

OFFICIAL NOTICE OF SALE

\$3,000,000

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2025A

Selling (Bids Due): Thursday, October 16, 2025 at 9:00 A.M., CDT
Award Expected: 12:00 P.M., CDT

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

The Bonds are obligations solely of Headwaters Municipal Utility District of Hays County (the “District”) and are not obligations of the City of Dripping Springs, Texas; Dripping Springs Independent School District, Hays County, Texas; the State of Texas or any entity other than the District.

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The Board of Directors (the “Board”) of the District is inviting competitive bids for the purchase of \$3,000,000 Unlimited Tax Bonds, Series 2025A (the “Bonds”). Sealed bids may be submitted by either of three alternative procedures: (1) written bids; (2) electronic bids; or (3) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, facsimile or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System (“PARITY”).

PROCEDURE NUMBER 1: SEALED, WRITTEN BIDS DELIVERED IN PERSON . . . Bids, plainly marked “Bid for Bonds” should be addressed to “Board of Directors of Headwaters Municipal Utility District of Hays County” and should be delivered to the District’s Financial Advisor, Garry Kimball, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 9:00 A.M., CDT, on March 24, 2025 (“the date of the bid opening”).

PROCEDURE NUMBER 2: ELECTRONIC BIDDING PROCEDURES . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 9:00 A.M., CDT, on the date of the bid opening.

Subscription to the i-Deal LLC’s BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, attention: Jennifer Emery (212) 806-8304.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to the bidding system. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form. If any provision of this Official Notice of Sale conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under “Basis of Award” below.

PROCEDURE NUMBER 3: BIDS BY TELEPHONE OR FACSIMILE . . . Bidders must submit by 9:00 A.M., CDT, on the date of the bid opening, SIGNED Official Bid Forms to Garry Kimball, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone or facsimile (fax) by 9:00 A.M., CDT, on the date of the bid opening.

Telephone bids will be accepted at (512) 275-7300, between 8:30 A.M. and 9:00 A.M., CDT on the date of the bid opening.

Fax bids must be received between 8:30 A.M. and 9:00 A.M., CDT, on the date of the bid opening at (512) 275-7305, attention: Garry Kimball.

SIGNED OFFICIAL BID FORM . . . The bidder whose bid is the winning bid in accordance with this Notice of Sale will be notified immediately by Specialized Public Finance, Inc. and must submit a Signed Official Bid Form in connection with the sale, by 9:30 AM, CDT, on the date of the sale to Monica Melvin, Specialized Public Finance Inc., monica@spfmuni.com.

PLACE AND TIME OF BID OPENING . . . The Board will publicly review and award the sale of the Bonds at the designated meeting place outside the boundaries of the District, at the offices of McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731 at 12:00 P.M., CDT on Thursday, October 16, 2025. All bids, including those being hand delivered, must be received by 9:00 A.M., CDT on the date of the bid opening. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened.

AWARD OF BONDS . . . The District will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the “Initial Purchaser”), the Board will adopt an order authorizing the issuance of the Bonds (the “Bond Order”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order, to which Bond Order reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

WITHDRAWAL OF THE BIDS . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for six hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

EXTENSION OF SALE DATE . . . The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 PM, CDT, on Wednesday, October 15, 2025 of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

DESCRIPTION OF BONDS . . . The Bonds will be dated November 25, 2025, and interest will accrue from the date of Initial Delivery (as defined herein), will be payable on February 15, 2026, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity, and principal and interest will be paid by BOKF, NA (the “Paying Agent/Registrar”) 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 Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on August 15 in the years and amounts as follows:

MATURITY SCHEDULE

Maturity (August 15)	Principal Amount	Maturity (August 15)	Principal Amount
2028	\$ 70,000	2040	\$ 130,000
2029	75,000	2041	135,000
2030	80,000	2042	145,000
2031	80,000	2043	150,000
2032	85,000	2044	160,000
2033	90,000	2045	170,000
2034	95,000	2046	175,000
2035	100,000	2047	185,000
2036	105,000	2048	195,000
2037	110,000	2049	205,000
2038	120,000	2050	215,000
2039	125,000		

OPTIONAL REDEMPTION PROVISIONS . . . Bonds maturing on and after August 15, 2033, are subject to redemption prior to maturity, at the option of the District, as a whole or, from time to time in part, on August 15, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District.

MANDATORY SINKING FUND REDEMPTION . . . If the successful bidder designates principal amounts to be combined into one or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned "MATURITY SCHEDULE." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Bonds that have been redeemed in such year and have not been the basis for any prior optional redemption.

OTHER TERMS AND COVENANTS . . . Other terms of the Bonds and various covenants of the District are contained in the Bond Order, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

SOURCE AND SECURITY OF PAYMENT . . . The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs, Texas; Dripping Springs Independent School District; Hays County, Texas; the State of Texas or any entity other than the District.

BOOK-ENTRY-ONLY SYSTEM . . . The District intends to utilize the book-entry-only system of DTC. See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

REGISTERED FORM REQUIREMENT . . . Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners' income for federal income tax purposes.

SUCCESSOR PAYING AGENT/REGISTRAR . . . Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

MUNICIPAL BOND RATING . . . The Bonds have been rated "BBB+" by S&P Global Ratings ("S&P") without regard to credit enhancement.

MUNICIPAL BOND INSURANCE . . . An application has been made to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by a rating agency of the bond insurance provider shall not relieve the Initial Purchaser of its obligation under the heading "DELIVERY AND ACCOMPANYING DOCUMENTS."

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES . . . The Bonds will be sold in one block on an "all or none" basis at a price of not less than ninety-seven percent (97%) of the par value. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. The net effective interest rate on the Bonds may not exceed a rate which is three percentage points (3.00%) above the highest "20 Bond Index" as reported by the "Bond Buyer" during the thirty (30) day period prior to the date of this Official Notice of Sale. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used, but the highest interest rate bid may not exceed the lowest interest rate bid by more than 2.5% in rate. For Bonds having stated maturities on and after August 15, 2033, no reoffering yield producing a dollar price less than 95% for any individual maturities will be accepted. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. No bid generating a cash premium greater than \$5,000 will be considered.

POST BID MODIFICATION OF PRINCIPAL AMOUNTS PER MATURITY . . . After selecting the winning bid, the aggregate principal amount of the Bonds per maturity and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds and will not change the aggregate principal amount per maturity by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustments within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustments thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount per maturity of the par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustments of the aggregate principal amount of the Bonds per maturity and/or of the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to conditions herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS OF AWARD . . . For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the interest rates specified therein, the total dollar value of all interest on the Bonds from the date of Initial Delivery to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. Subject to the right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest net effective interest cost to the District. In the event of mathematical discrepancies between the interest rates and the interest cost determined therefrom, as both appear on the “Official Bid Form,” the bid will be determined solely from the interest rates shown on the “Official Bid Form.”

DISCLOSURE OF INTERESTED PARTY FORM 1295 . . . In accordance with Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Bonds to a bidder unless the winning bidder either:

- (i) submits a Certificate of Interested Parties Form 1295 (the “TEC Form 1295”) to the District as prescribed by the Texas Ethics Commission (“TEC”), or
- (ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder’s bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District’s conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*Headwaters Municipal Utility District of Hays County*) and box 3 is the identification number assigned to this contract by the District (*HeadwatersMUD-UTB2025A-Bid*) and description of the goods or services (*Purchase of Unlimited Tax Bonds, Series 2025A*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require certain business entities contracting with the District to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC’s “electronic portal” to the District. The completed and signed TEC Form 1295 must be sent by email, to the District’s financial advisor at garry@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, the winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: tcorbett@mcleanhoward.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the District, the Interested Party Disclosure Act and the TEC Form 1295 provide that such declaration is made “under penalty of perjury.” Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. **Time will be of the essence in submitting the form to the District. The District reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295.** Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS . . . The winning bidder will be required to make the following representations and covenants (the “Required Verifications”) pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the “Government Code”), in entering into the Official Bid Form. (The Official Bid Form, once submitted by the bidder and accepted by the District, constitutes a contract for purposes of such verifications.) As used in such verifications, “affiliate” means an entity that controls, is controlled by, or is under common control with the winning bidder within the meaning of Securities and Exchange Commission Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or Official Notice of Sale (collectively, the “Agreement”), notwithstanding anything in the Agreement to the contrary.

- (a) **Not a Sanctioned Company.** The winning bidder will be required to represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the winning bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.
- (b) **No Boycott of Israel.** The winning bidder will be required to verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of the Agreement. As used in the foregoing verification, “boycott Israel” has the meaning provided in Section 2271.001, Government Code.
- (c) **No Discrimination Against Firearm Entities.** The winning bidder will be required to verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, “discriminate against a firearm entity or firearm trade association” has the meaning provided in Section 2274.001(3), Government Code.
- (d) **No Boycott of Energy Companies.** The winning bidder will be required to verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

COMPLIANCE VERIFICATION . . . By submitting a bid, each bidder or syndicate member, as applicable, confirms that it has on file with the Municipal Advisory Council of Texas and Public Finance Division of the Texas Office of Attorney General (“OAG”) a standing letter in the form included as Exhibit A to the All Bond Counsel Letter of the OAG dated November 1, 2023 and any supplement thereto (the “All Bond Counsel Letter”). In submitting a bid, a bidder confirms that each bidder or syndicate member, as applicable, can make the unqualified verifications as set forth above, as required under the All Bond Counsel Letter of the OAG dated November 1, 2023 (a “Standing Letter”) and that it has no reason to believe that the District and the OAG may not be entitled to rely on such Standing Letter through the delivery date of the Bonds. The winning bidder and each syndicate member listed on an Official Bid Form agree that it will not rescind any applicable Standing Letter any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the OAG.

