

## NEW ISSUE

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED [\_\_\_\_\_] , 2024**

**THE BONDS ARE INITIALLY OFFERED ONLY TO “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933) AND “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933). SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.*

**\$6,873,000\***

**CITY OF DRIPPING SPRINGS, TEXAS**

**(a municipal corporation of the State of Texas located in Hays County)**

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024**

**(HERITAGE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)**

**Dated Date: Closing Date (as defined below)**

**Due: September 1, as shown on the inside cover**

**Interest to Accrue from Closing Date**

The City of Dripping Springs, Texas Special Assessment Revenue Bonds, Series 2024 (Heritage Public Improvement District Improvement Area #2 Project) (the “Bonds”) are being issued by the City of Dripping Springs, Texas (the “City”). The Bonds will be issued in fully registered form, without coupons, in authorized denominations of ~~\$100,000~~ 25,000 of principal amount and any integral multiple of \$1,000 in excess thereof. The Bonds will bear interest at the rates set forth on the inside cover hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable on each March 1 and September 1, commencing ~~[\_\_\_\_\_]~~ March 1, 2025 until maturity or earlier redemption. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. No physical delivery of the Bonds will be made to the beneficial owners thereof. For so long as the book-entry-only system is maintained, the principal of and interest on the Bonds will be paid from the sources described herein by Wilmington Trust, National Association, as trustee (the “Trustee”), to DTC as the registered owner thereof. See “BOOK-ENTRY-ONLY SYSTEM.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), an ordinance expected to be adopted by the City Council of the City (the “City Council”) on [\_\_\_\_\_] , 2024, and an Indenture of Trust, dated as of [\_\_\_\_\_] , 2024 (the “Indenture”), entered into by and between the City and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture.

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Improvement Area #2 Projects, (ii) paying the Administrative Reserves related to the Bonds ~~and~~, (iii) paying Bond Issuance Costs for the Bonds, including funding a reserve fund for the payment of principal and interest on the Bonds, ~~and~~ (iv) the interest on the Bonds during and after the period of construction. See “THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS” and “APPENDIX B — Form of Indenture.”

The Bonds, when issued and delivered, will constitute valid and binding special, limited obligations of the City payable solely from and secured by the Trust Estate, consisting primarily of the Improvement Area #2 Assessments levied against assessable properties in Improvement Area #2 of the District in accordance with a Service and Assessment Plan and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. The Bonds are not payable from funds raised or to be raised from taxation. See “SECURITY FOR THE BONDS SIMILARLY SECURED.” The Bonds are subject to redemption at the times, in the amounts, and at the redemption price more fully described herein under the subcaption “DESCRIPTION OF THE BONDS — Redemption Provisions.” “Bonds Similarly Secured” means, collectively, any Outstanding Bonds and bonds issued to refund any Outstanding Bonds.

**The Bonds involve a significant degree of risk and are not suitable for all investors. See “BONDHOLDERS’ RISKS” and “SUITABILITY FOR INVESTMENT.” The Underwriter is limiting this offering to Qualified Institutional Buyers and Accredited Investors. The limitation of the initial offering to Qualified Institutional Buyers and Accredited Investors does not denote restrictions on transfers in any secondary market for the Bonds. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Bonds, should consult with their legal and financial advisors before considering a purchase of the Bonds, and should be willing to bear the risks of loss of their investment in the Bonds. The Bonds are not credit enhanced or rated and no application has been made for a rating on the Bonds.**

THE BONDS SIMILARLY SECURED, INCLUDING THE BONDS, ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS SIMILARLY SECURED DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE HOLDERS OF THE BONDS SIMILARLY SECURED SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO HOLDER OF THE BONDS SIMILARLY SECURED SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY’S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS SIMILARLY SECURED OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS SIMILARLY SECURED OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE “SECURITY FOR THE BONDS SIMILARLY SECURED.”

This cover page contains certain information for quick reference only. It is not a summary of the Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as, and if issued by the City and accepted by the Underwriter (identified below), subject to, among other things, the approval of the Bonds by the Attorney General of Texas and the receipt of the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. See “APPENDIX D — Form of Opinion of Bond Counsel.” Certain legal matters will be passed upon for the City by the City Attorney, for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, for the Managing Developer by its counsel, Metcalfe Wolff Stuart & Williams LLP, and for Tri Pointe by its Counsel, McLean & Howard, LLP. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about October 16, 2024 (the “Closing Date”).

**FMSbonds, Inc.**

\* Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS,  
AND CUSIP NUMBERS

CUSIP Prefix: <sup>(a)</sup>

\$6,873,000 \*

CITY OF DRIPPING SPRINGS, TEXAS

(a municipal corporation of the State of Texas located in Hays County)

SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024

(HERITAGE PUBLIC IMPROVEMENT DISTRICT IMPROVEMENT AREA #2 PROJECT)

\$[ ] % Term Bonds, Due September 1, 20\_\_, Priced to Yield %; CUSIP No. <sup>(a)(b)(c)</sup>

\$[ ] % Term Bonds, Due September 1, 20\_\_, Priced to Yield %; CUSIP No. <sup>(a)(b)(c)</sup>

\_\_\_\_\_

- (a) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is 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. CUSIP numbers are provided for convenience of reference only. None of the City, the City's Financial Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.
- (b) The Bonds are subject to redemption, in whole or in part, prior to their scheduled maturity, at the option of the City, on any date on or after September 1, 20\_\_, at the redemption price set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."
- (c) The Bonds are also subject to mandatory sinking fund redemption and extraordinary optional redemption as set forth herein under "DESCRIPTION OF THE BONDS — Redemption Provisions."

\* Preliminary; subject to change.

