<u>50,171</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 14,374	-	14,374
Long-term liabilities -			
Due to developers	-	57,822	57,822
TOTAL LIABILITIES	<u>14,374</u>	<u>57,822</u>	<u>72,196</u>
<u>FUND BALANCE / NET POSITION</u>			
Fund balance -			
Unassigned	35,797	(35,797)	-
TOTAL FUND BALANCE	<u>35,797</u>	<u>(35,797)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50,171</u>		
Net position -			
Unrestricted		(22,025)	(22,025)
TOTAL NET POSITION		<u>\$ (22,025)</u>	<u>\$ (22,025)</u>

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Adjustments Note 2	Government - Wide Statement of Activities
<u>REVENUES:</u>			
Property taxes, including penalties	\$ 60,702	\$ -	\$ 60,702
Interest and other	256	-	256
TOTAL REVENUES	60,958	-	60,958
<u>EXPENDITURES / EXPENSES:</u>			
Management/operation fees	3,500	-	3,500
Facility maintenance	1,258	-	1,258
Pond maintenance	5,953	-	5,953
Legal fees	4,055	-	4,055
Accounting fees	5,851	-	5,851
Tax appraisal/collection fees	1,109	-	1,109
Director fees, including payroll taxes	12,660	-	12,660
Insurance	3,974	-	3,974
Bank fees	4,222	-	4,222
Other	1,303	-	1,303
TOTAL EXPENDITURES / EXPENSES	43,885	-	43,885
NET CHANGE IN FUND BALANCE	17,073	(17,073)	-
CHANGE IN NET POSITION		17,073	17,073
<u>FUND BALANCE / NET POSITION:</u>			
Beginning of the year	18,724	(57,822)	(39,098)
End of the year	<u>\$ 35,797</u>	<u>\$ (57,822)</u>	<u>\$ (22,025)</u>

NOTES TO THE FINANCIAL STATEMENTS

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of LaSalle Municipal Utility District No. 1 (the “District”) relating to the fund included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments include those principles prescribed by the *Governmental Accounting Standards Board* (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District, a political subdivision of the State of Texas, was created by Senate Bill No. 1899, Acts of the 83rd Legislature, effective June 2013, in accordance with Article XVI, Section 59 of the Constitution of the State of Texas and with Chapters 49 and 54 of the Texas Water Code, and confirmed at an election held on May 5, 2018. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity. The Board held its first meeting on February 13, 2018.

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

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

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

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

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

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

Basis of Accounting

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

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

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

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

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was adopted on September 14, 2023, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

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

Cash and Cash Equivalents - Cash and cash equivalents include cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Comptroller’s Investment Pool and local government investment pool, are recorded at amortized cost.

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

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

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

2. RECONCILIATION OF THE GOVERNMENTAL FUND

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

Fund Balance - General Fund	\$ 35,797
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund - Due to developer	<u>(57,822)</u>
Net Position - Governmental Activities	<u>\$ (22,025)</u>

3. CASH AND CASH EQUIVALENT INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2024, the carrying amount of the District's deposits was \$27,801 and the bank balance was \$29,160. The bank balance was covered by federal depository insurance.

Cash Equivalent Investments -

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

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalent Investments (continued) -

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

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

At September 30, 2024, the District held the following investments:

Investment	Fair Value at 9/30/2024	Governmental Fund	Investment Rating	
		General	Rating	Rating Agency
TexPool	\$ 22,370	\$ 22,370	AAAm	Standard & Poors

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

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2024, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2024, the District's bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 14, 2023.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2023 tax roll. The tax rate, based on total taxable assessed valuation of \$5,971,680, was \$0.95 on each \$100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on May 5, 2018.

Property taxes were fully collected at September 30, 2024.