The District will not accept a bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the District, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the delivery date of the Bonds or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE DISTRICT RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY THE TEXAS COMPTROLLER OR THE TEXAS ATTORNEY GENERAL OR HAS RECEIVED A LETTER OR OTHER INQUIRY FROM THE TEXAS COMPTROLLER, OR THE TEXAS ATTORNEY GENERAL RELATED TO ITS INCLUSION ON ANY LIST OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE DISTRICT AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a standing letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see “CONDITIONS OF SALE – Good Faith Deposit”). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE “COVERED VERIFICATIONS”) SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THE AGREEMENT. ADDITIONALLY, THE DISTRICT RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the “Headwaters Municipal Utility District of Hays County” in the amount of \$60,000, is required. Such Good Faith Deposit shall be a wire transfer, bank cashier’s check or certified check (which is to be retained uncashed by the District pending the Initial Purchaser’s compliance with the terms of the bid and this Notice of Sale and Bidding Instructions). The Good Faith Deposit may be provided to the District via wire transfer (the District will provide wire instructions to the winning bidder), or in the form of a certified or cashier’s check. The Good Faith Deposit will be retained

by the District and (a) (i) if the Initial Purchaser utilizes a cashier's check as its Good Faith Deposit, said cashier's check will be returned to the Initial Purchaser after delivery of the Bonds, (ii) if the Initial Purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Bonds; or (b) will be retained by the District if the Initial Purchaser defaults with respect to its purchase of the Bonds in accordance with its bid; or (c) will be returned to the Initial Purchaser if the Bonds are not issued by the District for any reason which does not constitute a default by the Initial Purchaser; provided, however, if the District cashes the purchaser's Good Faith Deposit as described in this section or in "Compliance Verification" above, such action or amount does not constitute complete or liquidated damages related to the Initial Purchaser's breach of any of the Required Verifications.

OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC").

FINAL OFFICIAL STATEMENT . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but will not prepare any other document or version for such purpose except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the purchase of municipal bond insurance, if any, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT – Certification as to Official Statement."

CHANGES TO OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

DELIVERY OF OFFICIAL STATEMENTS . . . The District will furnish to the Initial Purchaser (and to each other participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 250 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above in "OFFICIAL STATEMENT – Changes to Official Statement During Underwriting Period" as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 25th day after the "end of the underwriting period" within the meaning of the Rule. The District will pay the expense of preparing up to 250 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

RULE G-36 REQUIREMENTS . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rulemaking Board's Rule G-36 within the required time frame. The Initial Purchaser must send two copies of the "Official Statement" along with two complete Form G-36's to the appropriate address.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND . . . Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond payable in installments (collectively, the “Initial Bond”), either in typed or printed form, in the aggregate principal amount of \$3,000,000, registered in the name of the Initial Purchaser, manually signed by the President or Vice President and Secretary or Assistant Secretary of the Board, or executed by the facsimile signatures of the President or Vice President and Secretary or Assistant Secretary of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to Cede & Co. in connection with DTC’s book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given six (6) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about November 25, 2025, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CDT, on November 25, 2025, or thereafter on the date the Bonds are tendered for delivery, up to and including December 9, 2025. If for any reason the District is unable to make delivery on or before December 9, 2025, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

DTC DEFINITIVE BONDS . . . The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co. as the nominee for DTC. All reference herein and in the Official Statement to the bondholders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of \$5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable.

CONDITIONS TO DELIVERY . . . The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser’s receipt of typewritten bonds, the legal opinions of Bond Counsel and Special Tax Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption “No Material Adverse Change.” In addition, if the District fails to comply with its obligations described in the Preliminary Official Statement, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

LEGAL OPINIONS . . . The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of McLean & Howard, L.L.P., Austin, Texas, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principal of equity and the tax opinion of McCall, Parkhurst and Horton L.L.P. to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS.”

ESTABLISHING THE ISSUE PRICE FOR THE BONDS . . . The Issuer intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of municipal bonds), which require, among other things, that the Issuer receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Requirement”).

In the event that the bidding process does not satisfy the Competitive Sale Requirement, bids will not be subject to cancellation and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (the “First Price Maturity”) have been sold to the Public on the Sale Date (the “10% Test”) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test (“Hold-the-Price Maturity”), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's financial advisor (the "District's Financial Advisor") a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Notice of Sale, within 5 business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),
- (iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

All actions to be taken by the Issuer under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer's Municipal Advisor, and any notice or report to be provided to the Issuer may be provided to the Issuer's Municipal Advisor.

The Issuer will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the Issuer when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

TEXAS BOND REVIEW BOARD INFORMATION . . . In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

NO MATERIAL ADVERSE CHANGE . . . The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the District from those set forth in or contemplated by the “Preliminary Official Statement” as it may have been supplemented or amended through the date of sale.

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, to the effect that to the best of the District’s knowledge no litigation of any nature is pending or, to the best of the certifying officers’ knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers and directors of the District.

CONTINUING DISCLOSURE

The District will agree in the Bond Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser(s) or its (their) agent of a certified copy of the Bond Order containing the agreement described under such heading.

GENERAL CONSIDERATIONS

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

RECORD DATE FOR BONDS TO BE REDEEMED . . . Neither the District nor the Paying Agent shall be required (1) to issue, transfer, or exchange any Bond during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal on interest payment date or (2) to transfer or exchange, in whole or in part, any Bond or any portion thereof selected for redemption prior to maturity, within forty-five (45) calendar days prior to its redemption date.

RISK FACTORS . . . The Bonds involve certain risk factors. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption “RISK FACTORS.”

RESERVATION OF RIGHTS . . . The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

NOT AN OFFER TO SELL . . . This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS . . . The offer and sale of the Bonds have 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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 or qualification provisions.

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser’s written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service of process in any jurisdiction.

COPIES OF DOCUMENTS . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, Audits, and the pro forma Bond Order may be obtained at the offices of Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, Financial Advisor to the District.

President
Board of Directors
Headwaters Municipal Utility District of Hays County

October 10, 2025

OFFICIAL BID FORM

President and Board of Directors
Headwaters Municipal Utility District of Hays County
c/o Specialized Public Finance Inc.
248 Addie Roy Road, Suite B-103
Austin, Texas 78746

Board of Directors:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated October 10, 2025, relating the Headwaters Municipal Utility District of Hays County (the "District") and its \$3,000,000 Unlimited Tax Bonds, Series 2025A (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain risk factors, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$3,000,000, we will pay you a price of \$_____, representing approximately _____% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount	Interest Rate	Maturity (August 15)	Principal Amount	Interest Rate
2028	\$ 70,000	%	2040	\$ 130,000	%
2029	75,000	%	2041	135,000	%
2030	80,000	%	2042	145,000	%
2031	80,000	%	2043	150,000	%
2032	85,000	%	2044	160,000	%
2033	90,000	%	2045	170,000	%
2034	95,000	%	2046	175,000	%
2035	100,000	%	2047	185,000	%
2036	105,000	%	2048	195,000	%
2037	110,000	%	2049	205,000	%
2038	120,000	%	2050	215,000	%
2039	125,000	%			

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bonds Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
			%
			%
			%
			%
			%
			%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TOTAL INTEREST COST FROM 11/25/2025	\$ _____
PLUS DOLLAR AMOUNT OF DISCOUNT	\$ _____
NET INTEREST COST	\$ _____
NET EFFECTIVE INTEREST RATE	_____%

We are having the Bonds insured by _____ at a premium of \$ _____, **said premium to be paid by the Initial Purchaser.** Any fees to be paid to the rating agency as a result of said insurance **will be paid by the District.**

A wire transfer or a cashiers or certified check to the District in the amount of \$60,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us, except with respect to the Required Verifications (defined below). Please check the box below to designate your Good Faith Deposit option.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We understand the sale of the Bonds has not been registered under the United States 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 acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the District assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement or other information concerning the District and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, together with the pricing wire, to the Financial Advisor by the close of the next business day after the award.

The bidder makes the following representations and covenants (the "Required Verifications") pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"), in entering into this Official Bid Form. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the winning bidder within the meaning of Securities and Exchange Commission Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or Official Notice of Sale (collectively, the "Agreement"), notwithstanding anything in this Official Bid Form to the contrary.

- (i) The bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.
- (ii) The bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.
- (iii) The bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.
- (iv) The bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of the Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

By submitting a bid, each bidder or syndicate member, as applicable, confirms that it has on file with the Public Finance Division of the Texas Office of Attorney General ("OAG") a standing letter confirming that each bidder or syndicate member, as applicable, can make the unqualified verifications required by Sections 2252, 2271, 2274, and 2276 of the Government Code set forth above, as required and in the form required pursuant to the All Bond Counsel Letter of the OAG dated November 1, 2023 (a "Standing Letter"), and that it has no reason to believe that the District and the OAG may not be entitled to rely on such Standing Letter through the date of delivery of the Bonds. The bidder and each syndicate member listed on an Official Bid Form agree that it will not rescind any applicable Standing Letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the OAG.