**CITY OF DRIPPING SPRINGS, TEXAS**

**CITY COUNCIL**

<b>Name</b>	<b>Years Served</b>	<b>Term Expires (May)</b>
Bill Foulds, Jr., Mayor	3 <sup>(1)</sup>	2026
Taline Manassian, Mayor Pro-Tem	5	2025
Wade King	10	2026
Geoffrey Tahuahua	2	2025
Travis Crow	3	2026
Sherrie Parks	2	2025

<sup>(1)</sup> Bill Foulds, Jr. previously served as a Councilmember of the City for 19 years.

**CITY ADMINISTRATOR**

Michelle Fischer

**CITY SECRETARY**

Diana Boone

**CITY ATTORNEY**

Laura Mueller

**OUTSIDE CITY COUNSEL**

Bojorquez Law Firm, PC

**PID ADMINISTRATOR**

P3Works, LLC

**FINANCIAL ADVISOR TO THE CITY**

Hilltop Securities Inc.

**BOND COUNSEL**

McCall, Parkhurst & Horton L.L.P.

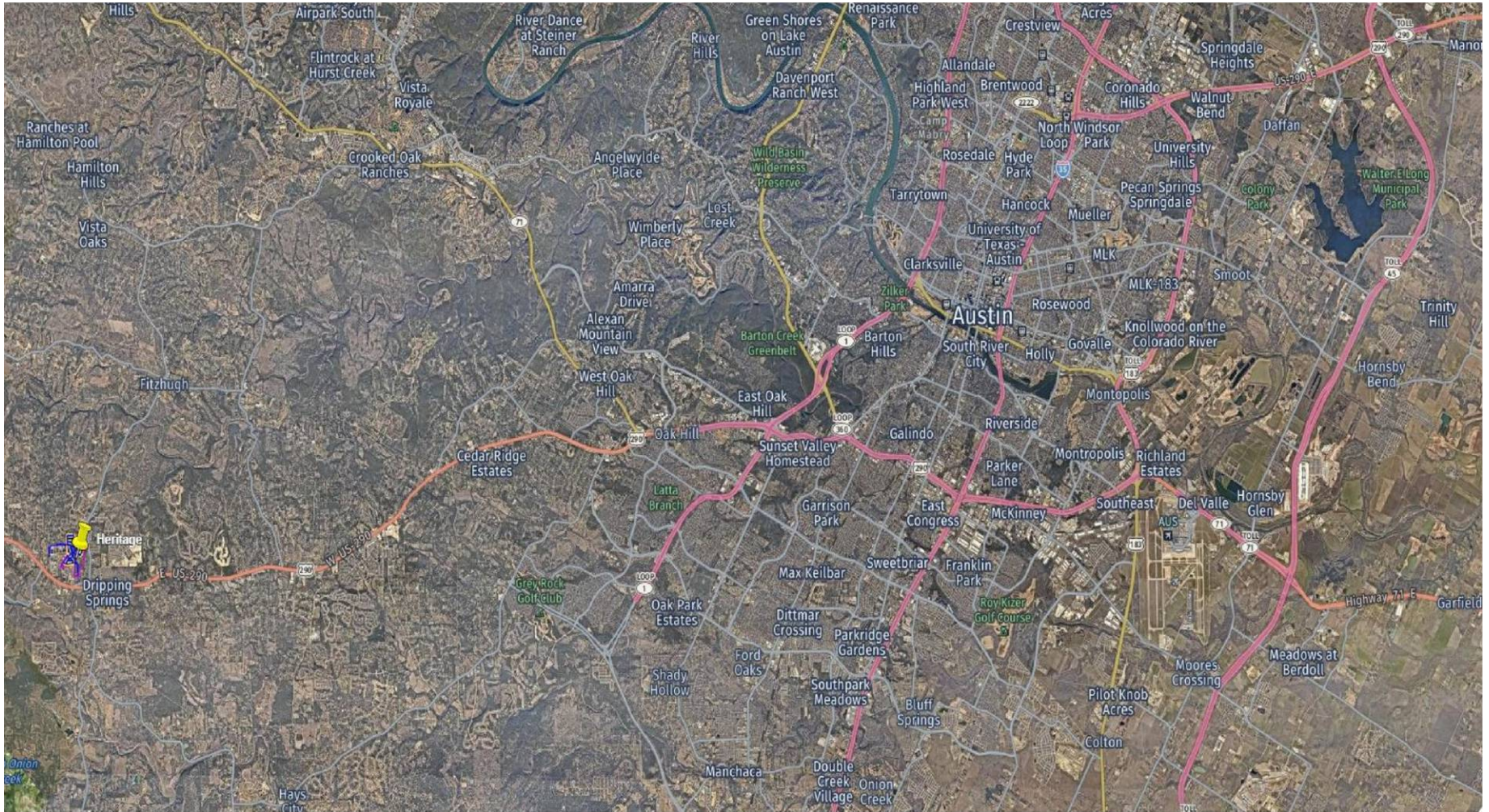
For additional information regarding the City, please contact:

Michelle Fischer  
City Administrator  
City of Dripping Springs  
511 Mercer Street  
Dripping Springs, Texas 78620  
(512) 858-4725