5. BONDED DEBT

The District has not issued any debt as of September 30, 2024. Bonds authorized but not issued as of September 30, 2024, are as follows:

<u>Type</u>	<u>Amount</u>
Unlimited Tax Bonds	\$ 101,000,000
Road Bonds	\$ 55,000,000
Unlimited Tax Refunding Bonds	\$ 116,150,000
Unlimited Road Refunding Bonds	\$ 63,250,000

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

6. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future bond issues or from District operations, subject to approval by the Texas Commission on Environmental Quality. On May 5, 2018, a bond election held within the District approved authorization to issue \$101,000,000 of bonds to fund costs of proposed water, wastewater and drainage system facilities, and the costs of creation. Additionally, \$55,000,000 of bonds to fund costs of road improvements were approved by voters of the District. As of September 30, 2024, the District has not issued any bonds to repay the developers. As of September 30, 2024, the District owes the developers \$57,822 for advances used to fund operating expenditures.

7. DEVELOPMENT AGREEMENT

Pursuant to the Development Agreement (the “Agreement”) entered into by the developers and the City of San Marcos, Texas (“San Marcos”), effective October 6, 2014, as amended, assigned and subsequently joined into by the District, the developers and the District will design, finance and construct all utility and drainage facilities and roadways required to serve the District, including all necessary water and wastewater facilities designed and constructed in accordance with applicable requirements and design standards as outlined in the Agreement. The Agreement provides that the City of Kyle, Texas (“Kyle”) will provide retail water and wastewater service to the District. The term of the Agreement will continue for fifteen years from the effective date of the Agreement with possible renewal extensions for up to an additional thirty (30) years.

8. RETAIL WATER AND WASTEWATER SERVICES AGREEMENT

On December 16, 2014, the City of Kyle and the developers of the District entered into a Retail Water and Wastewater Services Agreement (the “Retail Service Agreement”), as subsequently assigned to the District. Under the terms of the Retail Service Agreement, Kyle agrees to provide retail water and wastewater services to the District. The Retail Service Agreement requires the developers, on behalf of the District, to design, finance, and construct all utility and drainage facilities required to serve the District, including all necessary water and wastewater facilities designed and constructed in accordance with applicable Kyle requirements and design standards. Upon completion and acceptance of utility facilities constructed by or on behalf of the District, the water and wastewater facilities will be conveyed to Kyle. In exchange for the conveyance of the water and wastewater facilities to serve the District, Kyle will operate and maintain all water and wastewater facilities conveyed and provide retail water and wastewater services to customers within the District at Kyle’s standard or out-of-district water and wastewater rates. The term of the Retail Service Agreement will continue for thirty (30) years from the effective date of the Retail Service Agreement and may be extended by mutual agreement of the parties involved.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

9. RISK MANAGEMENT

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

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

10. ECONOMIC DEPENDENCY

The District’s developers own the majority of the taxable property in the District. The District’s ability to meet its obligations is dependent on the developers’ ability to pay future property taxes.

REQUIRED SUPPLEMENTARY INFORMATION

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 60,702	\$ 56,164	\$ 4,538
Interest and other	256	-	256
TOTAL REVENUES	<u>60,958</u>	<u>56,164</u>	<u>4,794</u>
EXPENDITURES:			
Management/operation fees	3,500	-	(3,500)
Facility maintenance	1,258	-	(1,258)
Pond maintenance	5,953	-	(5,953)
Legal fees	4,055	33,000	28,945
Engineering fees	-	6,000	6,000
Accounting fees	5,851	5,150	(701)
Audit fees	-	7,000	7,000
Tax appraisal/collection fees	1,109	200	(909)
Director fees, including payroll taxes	12,660	10,710	(1,950)
Insurance	3,974	2,000	(1,974)
Bank fees	4,222	120	(4,102)
Other	1,303	3,780	2,477
TOTAL EXPENDITURES	<u>43,885</u>	<u>67,960</u>	<u>24,075</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>17,073</u>	<u>(11,796)</u>	<u>28,869</u>
OTHER FINANCING SOURCES -			
Developer advances	-	15,000	(15,000)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
NET CHANGE IN FUND BALANCE	17,073	<u>\$ 3,204</u>	<u>\$ 13,869</u>
FUND BALANCE:			
Beginning of the year	18,724		
End of the year	<u>\$ 35,797</u>		