In addition, as required under the All Bond Counsel Letters of the OAG dated April 27, 2022, November 1, 2023 and November 16, 2023, the winning bidder and each syndicate member listed on the Official Bid Form shall immediately notify the District if its Standing Letter is under review by the Texas Comptroller of Public Accounts (the "Comptroller") pursuant to Section 809.051 of the Texas Government Code (or by the OAG, as the case may be) (a "bidder under review"). If such Standing Letter becomes subject to review as described above, at any time prior to the date of delivery of the Bonds upon request of the District or Bond Counsel, the bidder under review shall provide the District or Bond Counsel with written confirmation to the effect that (i) it and/or its affiliate intends to timely comply with the Comptroller's request for written verification pursuant to Chapter 809 of the Texas Government Code and (ii) the applicable Standing Letter remains in effect and may be relied upon by the District and the OAG. The District and Bond Counsel may provide such written certifications to the OAG in connection with the issuance of the Bonds.

To the extent the date of delivery of the Bonds occurs before the end of the Comptroller's review period pursuant to Section 809.051 of the Texas Government Code, and the bidder under review is unable to satisfy the OAG or Comptroller verifications as described above, the District, pursuant to the All Bond Counsel Letters of the OAG dated April 27, 2022, November 1, 2023 and November 16, 2023 (requiring a new Standing Letter and the Required Verifications), reserves the right to find a replacement purchaser for the Bonds. Furthermore, the District may cash and accept the Good Faith Deposit as described in the Official Notice of Sale under "CONDITIONS OF SALE – Verifications of Statutory Representations and Covenants"). The District shall be under no further liability as a result of such bidder's inability to satisfy the Required Verifications. Liability for breach of the verifications required under Chapters 2252, 2271, 2274, and 2276, Government Code, as heretofore amended, during the term of this Official Bid Form shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form, notwithstanding anything in this Official Bid Form to the contrary.

By submitting this bid, the undersigned agrees to cooperate with the District and to take any and all action necessary to further verify and confirm compliance with the State law.

By submitting this bid, the undersigned understands and agrees that if the undersigned should fail or refuse to take up and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the District that the undersigned was found not to satisfy the requirements described in the Official Notice of Sale under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then the amount submitted herewith as the undersigned's Good Faith Deposit may be cashed and accepted by the District ; provided, however, if the District cashes the purchaser's Good Faith Deposit as described above, such action or amount does not constitute complete or liquidated damages related to the bidder's breach of any of the Required Verifications

The undersigned certifies that it [is]/[is not] exempt from filing the Texas Ethics Commission (the "TEC") Certificate of Interested Parties Form 1295 (the "Form 1295") by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Respectfully submitted,

Name of Initial Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Headwaters Municipal Utility District of Hays County this the 16th day of October, 2025.

ATTEST:

Secretary, Board of Directors
Headwaters Municipal Utility District of Hays County

President, Board of Directors
Headwaters Municipal Utility District of Hays County

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ISSUE PRICE CERTIFICATE

(sales where 3 bids are received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2025A issued by the Headwaters Municipal Utility District of Hays County ("Issuer") in the aggregate principal amount of \$3,000,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

(b) The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

(d) The Purchaser [has]/[has not] purchased bond insurance for the Bonds. [The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$ _____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.]

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst and Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____.

_____, as Purchaser

By: _____

Name: _____

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ISSUE PRICE CERTIFICATE

(sales where 3 bids are not received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2025A issued by the Headwaters Municipal Utility District of Hays County ("Issuer") in the aggregate principal amount of \$3,000,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), if any, the first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold on the date of sale of the Bonds (the "Sale Date") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices (the "Initial Offering Prices"), as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(b) On or before the Sale Date, the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective Initial Offering Prices, as set forth in Schedule A hereto.

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for such Hold-the-Price Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells a Substantial Amount of a Hold-the-Price Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Hold-the-Price Maturity.

(d) The Purchaser [has]/[has not] purchased bond insurance for the Bonds. [The bond insurance has been purchased from _____ (the "Insurer") for a fee of \$_____ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.]

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by McCall, Parkhurst and Horton L.L.P. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED as of this _____.

_____, as Purchaser

By: _____

Name: _____

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT

Dated October 10, 2025

DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL THAT THE BONDS BE VALID OBLIGATIONS OF THE DISTRICT AND OF THE OPINION OF SPECIAL TAX COUNSEL TO THE DISTRICT, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

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

NEW ISSUE – BOOK-ENTRY-ONLY

Rating:
S&P: “BBB+”
Insurance: Applied For

\$3,000,000

HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY (A Political Subdivision of the State of Texas Located in Hays County, Texas) UNLIMITED TAX BONDS, SERIES 2025A

Dated: November 25, 2025

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

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

The bonds described above (the “Bonds”) are obligations solely of Headwaters Municipal Utility District of Hays County (the “District”) and are not obligations of the State of Texas (“State”), Hays County (the “County”), the City of Dripping Springs (the “City”), Dripping Springs Independent School District or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”

PAYMENT TERMS . . . Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, (the “Paying Agent” or the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of Initial Delivery and will be payable each February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption. Interest on the Bonds will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as provided on the inside cover page.

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

PURPOSE . . . The proceeds of the Bonds will be used to finance the following projects: (i) engineering costs and (ii) treated wastewater drip irrigation fields. The remaining Bond proceeds will be used to: (i) pay Developer interest; and (ii) pay issuance costs associated with the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

CUSIP PREFIX: 42211H

MATURITY SCHEDULE

SEE INSIDE COVER PAGE

LEGALITY . . . The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and McLean & Howard, L.L.P., Bond Counsel, Austin, Texas, and McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Special Tax Counsel (see “APPENDIX B – Form of Bond Counsel’s Opinion” and “APPENDIX C – Form of Special Tax Counsel’s Opinion”).

DELIVERY . . . Delivery of the Bonds is expected through the facilities of DTC on November 25, 2025 (“Initial Delivery”).

BIDS DUE ON THURSDAY, OCTOBER 16, 2025, BY 9:00 A.M., CDT

MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield ^(a)	CUSIP Numbers ^(b)
2028	\$ 70,000			
2029	75,000			
2030	80,000			
2031	80,000			
2032	85,000			
2033	90,000			
2034	95,000			
2035	100,000			
2036	105,000			
2037	110,000			
2038	120,000			
2039	125,000			
2040	130,000			
2041	135,000			
2042	145,000			
2043	150,000			
2044	160,000			
2045	170,000			
2046	175,000			
2047	185,000			
2048	195,000			
2049	205,000			
2050	215,000			

(Interest to accrue from the date of Initial Delivery)

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which subsequently may be changed.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor Specialized Public Finance Inc., the District's financial advisor (the "Financial Advisor") is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2033 in whole or from time to time in part, on August 15, 2032, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as term Bonds. See "THE BONDS – Redemption."

[The remainder of this page intentionally left blank]

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “FINAL OFFICIAL STATEMENT” of the District with respect to the Bonds, as that term is defined in the Rule.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the District 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. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND, CONSEQUENTLY, HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, OR EXEMPTED, SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS.....	4	TAX DATA	33
MUNICIPAL BOND RATING AND INSURANCE....	4	TABLE 8 – TAX COLLECTIONS.....	33
OFFICIAL STATEMENT SUMMARY	5	TABLE 9 – DISTRICT TAX RATES	33
SELECTED FINANCIAL INFORMATION	8	TABLE 10 – PRINCIPAL TAXPAYERS	33
INTRODUCTION	9	TAXING PROCEDURES	34
THE BONDS	9	LEGAL MATTERS	37
BOOK-ENTRY-ONLY SYSTEM	15	TAX MATTERS.....	38
USE AND DISTRIBUTION OF BOND PROCEEDS .	17	CONTINUING DISCLOSURE OF INFORMATION	40
SUMMARY OF COSTS	17	FINANCIAL ADVISOR.....	41
RISK FACTORS	18	OFFICIAL STATEMENT	41
THE DISTRICT.....	24	LOCATION MAP	
THE DEVELOPERS.....	26	PHOTOGRAPHS	
THE SYSTEM	26	APPENDICES	
TABLE 1 – RATE AND FEE SCHEDULE	27	EXCERPTS FROM THE ANNUAL FINANCIAL	
TABLE 2 – OPERATING REVENUES AND EXPENSES		REPORT	A
STATEMENT	28	FORM OF BOND COUNSEL’S OPINION	B
DEBT SERVICE REQUIREMENTS	29	FORM OF SPECIAL TAX COUNSEL’S OPINION	C
TABLE 3 – PROJECTED DEBT SERVICE SCHEDULE	29		
FINANCIAL STATEMENT	30		
TABLE 4 – ASSESSED VALUE	30		
TABLE 5 – UNLIMITED TAX BONDS AUTHORIZED BUT			
UNISSUED	30		
TABLE 6 – CASH AND INVESTMENT BALANCES	30		
TABLE 7 – CURRENT INVESTMENTS	32		

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

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of approximately _____ % of the par value thereof which resulted in a net effective interest rate of _____ % as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by negative events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

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

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

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

MUNICIPAL BOND RATING AND INSURANCE

The Bonds have been rated "BBB+" by S&P Global Ratings ("S&P") without regard to credit enhancement. An application has been made to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. See "RISK FACTORS – Bond Insurance Risks."