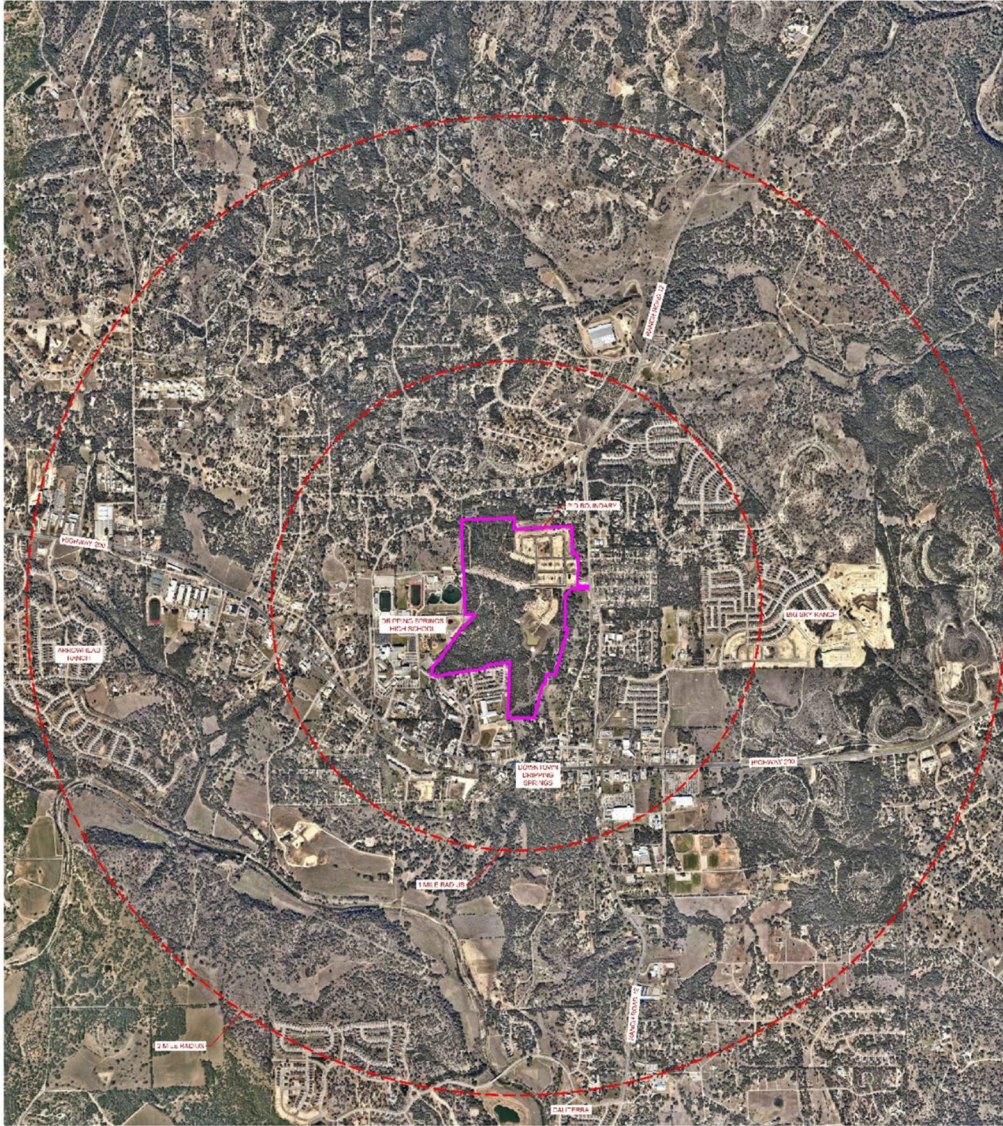
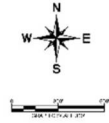
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Jorge Delgado  
Vice President  
Hilltop Securities Inc.  
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Dallas, Texas 75201  
(214) 953-4000