TEXAS SUPPLEMENTARY INFORMATION

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2024

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" 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): _____		

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	(1)	(1)	(1)	(1)	(1)
WASTEWATER:	(1)	(1)	(1)	(1)	(1)
SURCHARGE:	(1)	(1)	(1)	(1)	(1)

District employs winter averaging for wastewater usage? Yes ☐ No ☐

Total charges per 10,000 gallons usage: Water (1) Wastewater (1)

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			1.0	
< 3/4"			1.0	
1"			2.5	
1 1/2"			5.0	
2"			8.0	
3"			15.0	
4"			25.0	
6"			50.0	
8"			80.0	
10"			115.0	
Total Water	(1)	(1)		(1)
Total Wastewater	(1)	(1)	1.0	(1)

⁽¹⁾ Retail water and wastewater service is provided to District residents by City of Kyle, Texas.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1. SERVICES AND RATES (continued)
SEPTEMBER 30, 2024

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

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

Does the District assess standby fees? Yes ☐ No ☒

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

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

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

5. Location of District

County(ies) in which district is located: _____ Hays County, Texas

Is the District located entirely within one county? Yes ☒ No ☐

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

City(ies) in which district is located: _____

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

Entirely ☐ Partly ☐ Not at all ☒

ETJ's in which district is located: _____

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

(1) Retail water and wastewater service is provided to District residents by City of Kyle, Texas.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2024

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	-
Legal	4,055
Engineering	-
Financial Advisor	-
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	5,851
General Manager	3,500
Appraisal District/Tax Collector	1,109
Other Contracted Services	-
Utilities	-
Repairs and Maintenance	7,211
Chemicals	-
Administrative Expenditures:	
Directors' Fees	12,660
Office Supplies	-
Insurance	3,974
Election Costs	-
Other Administrative Expenditures	5,525
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	\$ 43,885

Number of persons employed by the District:

☐

Full-Time

☐

Part-Time

TSI-2

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2024

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
TexPool	XXX0001	Varies	Daily	\$ 22,370	\$ -
Total				<u>\$ 22,370</u>	<u>\$ -</u>

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2024

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ -	\$ -
2023 Original Tax Levy	56,731	-
Total to be accounted for	56,731	-
Tax collections:		
Current year	56,731	-
Prior years	-	-
Total collections	56,731	-
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ -</u>
Taxes Receivable, By Tax Years		
2022	\$ -	\$ -
2023	-	-
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ -</u>
Property Valuations:	<u>2023</u>	<u>2022 *</u>
Land and improvements	<u>\$ 5,971,680 (a)</u>	<u>\$ 2,219,010 (a)</u>
Total Property Valuations	<u><u>\$ 5,971,680</u></u>	<u><u>\$ 2,219,010</u></u>
Tax Rates per \$100 Valuation:		
Debt Service tax rates	\$ -	\$ -
Maintenance tax rates	<u>0.95</u>	<u>0.95</u>
Total Tax Rates per \$100 Valuation:	<u><u>\$ 0.95</u></u>	<u><u>\$ 0.95</u></u>
Original Tax Levy	<u><u>\$ 56,731</u></u>	<u><u>\$ 21,081</u></u>
Percent of Taxes Collected to Taxes Levied **	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>
Maximum Maintenance Tax Approved by Voters:	<u><u>\$ 1.00 on</u></u>	<u><u>5/5/2018</u></u>

* Unaudited.

**Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed to the District's bond offering documents or the District's annual bond disclosure filings.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2024

The District has not issued any long-term debt at September 30, 2024.