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

THE ISSUER	Headwaters Municipal Utility District of Hays County (the “District”), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective August 8, 2007 and confirmed pursuant to an election held within the District on November 6, 2007. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. The District also has road powers under Section 52, Article III of the Texas Constitution and Chapter 7951, Texas Special District Local Laws Code. See “THE DISTRICT – General.”
LOCATION	The District is located in Hays County, Texas. A portion of the District is located within the corporate limits of the City of Dripping Springs, Texas (“City”), and the remainder of the District is located within the extraterritorial jurisdiction of the City. The District is located within the boundaries of the Dripping Springs Independent School District. All lands within the District are located on the north side of State Highway 290. See “THE DISTRICT – Location” and “LOCATION MAP.”
THE DEVELOPER	WFC Headwaters Owner VII, L.P., a Delaware limited partnership (“Residential Developer”) is the developer of approximately 1,035 acres of real property within the District being developed for single family residential purposes (the “Residential Tract”). WFC Headwaters GP VII, L.L.C., a Delaware limited liability company, is the General Partner of the Residential Developer, and WFC Headwaters Holdings JV VII, L.L.C., a Delaware limited liability company, is the limited partner of the Residential Developer.

Approximately 168 acres within the District is being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability company. The Commercial Developer sold 9.629 acres to Ridge at Headwaters, Ltd., which has completed construction of a 168-unit market rate multifamily project on this site (the “Ridge Apartments”). The Commercial Developer has completed construction of 13,092 square feet of office space on 3.46 acres with an additional 7450 sq. ft building to be built. Additionally, the Commercial Developer is developing the 11,450 square feet Oakwood Public Market, a mixture of retail, restaurant and event uses, currently under construction on 1.229 acres and expects to commence operations in the spring of 2025. The Commercial Developer sold 2.131 acres to R & S Prep School Holding Three, LLC to develop the Prep Pre School which is under construction and expected to commence operations in the spring of 2025. The Commercial Developer sold 1.426 acres to Hays County EMS for construction of a fire station. Construction of the fire station is expected in 2027. The commercial developer sold 14.002 acres to 55 Resort at Dripping Springs, LLC for the construction of a 173-unit market rate senior multifamily project (the “55 Resort at Dripping Springs”) expected to commence construction in 2025. The Commercial Developer currently retains a 0.7 acre, 2.2 acre and 1.440 acre commercial lots in inventory. In total the Commercial Developer has completed construction of trunk utility facilities and access roads to serve approximately 45 acres of the 168 acre Commercial Tract. Future commercial development is currently being planned on 33 additional acres of the commercial property which will include approximately 280,000 square feet of a mixture of commercial, retail, restaurant and sports lifestyle uses which is expected to break ground the second half of 2026. The Commercial Developer has contracted with the District for future facilities reimbursements. See “THE DEVELOPERS – Description of Developers” and “THE DISTRICT – Current Status of Development.”

DEVELOPMENT WITHIN THE DISTRICT Of the approximately 1,503 acres within the District, approximately 451 acres have been developed by the Residential Developer with utility facilities as a single-family residential subdivision. The District also expects the Commercial Tract within the District to be developed for commercial and residential purposes by the Commercial Developer. As of September 1, 2025, the development in the District consisted of 866 completed homes, 17 homes under construction and 117 vacant developed lots within the Residential Tract. A 168-unit multifamily complex has also been completed by the Ridge at Headwaters, Ltd., which purchased 9.629 acres within the Commercial Tract for the Ridge Apartments from the Commercial Developer. As of September 1, 2025, approximately 160 of the 168 multi-family units have been leased.

Following the issuance of the Bonds, the District will still owe the Residential Developer approximately \$33,064,267 for water, wastewater and drainage facilities which have been constructed to date. See “THE DISTRICT – Current Status of Development.”

HOMEBUILDERS As of September 1, 2025, there are currently three homebuilders in the District, including David Weekley Homes, Coventry Homes and Toll Brothers Homes. The homes generally range in price from approximately \$490,000 to \$1,000,000. See “THE DEVELOPERS – Homebuilders within the District.”

THE BONDS

DESCRIPTION The Bonds in the aggregate principal amount of \$3,000,000 mature serially in varying amounts on August 15 of each year from 2028 through 2050, inclusive, in the principal amounts set forth on the inside cover page hereof. Interest accrues from the date of Initial Delivery and is payable February 15, 2026 and each August 15 and February 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General Description.”

REDEMPTION The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2033 in whole or from time to time in part, on August 15, 2032, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more consecutive maturities as term Bonds. See “THE BONDS – Redemption.”

SOURCE OF PAYMENT Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See “TAXING PROCEDURES.” **The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs; Dripping Springs Independent School District; Hays County, Texas; the State of Texas; or any entity other than the District.** See “THE BONDS – Source of and Security for Payment.”

PAYMENT RECORD The Bonds constitute the thirteenth installment of bonds issued by the District. The District has never defaulted on the payment of its outstanding debt. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued.”

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, a bond election held within the District on November 3, 2015, the approving order of the TCEQ, and an order (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds. See “THE BONDS – Authority for Issuance.”

USE OF PROCEEDS	The proceeds of the Bonds will be used to finance the following projects: (i) engineering costs and (ii) treated wastewater drip irrigation fields. The remaining Bond proceeds will be used to: (i) pay Developer interest; and (ii) pay issuance costs associated with the Bonds. The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$2,242,830 is estimated to be required to finance construction costs, and \$757,170 is estimated to be required to finance non-construction costs. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
BONDS AUTHORIZED BUT UNISSUED.....	At an election held within the District on November 6, 2007, the voters within the District approved the issuance of \$64,700,000 in bonds for water, wastewater and drainage system facilities. After the sale of the Bonds, the District will have \$12,610,000 remaining in authorized but unissued utility bonds.. See “FINANCIAL STATEMENT – Outstanding Bonds” and “THE BONDS – Future Debt.”
MUNICIPAL BOND RATING	The Bonds have been rated “BBB+” by S&P Global Ratings (“S&P”) without regard to credit enhancement.
MUNICIPAL BOND INSURANCE	An application has been made to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. See “RISK FACTORS – Bond Insurance Risks.”
BOND COUNSEL AND GENERAL COUNSEL	McLean & Howard, L.L.P., Austin, Texas (see “APPENDIX C – Form of Bond Counsel’s Opinion”).
SPECIAL TAX COUNSEL AND DISCLOSURE COUNSEL.....	McCall, Parkhurst and Horton L.L.P., Austin, Texas
FINANCIAL ADVISOR	Specialized Public Finance Inc., Austin, Texas
ENGINEER.....	Malone Wheeler, Inc. (the “Engineer”), Austin, Texas

RISK FACTORS

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

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SELECTED FINANCIAL INFORMATION
(Unaudited as of August 27, 2025)

2022 Certified Taxable Assessed Valuation	\$	336,731,315	(a)
2023 Certified Taxable Assessed Valuation	\$	504,272,856	(a)
2024 Certified Taxable Assessed Valuation	\$	547,813,196	(a)
2025 Certified Taxable Assessed Valuation	\$	586,961,017	(a)

Gross Direct Debt Outstanding	\$	91,120,000	(b)
Estimated Overlapping Debt		<u>41,074,287</u>	(c)
Gross Direct Debt Outstanding and Estimated Overlapping Debt	\$	132,194,287	

Ratios of Gross Direct Debt Outstanding to:			
2025 Certified Taxable Assessed Valuation		15.52%	

Ratios of Gross Direct Debt Outstanding and Estimated Overlapping Debt to:			
2025 Certified Taxable Assessed Valuation		22.52%	

2025 Tax Rate:			
Debt Service	\$	0.8750	
Maintenance & Operation		<u>0.0250</u>	
Total	\$	0.9000	(d)

General Operating Fund Balance as of August 27, 2025 (unaudited)	\$	3,807,743	
Debt Service Fund Balance as of August 27, 2025 (unaudited)	\$	2,733,051	(e)
Capital Project Fund Balance as of August 27, 2025 (unaudited)	\$	46,917	

Projected Average Annual Debt Service Requirement on the Bonds and outstanding debt (2026-2050)	\$	5,694,457	(b)
Projected Maximum Annual Debt Service Requirement on the Bonds and outstanding debt (2042) ..	\$	6,676,352	(b)

Tax Rates Required to Pay Projected Average Annual Debt Service (2026-2050) at a 95% Collection Rate			
Based upon 2025 Certified Taxable Assessed Valuation	\$	1.0213	

Tax Rates Required to Pay Projected Maximum Annual Debt Service (2042) at a 95% Collection Rate			
Based upon 2025 Certified Taxable Assessed Valuation	\$	1.1974	

Number of Active Connections as of September 1, 2025:			
Total Developed Single Family Lots	1,000		
Single Family Homes– Completed & Occupied	866		
Single Family Homes – Completed & Unoccupied	0		
Single Family Homes – Under Construction	17		
Single Family – Vacant Developed Lots	117		
Estimated Population as of September 1, 2025	3,031	(f)	

(a) Assessed valuation of the District as certified by the Hays Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”

(b) Includes the Bonds. See “DEBT SERVICE REQUIREMENTS.”

(c) See “FINANCIAL STATEMENTS – Estimated Overlapping Debt.”

(d) The District levied a 2025 total tax rate of \$0.9000. See “Table 9 – District Tax Rates.”

(e) Does not include approximately twelve months of capitalized interest (\$78,750) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund. Preliminary, subject to change.

(f) Based upon 3.5 residents per completed and occupied single family home.

OFFICIAL STATEMENT
Relating to
\$3,000,000
HEADWATERS MUNICIPAL UTILITY DISTRICT OF HAYS COUNTY
(A Political Subdivision of the State of Texas Located in Hays County, Texas)
UNLIMITED TAX BONDS, SERIES 2025A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Headwaters Municipal Utility District of Hays County (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,000,000 Unlimited Tax Bonds, Series 2025A (the “Bonds”).