## REGIONAL LOCATION MAP OF THE DISTRICT



# AREA LOCATION MAP OF THE DISTRICT



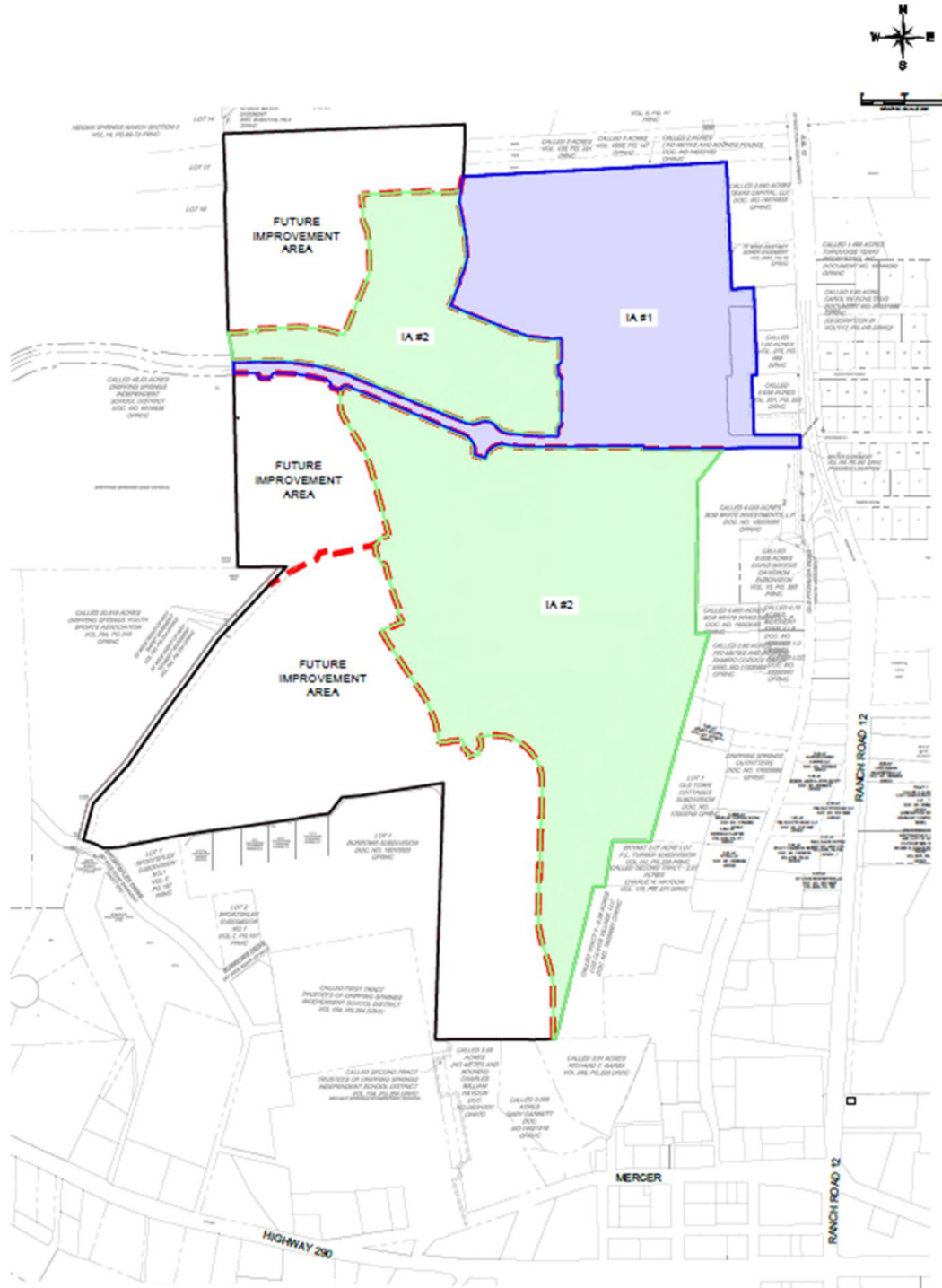
4129-9341-9344.34129-9341-9344.4

## EXHIBIT A - THE PROPERTY Heritage Location Map

Dripping Springs, Texas  
MARCH 2022



MAP SHOWING BOUNDARIES OF IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND THE FUTURE IMPROVEMENT AREAS

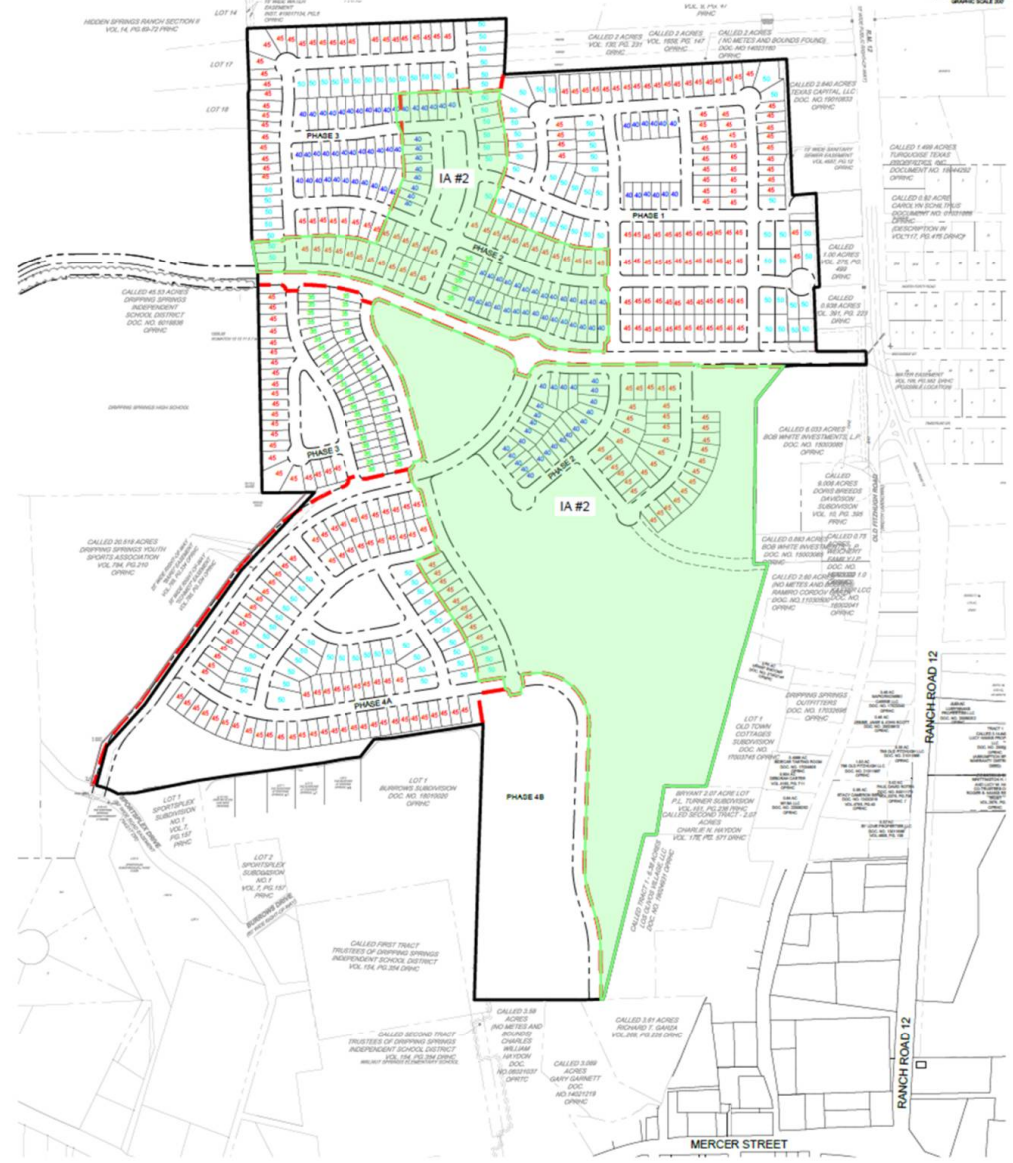
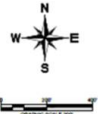