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2024

	<u>Total</u>
Interest Rate	
Dates Interest Payable	
Maturity Dates	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ -
Bonds Sold During the Current Fiscal Year	-
Retirements During the Current Fiscal Year:	
Principal	-
Refunded	-
Bonds Outstanding at End of Current Fiscal Year	<u><u>\$ -</u></u>
Interest Paid During the Current Fiscal Year	<u><u>\$ -</u></u>

Paying Agent's Name & Address:

Bond Authority:	Unlimited Tax Bonds*	Road Bonds*	Refunding Unlimited Tax Bonds*	Refunding Road Bonds*
Amount Authorized by Voters	\$ 101,000,000	\$ 55,000,000	\$ 116,150,000	\$ 63,250,000
Amount Issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Remaining To Be Issued	<u><u>\$ 101,000,000</u></u>	<u><u>\$ 55,000,000</u></u>	<u><u>\$ 116,150,000</u></u>	<u><u>\$ 63,250,000</u></u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2024:	<u><u>\$ -</u></u>
Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt:	<u><u>\$ -</u></u>

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS
SEPTEMBER 30, 2024

	Amounts					Percent of Fund Total Revenues				
	2024	2023*	2022*	2021*	2020*	2024	2023*	2022*	2021*	2020*
GENERAL FUND REVENUES:										
Property taxes, including penalties	\$ 60,702	\$ 22,962	\$ -	\$ -	\$ -	99.6%	66.6%	-	-	-
Other income	256	-	800	1	4	0.4%	-	5.1%	-	-
Developer advances	-	11,500	15,000	14,420	14,402	-	33.4%	94.9%	100.0%	100.0%
TOTAL GENERAL FUND REVENUES	60,958	34,462	15,800	14,421	14,406	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Management/operation fees	3,500	-	-	-	-	5.7%	-	-	-	-
Facility maintenance	1,258	-	-	-	-	2.1%	-	-	-	-
Pond maintenance	5,953	-	-	-	-	9.8%	-	-	-	-
Legal fees	4,055	-	-	-	18,972	6.6%	-	-	-	131.7%
Accounting fees	5,851	6,200	4,800	2,350	3,050	9.6%	18.0%	30.4%	16.3%	21.2%
Tax appraisal/collection fees	1,109	134	-	-	-	1.8%	0.4%	-	-	-
Director fees, including payroll taxes	12,660	7,266	5,006	807	5,006	20.8%	21.1%	31.7%	5.6%	34.7%
Insurance	3,974	50	-	1,795	-	6.5%	0.1%	-	12.4%	-
Bank fees	4,222	3,295	2,269	1	4	6.9%	9.6%	14.4%	-	-
Other	1,303	383	5	169	35	2.1%	1.1%	-	1.2%	0.2%
TOTAL GENERAL FUND EXPENDITURES	43,885	17,328	12,080	5,122	27,067	71.9%	50.3%	76.5%	35.5%	187.9%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 17,073	\$ 17,134	\$ 3,720	\$ 9,299	\$ (12,661)	28.1%	49.7%	23.5%	64.5%	-87.9%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					

(1) City of Kyle, Texas to provide water and wastewater service.

* Unaudited

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

Complete District Mailing Address:	<u>600 W. 5th Street, Suite 900</u> <u>Austin, TX 78701</u>
District Business Telephone Number:	<u>(512) 370-2923</u>
Submission Date of the most recent District Registration Form TWC Sections 36.054 and 49.054):	<u>June 4, 2025</u>
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	<u>\$7,200</u>