The Bonds are issued pursuant to an order (the “Bond Order”) adopted by the Board of Directors of the District on the date of the sale of the Bonds, pursuant to Article III, Section 52 of the Constitution and general laws of the State including Chapter 7951 of the Texas Special District Local Laws Code, and a bond election held within the District on November 3, 2015.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731 or from the District’s Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

THE BONDS

GENERAL DESCRIPTION . . . The Bonds are dated November 25, 2025 and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will accrue from the date of Initial Delivery, will be paid on February 15, 2026 and each August 15 and February 15 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2033, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2032, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption

may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC REDEMPTION PROVISION . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system ("Book-Entry-Only-System") is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants.

Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . The District is initially utilizing the Book-Entry-Only System of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

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

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

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

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

AUTHORITY FOR ISSUANCE . . . At an election held within the District on November 6, 2007, voters within the District authorized the issuance of a total of \$64,700,000 in unlimited tax bonds for water, wastewater and drainage system facilities. The Bonds constitute the thirteenth installment of bonds issued by the District, but will be the fifth installment of bonds issued for water, wastewater and drainage system facilities. After the sale of the Bonds, \$12,610,000 principal amount of District bonds will remain authorized but unissued for water, wastewater and drainage system facilities. The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ.

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

Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City"), the District may be annexed by the City without the District's consent; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. Under the Amended and Restated Development Agreement dated to be effective as of April 14, 2005, Dripping Springs agreed that it would not annex any residential land within the District until: (a) water, wastewater and drainage facilities have been completed to serve at least ninety percent (90%) of the developable acreage within the District; and (b) the Residential Developer and Commercial Developer have been reimbursed by the District for the water, wastewater, drainage or other facilities serving the District in accordance with the rules of the Texas Commission on Environmental Quality. Annexation of territory by Dripping Springs is a policy-making matter within the discretion of the Mayor and City Council of Dripping Springs and therefore, the District makes no representation that Dripping Springs will ever annex the District and assume its debt. No representation is made concerning the ability of the City to make debt service payments on the Bonds should dissolution of the District occur.

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

PAYMENT RECORD . . . The Bonds constitute the thirteenth installment of bonds issued by the District, but will be the fifth installment of bonds issued for water, wastewater and drainage system facilities. The District has never defaulted on the payment of its outstanding debt.

FLOW OF FUNDS . . . The Bond Order creates the establishment and maintenance by the District of a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

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

construct road facilities, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund.

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

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

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

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

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

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

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

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

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

RECORD DATE . . . The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last calendar day of the month (whether or not a business day) preceding such interest payment date.

ISSUANCE OF ADDITIONAL DEBT . . . The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ (except in the case of road improvements) and, in the case of bonds payable from taxes, the District's voters. According to the District's engineer, the \$64,700,000 in principal amount of bonds authorized but unissued should be sufficient to reimburse the Residential Developer for the water, wastewater and drainage system facilities required for development within the District. On November 6, 2007, voters within the District authorized the issuance of unlimited tax bonds in the principal amounts of \$64,700,000 for the purpose of providing water, wastewater, and drainage system facilities to meet the needs of the residents and customers of the District as well as \$97,050,000 in refunding bonds. Following the issuance of the Bonds, \$12,610,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater and drainage system facilities. The District also has voter authority to issue \$54,545,000 for road purposes, of which \$12,135,000 is currently outstanding and \$81,817,500 for refunding purposes. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds." Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds.

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

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

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

REMEDIES IN EVENT OF DEFAULT . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 51 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. CT. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

ANNEXATION . . . The District lies partially within the corporate limits and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas ("Dripping Springs"). Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City"), the District may be annexed by the City without the District's consent; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. Under the Amended and Restated Development Agreement dated to be effective as of April 14, 2005, Dripping Springs agreed that it would not annex any residential land within the District until: (a) water, wastewater and drainage facilities have been completed to serve at least ninety percent (90%) of the developable acreage within the District; and (b) the Residential Developer and Commercial Developer have been reimbursed by the District for the water, wastewater, drainage or other facilities serving the District in accordance with the rules of the Texas Commission on Environmental Quality. Annexation of territory by Dripping Springs is a policy-making matter within the discretion of the Mayor and City Council of Dripping Springs, subject to the voter and/or landowner approval requirements discussed above, and therefore, the District makes no representation that Dripping Springs will ever annex the District and assume its debt. No representation is made concerning the ability of the City to make debt service payments on the Bonds should dissolution of the District occur.

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

APPROVAL OF THE BONDS . . . The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. 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, Bond certificates are required to be printed and delivered.

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the following projects: (i) engineering costs and (ii) treated wastewater drip irrigation fields. The remaining Bond proceeds will be used to: (i) pay Developer interest; and (ii) pay issuance costs associated with the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$2,242,830 is estimated to be required to finance construction costs, and \$757,170 is estimated to be required to finance non-construction costs.

The estimated use and distribution of Bond proceeds is set forth below. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

SUMMARY OF COSTS

I. <u>CONSTRUCTION COSTS</u>		<u>District's Share</u>
A. Developer Items:		
1. Additional Engineering on Previously Funded Projects	\$	465,830
Total Developer Items	\$	465,830
B. District Items:		
1. Headwaters WRF Drip Irrigation System Phase 4A	\$	1,777,000
Total District Items.....	\$	1,777,000
Total Construction Costs (74.8% of BIR).....	\$	2,242,830
 II. <u>NON-CONSTRUCTION COSTS</u>		
A. Bond Counsel Fees.....	\$	65,000
B. Special Tax Counsel Fees		7,500
C. Fiscal Agent Fees		56,250
D. Interest:		
a. Capitalized Interest.....		78,750
b. Developer Interest		352,870
E. Bond Discount (3.00%).....		90,000
F. Bond Issuance Expense.....		56,300
G. Bond Engineering Fee.....		40,000
H. Attorney General Fee (0.10%)		3,000
I. TCEQ Fee (0.25%)		7,500
J. Contingency		0
Total Non-Construction Costs	\$	757,170
TOTAL BOND ISSUE REQUIREMENT	\$	3,000,000

- (a) The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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RISK FACTORS

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

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

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developers and Homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

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

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

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2025 Certified Assessed Valuation is \$586,961,017 (see “FINANCIAL STATEMENT”). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement will be \$6,676,352 (2042) and the Projected Average Annual Debt Service Requirement will be \$5,694,457 (2026-2050, inclusive). A tax rate of \$1.1974/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$6,676,352, and a tax rate of \$1.0213/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of \$5,694,457 based upon the 2025 Certified Taxable Assessed Valuation.

BOND INSURANCE RISKS . . . The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of bond insurance, if available, will be at the option and expense of the Purchaser. If a bond insurance policy is purchased by the Purchaser, provided below are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the “Policy”) for such payments. However, in the

event of any earlier due date of such principal by reason of mandatory or optional redemption, 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 redemption. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional redemption of the Bonds which is recovered by the District from the owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such redemption by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Bond Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds.

If insurance is purchased on the Bonds, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and the ratings on any Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and, in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

STATE LEGISLATIVE CHANGES . . . The Texas Legislature convenes in regular session for 140 days on the second Tuesday in January of odd-numbered years. Thereafter the Governor may call one or more special sessions. During this time, the Texas Legislature may enact laws that materially change current law relating to districts including with respect to the levy of property taxes. The District makes no representation regarding any action the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

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

STATE LEGISLATIVE ISSUES . . . The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have an impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed with the State Legislature is in session.

TAX COLLECTIONS AND FORECLOSURE REMEDIES . . . 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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement"), by the current aggregate tax rate being levied against the property, and by other factors (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy court could approve a confirmation plan which allows the debtor to make installment payments on delinquent taxes for up to six years and a bankruptcy court may reduce the amount of any taxes assessed against the debtor, including those that have already been paid.

HOUSING MARKET, VOLATILITY AND RECENT FORECLOSURES . . . In past years, disruptions in the housing market have led to a number of foreclosures on single family homes nationally. In the District, there were no posted foreclosures on single-family homes by the Hays County Clerk's Office as of October 1, 2024. No assurance can be given whether the number of foreclosures will decrease or increase or that market conditions will improve.

REGISTERED OWNERS' REMEDIES . . . In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . . The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law a water control and improvement district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

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

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

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

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

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 for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

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

FUTURE DEBT . . . The District has reserved in the Bond Order the right to issue the remaining \$12,610,000 authorized but unissued unlimited tax bonds, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District for water, wastewater and drainage facilities remaining authorized but unissued. The District has also reserved the right to issue \$97,050,000 in refunding bonds authorized at the November 6, 2007 election, and the \$81,817,500 in refunding bonds authorized at the November 3, 2015 election. All of the remaining \$12,135,000 unlimited tax road bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas. In the opinion of the District’s engineer, the remaining authorization should be sufficient to reimburse the Residential Developer for the development within the Residential Tract. See “THE SYSTEM.”

Following the issuance of the Bonds, the District will still owe the Residential Developer approximately \$33,064,267 for additional road, water, wastewater and drainage facilities which have been constructed to date. See “THE DISTRICT – Current Status of Development” and “– Future Development.”