All information on this map is for informational purposes only. It is not intended to be used as a legal document. The information on this map is subject to change without notice. The information on this map is not a guarantee of any kind. The information on this map is not a warranty of any kind. The information on this map is not a representation of any kind. The information on this map is not a statement of any kind. The information on this map is not a contract of any kind. The information on this map is not a binding agreement of any kind. The information on this map is not a legal opinion of any kind. The information on this map is not a legal conclusion of any kind. The information on this map is not a legal finding of any kind. The information on this map is not a legal determination of any kind. The information on this map is not a legal decision of any kind. The information on this map is not a legal action of any kind. The information on this map is not a legal proceeding of any kind. The information on this map is not a legal remedy of any kind. The information on this map is not a legal relief of any kind. The information on this map is not a legal redress of any kind. The information on this map is not a legal satisfaction of any kind. The information on this map is not a legal discharge of any kind. The information on this map is not a legal release of any kind. The information on this map is not a legal exoneration of any kind. The information on this map is not a legal acquittal of any kind. The information on this map is not a legal conviction of any kind. The information on this map is not a legal sentence of any kind. The information on this map is not a legal punishment of any kind. The information on this map is not a legal penalty of any kind. The information on this map is not a legal fine of any kind. The information on this map is not a legal fee of any kind. The information on this map is not a legal cost of any kind. The information on this map is not a legal expense of any kind. The information on this map is not a legal loss of any kind. The information on this map is not a legal damage of any kind. The information on this map is not a legal injury of any kind. The information on this map is not a legal harm of any kind. The information on this map is not a legal wrong of any kind. The information on this map is not a legal tort of any kind. The information on this map is not a legal breach of any kind. The information on this map is not a legal violation of any kind. The information on this map is not a legal infringement of any kind. The information on this map is not a legal interference of any kind. The information on this map is not a legal obstruction of any kind. The information on this map is not a legal hindrance of any kind. The information on this map is not a legal impediment of any kind. The information on this map is not a legal barrier of any kind. The information on this map is not a legal obstacle of any kind. The information on this map is not a legal hindrance of any kind. The information on this map is not a legal impediment of any kind. The information on this map is not a legal barrier of any kind. The information on this map is not a legal obstacle of any kind.

**EXHIBIT B-3**  
 Improvement Area  
 Boundary Map

IMPROVEMENT AREA IMPROVEMENTS  
 ——— PROPERTY BOUNDARY  
 - - - - - PHASE LINE

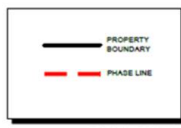
# MAP SHOWING CONCEPT PLAN FOR THE DISTRICT



## EXHIBIT E HERITAGE PDD Compliant Overall Residential Lot Size Exhibit

Dripping Spring, Texas  
March 2024

HERITAGE PDD COMPLIANT RESIDENTIAL LOT MIX							
<b>Medium Density Detached</b>							
Product	Phase 1	Phase 2	Phase 3	Phase 4A	Phase 4B	Lots	Percent
40's	12	14	34			60	12%
45's	100	74	59	75		308	63%
50's	46	12	25	39		122	25%
<b>Subtotal MDD</b>	<b>158</b>	<b>100</b>	<b>118</b>	<b>114</b>	<b>0</b>	<b>490</b>	<b>70%</b>
<b>High Density Detached</b>							
Product						Lots	Percent
35's		6	45			51	49%
40's			54			54	51%
<b>Subtotal HDD</b>	<b>0</b>	<b>60</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>105</b>	<b>15%</b>
<b>High Density Attached</b>							
Product						Lots	Percent
MF					105	105	15%
<b>Total Lots</b>	<b>158</b>	<b>160</b>	<b>163</b>	<b>114</b>	<b>105</b>	<b>700</b>	



HERITAGE PDD COMPLIANT RESIDENTIAL LOT MIX - EXHIBIT E - MARCH 2024  
 PREPARED BY: [unreadable] FOR: [unreadable]  
 DATE: [unreadable]





*FOR PURPOSES OF COMPLIANCE WITH RULE 15C2-12 OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AS AMENDED AND IN EFFECT ON THE DATE OF THIS PRELIMINARY LIMITED OFFERING MEMORANDUM (“RULE 15C2-12”), THIS DOCUMENT CONSTITUTES AN “OFFICIAL STATEMENT” OF THE CITY WITH RESPECT TO THE BONDS THAT HAS BEEN “DEEMED FINAL” BY THE CITY AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15C2-12.*

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY EITHER OF THE FOREGOING. THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY AND THERE SHALL BE NO OFFER, SOLICITATION OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED AND SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS” HEREIN. EACH PROSPECTIVE INITIAL PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS, MUST BE ABLE TO BEAR THE ECONOMIC AND FINANCIAL RISK OF SUCH INVESTMENT IN THE BONDS, AND MUST BE ABLE TO AFFORD A COMPLETE LOSS OF SUCH INVESTMENT. CERTAIN RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS ARE SET FORTH UNDER “BONDHOLDERS’ RISKS” HEREIN. EACH INITIAL PURCHASER, BY ACCEPTING THE BONDS, AGREES THAT IT WILL BE DEEMED TO HAVE MADE THE ACKNOWLEDGMENTS AND REPRESENTATIONS DESCRIBED UNDER THE HEADING “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.”

THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE UNITED STATES FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION. THE INFORMATION SET FORTH HEREIN HAS BEEN FURNISHED BY THE CITY AND OBTAINED FROM SOURCES, INCLUDING THE DEVELOPERS, WHICH ARE BELIEVED BY THE CITY AND THE UNDERWRITER TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM, NOR ANY SALE MADE HEREUNDER, SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE DEVELOPER SINCE THE DATE HEREOF.