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2024	Expense Reimbursements 9/30/2024	Title at Year End
Board Members:				
KRISTI LARUE	(Elected) 5/7/2022 - 5/2/2026	\$ 2,352	\$ 60	President
ERIC WILLIS	(Elected) 5/4/2024 - 5/6/2028	\$ 2,794	\$ 80	Vice President
CHUCK KAUFMAN	(Elected) 5/7/2022 - 5/2/2026	\$ 2,131	\$ 107	Secretary
DOUGLAS J. GOSS	(Elected) 5/4/2024 - 5/6/2028	\$ 2,794	\$ 80	Treasurer/Asst. Sec.
JOHN C. GEE	(Elected) 5/7/2022 - 5/2/2026	\$ 1,689	\$ 94	Assistant Secretary
Consultants:				
Barrett & Associates, PLLC	2/13/2018	\$ -	\$ -	Attorney
Winstead PC	2/13/2018	\$ -	\$ -	Attorney
Si Environmental LLC	2/8/2024	\$ 2,633	\$ -	Operator
Doucet & Associates	2/13/2018	\$ -	\$ -	Engineer
Bott & Douthitt, PLLC	3/13/2019	\$ 5,851	\$ -	Accountant
McCall Gibson Swedlund Barfoot Ellis PLLC	3/11/2025	\$ -	\$ -	Auditor
The GMS Group, L.L.C.	2/13/2018	\$ -	\$ -	Financial Advisor
Assessments of the Southwest	7/13/2023	\$ 923	\$ -	Former Tax Collector
Hays County Tax Collector	4/8/2025	\$ -	\$ -	Tax Collector

**Fees of Office* are the amounts actually paid to a director during the District's fiscal year.

OTHER SUPPLEMENTARY INFORMATION

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2024

Taxpayer	Type of Property	Tax Roll Year		
		2024	2023	2022
Lennar Homes of Texas Land & Construction Ltd.	N/A	\$ 13,328,100	\$ -	\$ -
DRP TX 3 LLC	N/A	10,240,630	5,971,510	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Homeowner	N/A	53,100	-	-
Tack Development Ltd.	N/A	-	170	2,219,010
Total		\$ 23,993,530	\$ 5,971,680	\$ 2,219,010
Percent of Assessed Valuation		96.2%	100.0%	100.0%

LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2024

Type of Property	Tax Roll Year					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
Residential Single Family	\$ 53,100	0.2%	\$ -	-	\$ -	-
Vacant Platted Lots	39,850	0.2%	-	-	-	-
Real Acreage	20,000	0.1%	20,560	0.3%	1,785,880	80.5%
Farm and Ranch	4,995,730	20.0%	5,971,510	100.0%	2,200,000	99.1%
Real Inventory	19,860,650	79.6%	-	-	-	-
Exempt	1,200	-	-	-	-	-
Adjustments & Exemptions	(30,195)	-0.1%	(20,390)	-0.3%	(1,766,870)	-79.6%
Total	<u>\$ 24,940,335</u>	<u>100.0%</u>	<u>\$ 5,971,680</u>	<u>100.0%</u>	<u>\$ 2,219,010</u>	<u>100.0%</u>

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

An opinion in substantially the following form will be delivered by Winstead PC, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

The opinion will be issued on firm letterhead.

December 11, 2025

**LASALLE MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX UTILITY BONDS, SERIES 2025
IN THE ORIGINAL PRINCIPAL AMOUNT OF \$9,200,000**

We have acted as “Bond Counsel” to Lasalle Municipal Utility District No. 1 (the “District”) in connection with the issuance of the bonds described above (the “Bonds”) for the sole purpose of providing legal advice and traditional legal services to the District including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds or with respect to the sufficiency of security or marketability of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Directors of the District (the “Board”); an order of the Board authorizing the Bonds adopted on November 18, 2025 (the “Order”); the Official Notice of Sale; the awarded bid; the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a “Federal Tax Certificate”), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have examined executed Bond No. T-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.
2. The Bonds have been authorized, sold, and delivered in accordance with law.
3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors’ rights generally.

4. Ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District, necessary to pay the interest on and principal of the Bonds, have been pledged irrevocably for such purpose.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the “annual adjusted financial statement income” (as defined in section 56A of the Code) of “applicable corporations” (as defined in Section 59(K) of the Code) for the purpose of computing alternative minimum tax imposed on corporations.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

In rendering these opinions, we have relied upon representations and certifications of the District, the District’s financial advisor, and the initial purchaser of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the District with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or the District fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds, the sufficiency of the security for, or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



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

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