GOVERNMENTAL APPROVAL . . . As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on _____, 2025 (the “TCEQ Order”). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

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

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. 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” – Travis, Hays, Williamson, Bastrop, and Caldwell counties – has recently been redesignated by the EPA as an attainment area. The Austin Area entered into an early action compact (EAC) with the TCEQ and EPA which demonstrates attainment and maintenance of the 8-hour ozone standard. EACs allow regions that are in nonattainment or near nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

The area will report semi-annually on the progress of their control measures. Under the EACs, attainment must have been demonstrated by 2007. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 15, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

On November 26, 2014, the EPA announced a new proposed ozone National Ambient Air Quality Standards (NAAQS) range of between 65-70 parts per billion. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

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

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

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operation of the District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On August 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties. Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to

minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act 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 U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Atlas 14 Study. The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). See “THE SYSTEM – 100-Year Flood Plain.”

MARKETABILITY OF THE BONDS . . . The District has no understanding with the Underwriter 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. Additionally, there are no assurances that if a secondary market for the Bonds will were to develop, that it will not be disrupted by events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

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

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the District or Developers, 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 and Developers on the date hereof, and neither the District nor the Developers assume any obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by first 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.

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THE DISTRICT

GENERAL . . . Headwaters Municipal Utility District of Hays County (the “District”), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective August 8, 2007 and confirmed pursuant to an election held within the District on November 6, 2007. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. Pursuant to Chapter 7951 of the Texas Special District Local Laws Code, the District also has road powers under Section 52, Article III of the Texas Constitution. Fire services are provided to residents and property owners within the District by North Hays County ESD #1 and Northwest Hays County ESD #5.

MANAGEMENT . . . **Board of Directors.** The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors’ terms are four years with elections held on the first Tuesday after the first Monday in May in each even numbered year. All of the directors listed below reside or own property in the District.

Name	Title	Term Expires
Vacant	President	2026
Lisa Stephens	Vice President	2026
Drax Marlow	Secretary	2026
Charles Meyer	Treasurer	2028
Brian Jacks	Assistant Secretary	2028

Consultants:

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

Operator . . . The District contracts with the Crossroad Utilities to serve as operator for the District.

Bookkeeper . . . Municipal Accounts & Consulting, L.P. (“Municipal Accounts”) is charged with the responsibility of providing bookkeeping services for the District. Municipal Accounts serves in a similar capacity for other special districts.

Engineer . . . The District’s consulting engineer is Malone-Wheeler (the “Engineer”). Such firm serves as consulting engineer to other special districts.

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

Bond Counsel and General Counsel . . . McLean & Howard, L.L.P., Austin, Texas serves as Bond Counsel and General Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

Special Tax Counsel and Disclosure Counsel . . . McCall, Parkhurst and Horton L.L.P. serves as Special Tax Counsel and Disclosure Counsel in connection with the issuance of the District’s Bonds. The fees of Special Tax Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

LOCATION . . . The District is located in Hays County. The District is partially located within the corporate boundaries, and partially within the extraterritorial jurisdiction, of the City of Dripping Springs, Texas and within the boundaries of the Dripping Springs Independent School District. The District is located on the north side of State Highway 290. See “LOCATION MAP.”

UNDEVELOPED ACREAGE . . . The Commercial Tract is being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability (previously defined herein as the Commercial Developer). Such Commercial Developer sold approximately 9.629 acres to Ridge at Headwaters Ltd., and construction of a 168-unit market rate multifamily project on this site (previously defined herein as the Ridge Apartments) has been completed. The Commercial Developer has completed trunk utility facilities and access roads to serve the Ridge Apartments site and the remainder of the Commercial Tract and has contracted with the District for utility services and for future facilities reimbursements. Future commercial development is currently being planned on 33 additional acres of the Commercial Tract which will include approximately 280,000 square feet of a mixture of commercial, retail, restaurant and sports lifestyle uses which is expected to break ground the second half of 2026. The Commercial Developer has contracted with the District for future facilities reimbursements. See “THE DISTRICT – Current Status of Development.”

CURRENT STATUS OF DEVELOPMENT . . . Approximately 168 acres within the District is being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability company. The Commercial Developer sold 9.629 acres to Ridge at Headwaters, Ltd., which has completed construction of a 168-unit market rate multifamily project on this site (the “Ridge

Apartments”). The Commercial Developer has completed construction of 13,092 square feet of office space on 3.46 acres with an additional 7450 sq. ft building to be built. Additionally, the Commercial Developer is developing the 11,450 square feet Oakwood Public Market, a mixture of retail, restaurant and event uses, currently under construction on 1.229 acres and expects to commence operations in the spring of 2025. The Commercial Developer sold 2.131 acres to R & S Prep School Holding Three, LLC to develop the Prep Pre School which is under construction and expected to commence operations in the spring of 2025. The Commercial Developer sold 1.426 acres to Hays County EMS for construction of a fire station. Construction of the fire station is expected in 2027. The commercial developer sold 14.002 acres to 55 Resort at Dripping Springs, LLC for the construction of a 173-unit market rate senior multifamily project (the “55 Resort at Dripping Springs”) expected to commence construction in 2025. The Commercial Developer currently retains a 0.7 acre, 2.2 acre and 1.440 acre commercial lots in inventory. In total the Commercial Developer has completed construction of trunk utility facilities and access roads to serve approximately 45 acres of the 168 acre Commercial Tract. Future commercial development is currently being planned on 33 additional acres of the commercial property which will include approximately 280,000 square feet of a mixture of commercial, retail, restaurant and sports lifestyle uses which is expected to break ground the second half of 2026. The Commercial Developer has contracted with the District for future facilities reimbursements. See “THE DISTRICT – Current Status of Development.”

The chart below reflects the status of development of the residential and commercial lands within the District as of September 1, 2025:

	<u>Net Acreage</u>	<u>Platted Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Lots</u>
A. Sections with Utility Facilities or Under Construction					
Developed	450.56	1,000	866	17	117
B. Commercial Tract^(a)	<u>168.00</u>				
Total Developable Acreage	618.56				
C. Undevelopable Acreage					
Drainage, Detention, Floodplain, Parkland/Open Space	<u>885</u>				
Total Developable Acreage	1,503.56				

- (a) The Commercial Tract is being developed for commercial and residential purposes by Oryx Land Holdings, LLC, a Texas limited liability (previously defined herein as the Commercial Developer). The Commercial Developer sold approximately 9.629 acres to Ridge at Headwaters Ltd., and construction of a 168-unit market rate multifamily project on this site (referred to herein as the Ridge Apartments) has been completed. The Commercial Developer has completed trunk utility facilities and access roads to serve the Ridge Apartments site and the remainder of the Commercial Tract and has contracted with the District for utility services and for future facilities reimbursements.

FUTURE DEVELOPMENT . . . Of the approximately 1,503 acres within the District, approximately 451 acres have been developed for single-family residential purposes by the Residential Developer. The Commercial Tract is being developed for commercial and residential purposes by the Commercial Developer. The Commercial Developer sold approximately 9.629 acres to Ridge at Headwaters Ltd., and construction of a 168-unit market rate multifamily project on this site (referred to herein as the Ridge Apartments) has been completed. The Commercial Developer has completed trunk utility facilities and access roads to serve the Ridge Apartments site and the remainder of the Commercial Tract and has contracted with the District for utility services and for future facilities reimbursements. See “THE DISTRICT – Current Status of Development.” The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, general and economic conditions which would affect any party’s ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption “RISK FACTORS.” If the undeveloped portion of the District is eventually developed, additions to the District’s water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues of the District’s bonds and developer contributions, if any, as required by the TCEQ.

ANNEXATION OF THE DISTRICT . . . The District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Dripping Springs. See “THE BONDS – Annexation” for a discussion of the ability of the City of Dripping Springs to annex the District.

CONSENT AGREEMENT . . . The District, the City, Residential Developer, Rathgeber Investment Company, Ltd. (“RIC”) and Commercial Developer are parties to that certain Agreement Concerning Creation and Operation of Headwaters Municipal Utility District” dated to be effective February 8, 2005, as subsequently amended on June 10, 2008, July 28, 2015, and May 29, 2020 (the “Consent Agreement”). The Consent Agreement governs the construction, operation, maintenance and inspection of District utility facilities; the provision of services by the District; the issuance of bonds by the District; and the annexation of the District by the City. Under the Consent Agreement, the City has authorized the District to issue its bonds in a total principal amount of \$119,245,000 for authorized purposes, including for road projects and for water, sewer and drainage projects.

DEVELOPMENT AGREEMENT . . . The City, Residential Developer, Commercial Developer and RIC are also parties to that certain Restated Development Agreement dated to be effective as of April 14, 2005 governing the development of lands within the District, including environmental protection, construction of utility infrastructure improvements, deed restrictions, lighting and signage. The Development Agreement also includes provisions governing the timing of annexation of the lands within the District by the City.

THE DEVELOPERS

GENERAL . . . In general, the activities of a developer in a utility district, such as the District, include purchasing the land within the utility district; coordinating the design of the subdivision; coordinating the design of the utilities and streets to be constructed in the subdivision; coordinating the design of 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 the improvements within the subdivisions, including road improvements, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, cable television, and electric service; and selling improved lots and commercial reserves to homebuilders, other developers, or other first parties. The relative success or failure of a developer to perform such activities will have a profound effect on the security of the bonds issued by the District. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily the major taxpayer within the district during the development phase of the property.

DESCRIPTION OF DEVELOPERS . . . WFC Headwaters Owner VII, L.P., a Delaware limited partnership ("Residential Developer") is the developer of approximately 1,035 acres of real property within the District being developed for single family residential purposes (the "Residential Tract"). WFC Headwaters GP VII, L.L.C., a Delaware limited liability company, is the General Partner of the Residential Developer, and WFC Headwaters Holdings JV VII, L.L.C., a Delaware limited liability company, is the limited partner of the Residential Developer.