NEITHER THE CITY NOR THE UNDERWRITER MAKE ANY REPRESENTATION AS TO THE ACCURACY, COMPLETENESS, OR ADEQUACY OF THE INFORMATION SUPPLIED BY THE DEPOSITORY TRUST COMPANY FOR USE IN THIS LIMITED OFFERING MEMORANDUM.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH LAWS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THEY MAY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF SUCH JURISDICTIONS, OR ANY OF THEIR AGENCIES, HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS LIMITED OFFERING MEMORANDUM.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE “FORWARD-LOOKING STATEMENTS” WITHIN THE

MEANING OF THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS “PLAN,” “EXPECT,” “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “BUDGET” OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER “CONTINUING DISCLOSURE” HEREIN.

THE TRUSTEE HAS NOT PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM OR THE RELATED TRANSACTIONS AND DOCUMENTS OR FOR ANY FAILURE BY ANY PARTY TO DISCLOSE EVENTS THAT MAY HAVE OCCURRED AND MAY AFFECT THE SIGNIFICANCE OR ACCURACY OF SUCH INFORMATION.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER’S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS LIMITED OFFERING MEMORANDUM FOR PURPOSES OF, AND AS THAT TERM IS DEFINED IN, RULE 15C2-12.

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**PRELIMINARY LIMITED OFFERING MEMORANDUM**

**\$6,873,000**

**CITY OF DRIPPING SPRINGS, TEXAS**

**(a municipal corporation of the State of Texas located in Hays County)**

**SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2024**

**(HERITAGE PUBLIC IMPROVEMENT DISTRICT**

**IMPROVEMENT AREA #2 PROJECT)**

**INTRODUCTION**

The purpose of this Limited Offering Memorandum, including the cover page, inside cover, and appendices hereto, is to provide certain information in connection with the issuance and sale by the City of Dripping Springs, Texas (the “City”), of its \$6,873,000 aggregate principal amount of Special Assessment Revenue Bonds, Series 2024 (Heritage Public Improvement District Improvement Area #2 Project) (the “Bonds”).

INITIAL PURCHASERS ARE ADVISED THAT THE BONDS BEING OFFERED PURSUANT TO THIS LIMITED OFFERING MEMORANDUM ARE BEING OFFERED INITIALLY TO AND ARE BEING SOLD ONLY TO “ACCREDITED INVESTORS” AS DEFINED IN RULE 501 OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT OF 1933”) AND “QUALIFIED INSTITUTIONAL BUYERS” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS.” THE LIMITATION OF THE INITIAL OFFERING TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS DOES NOT DENOTE RESTRICTIONS ON TRANSFERS IN ANY SECONDARY MARKET FOR THE BONDS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF CERTAIN RISK FACTORS, ANY OF WHICH, IF MATERIALIZED TO A SUFFICIENT DEGREE, COULD DELAY OR PREVENT PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, AND/OR INTEREST ON THE BONDS. THE BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS. SEE “LIMITATIONS APPLICABLE TO INITIAL PURCHASERS,” “BONDHOLDERS’ RISKS,” AND “SUITABILITY FOR INVESTMENT.”

The Bonds are being issued by the City pursuant to the Public Improvement District Assessment Act, Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the ordinance authorizing the issuance of the Bonds expected to be adopted by the City Council of the City (the “City Council”) on [\_\_\_\_], 2024 (the “Bond Ordinance”), and an Indenture of Trust, dated as of [\_\_\_\_], 2024 (the “Indenture”), entered into by and between the City and Wilmington Trust, National Association, as trustee (the “Trustee”). The Bonds will be secured by a pledge of and lien upon the Trust Estate (as defined in the Indenture) consisting primarily of revenue from special assessments to be levied against assessed parcels located within Improvement Area #2 (as defined herein) of the Heritage Public Improvement District (the “Improvement Area #2 Assessments”), pursuant to a separate ordinance expected to be adopted by the City Council on [\_\_\_\_], 2024 (the “Assessment Ordinance”), all to the extent and upon the conditions described in the Indenture. See “SECURITY FOR THE BONDS” and “ASSESSMENT PROCEDURES.” The Heritage Public Improvement District is referred to herein as the “District”.

Reference is made to the Indenture for a full statement of the authority for, and the terms and provisions of, the Bonds. All capitalized terms used in this Limited Offering Memorandum, except as otherwise noted in “ASSESSMENT PROCEDURES,” that are not otherwise defined herein shall have the meanings set forth in the Indenture. See “APPENDIX B — Form of Indenture.”

Set forth herein are brief descriptions of the City, the District, the Assessment Ordinance, the Bond Ordinance, the Service and Assessment Plan (as defined herein), the Development Agreement (as defined herein), the Financing Agreement (as defined herein), the PID Agreements (as defined herein), the Developers (as defined herein) and the PID Administrator (as defined herein), together with summaries of terms of the Bonds and the Indenture and certain provisions of the PID Act. All references herein to such documents and the PID Act are qualified in their entirety by reference to such documents or such PID Act and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the

Indenture. Copies of these documents may be obtained during the period of the offering of the Bonds from the Underwriter, FMSbonds, Inc., 5 Cowboys Way, Suite 300-25, Frisco, Texas 75034, Phone: (214) 302-2246. The form of Indenture appears in “APPENDIX B — Form of Indenture” and the form of Service and Assessment Plan appears as “APPENDIX C — Form of Service and Assessment Plan.” The information provided under this caption “INTRODUCTION” is intended to provide a brief overview of the information provided in the other captions herein and is not intended, and should not be considered, fully representative or complete as to the subjects discussed hereunder.

## PLAN OF FINANCE

### Development Plan

*Overview.* The District consists of approximately 188.943 acres of land within the City and is being developed as a mixed-use development known as “Heritage” (the “Development”). The District is expected to be developed in phases, each designated as an “Improvement Area.” Such development began with the construction of certain public improvements benefiting the entire District (the “Major Improvements”) and certain public improvements (the “Improvement Area #1 Improvements”) benefiting only the first Improvement Area (“Improvement Area #1”). Construction of the Improvement Area #1 Improvements and a portion of the Major Improvements, including the Improvement Area #1 Major Improvements, were completed and accepted by the City in January of 2023. Development in the District continued with the construction of additional Major Improvements allocable to Improvement Area #2 (the “Improvement Area #2 Major Improvements”), as well as certain public improvements (the “Improvement Area #2 Improvements”) benefiting only the second Improvement Area (“Improvement Area #2”). Construction of the Improvement Area #2 Improvements and the Improvement Area #2 Major Improvements (collectively, the “Improvement Area #2 Projects”) are substantially complete, and all of the Improvement Area #2 Projects were accepted by the City in July of 2024, with the exception of the pocket park in Improvement Area #2 and the landscaping improvements associated therewith. The Improvement Area #2 Improvements and the Improvement Area #2 Major Improvement are collectively referred to as the “Improvement Area #2 Projects.”

The Developers (as defined herein) anticipate that such development will follow with the construction of additional Major Improvements, as well as certain internal public improvements only benefiting future Improvement Areas (the “Future Improvement Areas”) within the District (the “Future Improvement Area Improvements”) based on market demand. The Managing Developer expects to complete construction of the remaining Major Improvements by the second quarter of 2026.

The Future Improvement Area Improvements, the Major Improvements, the Improvement Area #1 Improvements, and the Improvement Area #2 Improvements are collectively hereinafter referred to as the “Authorized Improvements.” Improvement Area #1 consists of approximately 37.073 acres, Improvement Area #2 consists of approximately 75.57 acres and the Future Improvement Areas consist of approximately 76.30 acres. See “MAP SHOWING BOUNDARIES OF IMPROVEMENT AREA #1, IMPROVEMENT AREA #2, AND THE FUTURE IMPROVEMENT AREAS,” and “MAP SHOWING CONCEPT PLAN FOR THE DISTRICT” on pages v-vi, and “THE DEVELOPMENT.”

The Development is expected to include approximately 595 single-family residential lots and approximately 105 multifamily units. Improvement Area #2 is expected to include approximately 160 lots, consisting of 6 35’ lots, 68 40’ lots, 74 45’ lots and 12 50’ lots. The Future Improvement Areas are expected to include approximately 277 lots, consisting of 45 35’ lots, 34 40’ lots, 134 45’ lots and 64 50’ lots, and approximately 105 multifamily units. See “THE DEVELOPMENT.”

*Ownership and Development of the District.* M/I Homes of Austin, LLC, an Ohio limited liability company (the “Managing Developer”) and Tri Pointe Homes Texas, Inc., a Texas corporation (“Tri Pointe” and, together with the Managing Developer, the “Developers”) purchased approximately 187.267 acres of land within the District (the “Property”) from SLF IV – Dripping Springs JV, L.P., a Texas limited partnership (the “Original Owner”) on May 4, 2021. BobWhite Investments, L.P., a Texas limited partnership (“BobWhite”) owned the remaining approximately 1.676 acres within the District; however, in June of 2024, BobWhite conveyed four of the BobWhite

lots to the Managing Developer and four of the BobWhite lots to Tri Pointe, totaling the remaining 1.676 acres of the District, in various fee simple transactions. No financing was sought or obtained by the Developers in connection with the purchase of the Property. There are currently no liens on the Property within the District, including Improvement Area #2, that were incurred by the Developers.

In connection with the Developers purchase of the Property, they entered into a Joint Ownership and Development Agreement on July 27, 2020 (the "JODA"), pursuant to which the Developers agreed: (1) to close the Property in undivided fee simple ownership, with each putting up funds proportional to their respective 50% interest; (2) to jointly fund the development based on their respective interests; and (3) upon completion of the lots in each development phase, to execute and exchange deeds and perform true-ups such that each Developer will pay the same amount proportionally based on their actual share of the lots that they received.

The JODA contemplates that each Developer will pay 50% of the costs to develop the District and receive the same proportion of lots, based on nominal "front feet." The JODA also provides, among other things: (1) for the appointment of M/I Homes of Austin, LLC as the Managing Developer (also defined as the "Coordinator" in the JODA), empowered to act on behalf of Tri Pointe (subject to certain major decisions) to cause the development to be constructed; (2) a build-out schedule, business plan, construction plans, development schedule and development budget; (3) restrictions on the right of either Developer to dispose of their ownership interests/lots in the property, including granting the other Developer the right of first refusal with respect to the ownership interest/lots and the inclusion of a list of preapproved substitute landowners and homebuilders; (4) for the allocation of lots amongst the Developers in proportion to their ownership interests; and (5) events of default.

In addition to the Authorized Improvements, the Managing Developer will construct (i) water improvements (the "Water Improvements") necessary to serve the District, as further described under "THE DEVELOPMENT — Water Improvements" and (ii) certain Amenities (as defined herein) described under "THE DEVELOPMENT — Amenities." The Managing Developer constructed the Water Improvements necessary to serve Improvement Area #1, which were accepted by the Dripping Springs Water Supply Corporation (the "DSWSC") in January of 2023. The Managing Developer has also completed construction of the Water Improvements necessary to serve Improvement Area #2, and they were accepted by DSWSC in June of 2024.

*Financing Plan.* The total costs of all of the Improvement Area #2 Authorized Improvements (as defined herein) are expected to be approximately \$~~10,797,781~~10,780,797<sup>\*</sup>, a portion of which in the approximate amount of \$6,873,000, are expected to be financed with proceeds of the Bonds. The balance of the costs of the Improvement Area #2 Authorized Improvements, in the total approximate amount of \$~~3,924,781~~3,907,797<sup>\*</sup>, have been financed by the Developers and will not be reimbursed by the City. The City and the Managing Developer entered into the Amended and Restated Heritage Public Improvement District Financing and Reimbursement Agreement, dated as of December 20, 2022 (the "Financing Agreement"), as joined by Tri Pointe and BobWhite, as consenting parties, which provides, in part, for the deposit of the Improvement Area #2 Assessments and the proceeds from the issuance and sale of the Bonds, and the payment of the Actual Costs of the Improvement Area #2 Projects to the Managing Developer. Under the JODA, the Managing Developer agreed to reimburse Tri Pointe for its percentage interest in any and all rights under the Financing Agreement, including the right to reimbursement from Assessments or Bond proceeds. See "THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS" and "APPENDIX G — Financing Agreement."