ACQUISITION AND DEVELOPMENT FINANCING . . . According to the Residential Developer, all projects loans have been repaid in full and there are no developer loans currently outstanding.

HOMEBUILDERS WITHIN THE DISTRICT . . . As of September 1, 2025, there are currently three homebuilders in the District, including David Weekley Homes, Coventry Homes and Toll Brothers Homes. The homes generally range in price from approximately \$490,000 to \$1,000,000.

THE SYSTEM

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

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the U.S. Environmental Protection Agency and the TCEQ.

WATER SUPPLY AND DISTRIBUTION . . . The District receives its treated water from the West Travis County Public Utility Agency ("WTCPUA"), as successor to the Lower Colorado River Authority ("LCRA"), through a "Wholesale Water Services Agreement" dated April 4, 2014 (the "Wholesale Supply Contract") originally entered into by LCRA and the City of Dripping Springs. By agreement with the District dated effective March 31, 2016, the City assigned its interest in the Wholesale Water Services Agreement to the District. The Wholesale Supply Contract was amended on October 1, 2010 and September 19, 2019. Under the Wholesale Supply Contract, as amended, the WTCPUA is obligated to provide all treated water needed and requested by the District for service to lands within the District up to, but not in excess of, (i) a maximum daily flow rate of 1,612,800 gallons per day, or (ii) such lesser amount as to WTCPUA may be able to supply in the event of an emergency. The District's engineer estimates that this amount of water would be sufficient to serve 1,400 single family equivalent connections, which is the anticipated full buildout within the District.

WASTEWATER COLLECTION AND TREATMENT . . . Wastewater treatment for the District is provided by a 100,000 gallon per day (GPD) wastewater treatment plant with disposal via drip irrigation. Based upon a conservative design factor of 250 gallons per day per connection, the District's existing treatment capacity is sufficient to serve up to 400 single family equivalent connections. The District is also the permittee under Permit No. WQ0014587001 that authorizes the treatment and disposal of 325,000 gpd of wastewater effluent.

The Developers and the District have entered into that certain "Wastewater Expansion and Capacity Agreement" dated July 17, 2018 (the "Wastewater Agreement") to provide for funding and construction of the wastewater treatment and disposal facilities

serving lands within the District. In general, the Wastewater Agreement provides for construction of the wastewater treatment and disposal facilities in phases as development progresses with the District, and each expansion corresponds to a phase authorized under Permit No. WQ0014587001. The Wastewater Agreement allocates capacity and service rights in each expansion according to the costs funded by each of the respective Developers. Generally, the Wastewater Agreement allocates 23.08% of the costs and capacity associated with each expansion to the Commercial Developer up to a maximum of 300 cumulative living unit equivalents for service to the Commercial Tract, and allocates the remaining 76.92% of costs and capacity to the Residential Developer for service to the Residential Tract. Each of the Developers may also elect to unilaterally proceed with funding and construction of an expansion if the other developer elects not to do so. The Wastewater Agreement also obligates the Developers to fund and construct an expansion of the treatment and disposal facilities when any expansion is required under the applicable rules of the Texas Commission on Environmental Quality. The Board of Directors of the District previously elected for the District to finance and construct the Phase 3 expansion of the District's wastewater treatment and disposal system with proceeds of the Bonds in lieu of Developer funding and construction under the Wastewater Agreement. The Residential Developer is currently constructing Phase 4A of the wastewater effluent disposal system.

STORM WATER DRAINAGE . . . Storm water within the District generally drains through roadside swales with street and driveway culverts and ribbon curbs into various water quality ponds, eventually discharging into tributaries that drain into Little Barton Creek, which is a tributary of Barton Creek, which is a tributary of the Colorado River.

100-YEAR FLOOD PLAIN AND STORM DRAINAGE INFORMATION . . . "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, 84 of the 1,053 undevelopable acres within the District are located in the floodplain as shown in the Federal Emergency Management Agency Flood Insurance Rate Map. None of the floodplain acreage is intended for development.

TABLE 1 – RATE AND FEE SCHEDULE

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the monthly rates and fees for the District's water and sewer service which are currently in effect.

Monthly Base Charge – Water: \$35.00

Water Usage Charge

<u>Gallons</u>			
0-2,000 Gallons	\$	2.30	(per 1,000 gallons)
2,001-5,000 Gallons	\$	3.85	(per 1,000 gallons)
5,001-10,000 Gallons	\$	4.24	(per 1,000 gallons)
10,001-20,000 Gallons	\$	4.88	(per 1,000 gallons)
20,001-25,000 Gallons	\$	5.86	(per 1,000 gallons)
25,001-30,000 Gallons	\$	7.03	(per 1,000 gallons)
30,001-40,000 Gallons	\$	10.55	(per 1,000 gallons)
40,000-and over Gallons	\$	15.83	(per 1,000 gallons)

Monthly Charge(s) – Wastewater: \$ 35.00 Base Fee, plus \$2.90 per 1,000 Gallons

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TABLE 2 – OPERATING REVENUES AND EXPENSES STATEMENT – GENERAL FUND

The following statement sets forth in condensed form the consolidated historical operations of the District' General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Excerpts from the Annual Financial Report."

	Fiscal Year End December 31,				
	2024	2023	2022	2021	2020
<u>Revenues:</u>					
Property Tax	\$ 1,341,073	\$ 291,497	\$ 832,856	\$ 788,495	\$ 321,239
Water Service	1,224,045	1,072,931	949,575	649,599	530,224
Wastewater Service	575,275	491,154	417,531	329,767	194,956
Tap and Connection Fees	246,710	161,815	413,105	221,576	346,847
Interest	141,075	94,124	25,641	528	407
Total Revenues	<u>\$ 3,528,178</u>	<u>\$ 2,111,521</u>	<u>\$ 2,638,708</u>	<u>\$ 1,989,965</u>	<u>\$ 1,393,673</u>
<u>Expenditures:</u>					
Water Service Fees	\$ 884,880	\$ 799,737	\$ 749,824	\$ 542,856	\$ 524,314
Wastewater Services	295,756	268,304	81,181	67,494	119,207
Solid Waste Services	168,397	144,137	112,690	88,201	47,900
Landscaping	134,461	143,067	90,502	79,321	50,313
Insurance	41,829	21,178	13,986	12,066	10,972
Tax Assessor	31,757	18,717	11,841	8,616	3,878
Director Salaries and Taxes	8,539	7,833	8,397	7,428	8,074
Legal Fees	41,309	42,333	47,512	35,835	43,532
Audit Fees	10,000	10,000	10,000	8,000	8,000
Financial Advisor Fees	3,000	3,000	3,000	3,000	3,000
Accounting	83,811	71,551	43,775	36,683	36,169
Management and Consulting	-	-	177,906	129,740	48,868
Engineering Fees	62,315	51,285	59,880	49,768	50,048
Legal Notices	531	623	290	6,193	2,729
Printing and Office Supplies	14,151	22,452	26,259	14,438	23,003
Debt Service	114,831	162,600	162,600	193,941	179,760
Capital Expenditures	25,310	825,000	-	-	-
Total Expenditures	<u>\$ 1,920,877</u>	<u>\$ 2,591,817</u>	<u>\$ 1,599,643</u>	<u>\$ 1,283,580</u>	<u>\$ 1,159,767</u>
Transfers to Other Funds	-	-	(48,956)	-	-
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,607,301	\$ (480,296)	\$ 990,109	\$ 706,385	\$ 233,906
Beginning Fund Balance	\$ 1,745,061	\$ 2,225,357	\$ 1,235,248	\$ 528,863	\$ 294,957
Developer Advances	-	-	-	-	-
Ending Fund Balance	<u>\$ 3,352,362</u>	<u>\$ 1,745,061</u>	<u>\$ 2,225,357</u>	<u>\$ 1,235,248</u>	<u>\$ 528,863</u>

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DEBT SERVICE REQUIREMENTS

TABLE 3 – PROJECTED DEBT SERVICE SCHEDULE

Fiscal Year Ended 12/31	Existing Debt			The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest ^(a)	Total	
2026	\$ 2,040,000	\$ 3,565,744	\$ 5,605,744	\$ -	\$ 137,375	\$ 137,375	\$ 5,743,119
2027	2,350,000	3,448,911	5,798,911	-	157,500	157,500	5,956,411
2028	2,500,000	3,342,554	5,842,554	70,000	157,500	227,500	6,070,054
2029	2,620,000	3,228,869	5,848,869	75,000	153,825	228,825	6,077,694
2030	2,760,000	3,114,119	5,874,119	80,000	149,888	229,888	6,104,006
2031	2,890,000	3,003,475	5,893,475	80,000	145,688	225,688	6,119,162
2032	3,035,000	2,898,881	5,933,881	85,000	141,488	226,488	6,160,369
2033	3,200,000	2,789,134	5,989,134	90,000	137,025	227,025	6,216,159
2034	3,360,000	2,673,259	6,033,259	95,000	132,300	227,300	6,260,559
2035	3,530,000	2,548,864	6,078,864	100,000	127,313	227,313	6,306,176
2036	3,705,000	2,420,132	6,125,132	105,000	122,063	227,063	6,352,195
2037	3,895,000	2,281,532	6,176,532	110,000	116,550	226,550	6,403,082
2038	4,095,000	2,134,489	6,229,489	120,000	110,775	230,775	6,460,264
2039	4,305,000	1,978,139	6,283,139	125,000	104,475	229,475	6,512,614
2040	4,525,000	1,810,251	6,335,251	130,000	97,913	227,913	6,563,164
2041	4,760,000	1,631,304	6,391,304	135,000	91,088	226,088	6,617,391
2042	5,005,000	1,442,352	6,447,352	145,000	84,000	229,000	6,676,352
2043	5,050,000	1,242,310	6,292,310	150,000	76,388	226,388	6,518,697
2044	5,115,000	1,037,700	6,152,700	160,000	68,513	228,513	6,381,212
2045	4,800,000	830,663	5,630,663	170,000	60,113	230,113	5,860,775
2046	5,065,000	630,919	5,695,919	175,000	51,188	226,188	5,922,106
2047	4,715,000	419,806	5,134,806	185,000	42,000	227,000	5,361,806
2048	4,215,000	212,581	4,427,581	195,000	32,288	227,288	4,654,869
2049	585,000	24,863	609,863	205,000	22,050	227,050	836,913
2050	-	-	-	215,000	11,288	226,288	226,288
	<u>\$ 88,120,000</u>	<u>\$ 48,710,849</u>	<u>\$ 136,830,849</u>	<u>\$ 3,000,000</u>	<u>\$ 2,530,588</u>	<u>\$ 5,530,588</u>	<u>\$ 142,361,437</u>

(a) Interest calculated at an assumed rate for purposes of illustration only. Preliminary, subject to change.

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FINANCIAL STATEMENT
(Unaudited)

TABLE 4 – ASSESSED VALUE

2022 Certified Taxable Assessed Valuation	\$ 336,731,315 (a)
2023 Certified Taxable Assessed Valuation	\$ 504,272,856 (a)
2024 Certified Taxable Assessed Valuation	\$ 547,813,196 (a)
2025 Certified Taxable Assessed Valuation	\$ 586,961,017 (a)
Gross Direct Debt Outstanding	\$ 91,120,000 (b)
Ratio of Gross Direct Debt Outstanding to 2025 Certified Assessed Valuation	15.52%

(a) Assessed valuation of the District as reported by the Hays Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”

(b) Includes the Bonds. See “DEBT SERVICE REQUIREMENTS.”

TABLE 5 – UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Heretofore Issued	Being Issued	Unissued Balance
Water, Sewer, Drainage	11/6/2007	\$ 64,700,000	\$ 49,090,000	\$ 3,000,000	\$ 12,610,000
Refunding	11/6/2007	97,050,000	-	-	97,050,000
Road Improvements	11/3/2015	54,545,000	42,410,000	-	12,135,000
Refunding	11/3/2015	81,817,500	-	-	81,817,500
Total		<u>\$ 298,112,500</u>	<u>\$ 91,500,000</u>	<u>\$ 3,000,000</u>	<u>\$ 203,612,500</u>

TABLE 6 – CASH AND INVESTMENT BALANCES^{(a)(b)}

Operating Fund	\$ 3,807,743
Debt Service Fund.....	\$ 2,733,051
Capital Project Fund	\$ 46,917

(a) Unaudited as of August 27, 2025.

(b) Does not include approximately twelve months of capitalized interest (\$78,750) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund. Preliminary, subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent. In addition, bond proceeds may be invested in guaranteed

investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a first party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, the District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the District’s investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 7 – CURRENT INVESTMENTS

As of August 27, 2025, the District is currently invested in a bank Money Market Fund and TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investments	Market Value	% of Total
Texas CLASS	\$ 6,453,602	97.96%
Checking/Money Market	134,108	2.04%
	<u>\$ 6,587,710</u>	<u>100.00%</u>

ESTIMATED OVERLAPPING DEBT STATEMENT . . . Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 8/31/2025
Hays County	\$ 448,288,993	1.06%	\$ 4,751,863
Dripping Springs ISD	641,010,000	5.53%	35,447,853
City of Dripping Springs ^(b)	52,685,000	1.66%	874,571
North Hays County ESD #1	-	0.72%	-
Northwest Hays County ESD #5	-	1.17%	-
Headwaters MUD of Hays County	91,120,000	100.00%	<u>91,120,000</u> ^(a)
Total Direct and Overlapping Tax Supported Debt			\$ 132,194,287
Ratio of Direct and Overlapping Tax Supported Debt to 2025 Certified TAV			<u>22.52%</u>

(a) Includes the Bonds.

(b) Note: The City of Dripping Springs does not overlap the residential acreage within the District.

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TAX DATA

TABLE 8 – TAX COLLECTIONS

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

Fiscal Year Ended 12/31	Tax Rate	General Operating Fund	Debt I&S Fund	Tax Levy	% Total Collections
2021	\$ 0.9000	\$ 0.4000	\$ 0.5000	\$ 1,082,705	100.00%
2022	0.9000	0.2750	0.6250	1,733,633	100.00%
2023	0.9000	0.2500	0.6500	4,386,890	100.00%
2024	0.9000	0.1000	0.8000	4,930,230	100.00%
2025	0.9000	0.0250	0.8750	5,282,649	99.91% ^(a)

(a) Collections through July 31, 2025.

TABLE 9 – DISTRICT TAX RATES

	Tax Rates per \$100 Assessed Valuation				
	FY2025	FY2024	FY2023	FY2022	FY2021
Debt Service	\$ 0.8750	\$ 0.8000	\$ 0.6250	\$ 0.5500	\$ 0.5000
Maintenance	0.0250	0.1000	0.2750	0.3500	0.4000
Total	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000

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

MAINTENANCE TAX . . . The District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District's facilities and for paying administrative expenses of the District, if such maintenance tax is authorized by the District's voters. An election for such a tax was held on November 6, 2007 at which time a maintenance tax not to exceed \$1.00 per \$100 assessed valuation was approved by the District's voters. The District adopted a 2025 tax year maintenance tax of \$0.0250 and 2025 tax year debt service tax of \$0.8750 in September 2025.

TABLE 10 – PRINCIPAL TAXPAYERS . . . The following list of principal taxpayers was provided by the Hays Central Appraisal District based on the 2025 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Taxpayer	Taxable Assessed Value	% of 2025 Taxable Assessed Valuation
Regency Ridge at Headwaters Apartments LLC	\$ 23,697,490	4.04%
AG EHC II TOL Multistate 4 LLC	8,792,310	1.50%
Weekley Homes LLC	6,061,442	1.03%
ORYX HW Office Inc.	3,413,832	0.58%
R&S Prep School Holding Three LLC	3,008,036	0.51%
WFC Headwaters Owner VII LP(a)	2,909,555	0.50%
CND-Resources LLC	2,732,745	0.47%
Oakwood Land Holdings LLC	2,376,370	0.40%
DFH Coventry LLC	2,215,148	0.38%
Radichi LLC	1,868,200	0.32%
	<u>\$ 57,075,128</u>	<u>9.72%</u>

(a) The Developer.

TAXING PROCEDURES

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

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . . The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

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

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . General: Except for certain exemptions provided by State 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; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value 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 value 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. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District’s voters may approve. The District’s tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead . . . 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, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement . . . Hays County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of 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 a comprehensive plan. As of October 17, 2017, the District has not executed any abatement agreements.

Goods-in-Transit . . . Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of “goods-in-transit.” “Goods-in-transit” is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provisions permit local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer

may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. In February, 2008, the Board conducted a public hearing on the question of whether to provide for taxation of goods-in-transit and adopted a Resolution Providing for Taxation of Goods-in-Transit, by which the District took official action to tax goods-in-transit.

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

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

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By August 15 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due January 31, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District was made by the Board of Directors on an annual basis, beginning with the 2021 tax rate. For the 2025 tax year, the District's Board of Directors has determined that the District is a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem residential homestead property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records other property may be redeemed by a taxpayer within 180 days of such filing) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections and Foreclosure Remedies."

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

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

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

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

LEGAL MATTERS

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

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

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

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

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

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

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District’s federal tax certificate, and (c) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included in gross income retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. Special Tax Counsel’s opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary

dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via its Electronic Municipal Market Access system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in tables 1-3, 6, 8 and 9 and "APPENDIX A – Excerpts from the Annual Financial Report," if audited such financial statements in APPENDIX A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within twelve months after any such fiscal year end, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A – Excerpts from the Annual Financial Report" 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 December 31. Accordingly, it must provide updated disclosure information by June 30 of each year and audited financial statements by December 31 unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

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 the 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 CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt-related obligations) 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 obligated person, 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 a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

For these purposes, (A) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. As used in this section, the term “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities as to which a final official statement (as defined in Securities and Exchange Commission Rule 15c2-12 (the “Rule”)) has been provided to the MSRB consistent with the Rule. The District intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . In the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

FINANCIAL ADVISOR

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

OFFICIAL STATEMENT

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

less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in “CONTINUING DISCLOSURE OF INFORMATION” herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the “end of the underwriting period” is the responsibility of the Initial Purchaser.

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

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

Secretary, Board of Directors
Headwaters Municipal Utility District of Hays County

President, Board of Directors
Headwaters Municipal Utility District of Hays County

LOCATION MAP

PHOTOGRAPHS

The homes shown in the attached photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction.

The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

APPENDIX A

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT

The information contained in this APPENDIX has been excerpted from the financial statements of Headwaters Municipal Utility District of Hays County for the fiscal year ended December 31, 2024, as prepared by the District's auditor West, Davis & Company, LLP.

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

APPENDIX C

FORM OF SPECIAL TAX COUNSEL'S OPINION