The total costs of the Water Improvements necessary to serve Improvement Area #2 and the Amenity Center are expected to be approximately \$984,508 and \$2,000,000, respectively, all of which has been or will be financed by the Developers without reimbursement by the City.

*Status of Home Construction within Improvement Area #1.* Improvement Area #1 contains 158 completed lots. The Developers expect to each build 50% of the homes within Improvement Area #1. As of June 30, 2024, in

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<sup>\*</sup> Preliminary; subject to change.



Improvement Area #1, (i) the Managing Developer has closed and delivered to homeowners 65 homes and has 7 homes under contract with homeowners and (ii) Tri Pointe has closed and delivered to homeowners 41 homes and has 19 homes under contract with homeowners. See “THE DEVELOPMENT.”

*Status of Home Construction within Improvement Area #2.* Improvement Area #2 is expected to contain 160 completed lots. The Developers expect to each build 50% of the homes within Improvement Area #2. As of June 30, 2024, in Improvement Area #2, (i) the Managing Developer has yet to begin construction on homes, but has 8 homes under contract with homeowners and (ii) Tri Pointe has yet to begin construction on homes and has yet to have any homes under contract with end-users. See “THE DEVELOPMENT.”

## **The Bonds**

Proceeds of the Bonds will be used to provide funds for (i) paying a portion of the Actual Costs of the Improvement Area #2 Projects, (ii) paying the Administrative Reserves (~~as defined herein~~) related to the Bonds ~~and~~, (iii) paying Bond Issuance Costs (~~as defined herein~~) for the Bonds, including funding a reserve fund for the payment of principal and interest on the Bonds, and (iv) the interest on the Bonds during and after the period of construction (collectively, and as more fully described under “THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS – Improvement Area #2 Authorized Improvements”). See “APPENDIX B — Form of Indenture.”

Payment of the Bonds is secured by a pledge of and a lien upon the Trust Estate, consisting primarily of Improvement Area #2 Assessments levied against assessed parcels in Improvement Area #2 of the District, all to the extent and upon the conditions described herein and in the Indenture. See “SECURITY FOR THE BONDS SIMILARLY SECURED” and “ASSESSMENT PROCEDURES.”

**The Bonds shall never constitute an indebtedness or general obligation of the City, the State of Texas (the “State”) or any other political subdivision of the State, within the meaning of any constitutional provision or statutory limitation whatsoever, but the Bonds are limited and special obligations of the City payable solely from the Trust Estate as provided in the Indenture. Neither the full faith and credit nor the taxing power of the City, the State or any other political subdivision of the State is pledged to the payment of the Bonds.**

## **Additional Indebtedness**

*Improvement Area #1 Bonds.* To finance the costs of the Improvement Area #1 Improvements, the City previously issued its \$7,043,000 “City of Dripping Springs, Texas, Special Assessment Revenue Bonds, Series 2023 (Heritage Public Improvement District Improvement Area #1 Project)” (the “Improvement Area #1 Bonds”). The Improvement Area #1 Bonds are secured by assessments on assessable property in Improvement Area #1 of the District (the “Improvement Area #1 Assessments”). **The Improvement Area #1 Assessments are not security for the Bonds.**

*Future Improvement Area Bonds.* The Managing Developer expects to request that the City issue one or more series of future phased bonds (each such series of bonds a “Future Improvement Area Bond”) to finance the cost of the Major Improvements and the Future Improvement Area Improvements benefiting specific Future Improvement Areas as the development proceeds. The estimated costs of the Future Improvement Area Improvements will be determined as the Future Improvement Areas of the District are developed, and the Service and Assessment Plan will be updated to identify the improvements authorized by the PID Act to be financed by each new series of Future Improvement Area Bonds. Such Future Improvement Area Bonds will be secured by separate assessments (the “Future Improvement Area Assessments”) levied pursuant to the PID Act on assessable property within the applicable Future Improvement Area of the District (the “Future Improvement Area Assessed Property”) that benefit from the Future Improvement Area Improvements being financed.

**Only the Bonds are offered pursuant to this Limited Offering Memorandum. The Bonds, the Improvement Area #1 Bonds and any Future Improvement Area Bonds issued by the City are separate and distinct issues of securities secured by separate assessments. The Improvement Area #1 Bonds, Future**

**Improvement Area Bonds and any Refunding Bonds (as defined herein) to be issued by the City are not offered pursuant to this Limited Offering Memorandum. Investors interested in purchasing any of these other City obligations should refer to the offering documents related thereto, when and if available.**

### **LIMITATIONS APPLICABLE TO INITIAL PURCHASERS**

Each initial purchaser is advised that the Bonds being offered pursuant to this Limited Offering Memorandum are being offered and sold only to “accredited investors” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933 and “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933. Each initial purchaser of the Bonds (each, an “Investor”) will be deemed to have acknowledged, represented and warranted to the City as follows:

1. The Investor has authority and is duly authorized to purchase the Bonds and to execute any instruments and documents required to be executed by the Investor in connection with the purchase of the Bonds.

2. The Investor is an “accredited investor” under Rule 501 of Regulation D of the Securities Act of 1933 or a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

3. The Bonds are being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Investor intends to hold the Bonds solely for its own account for investment purposes and for an indefinite period of time and does not intend at this time to dispose of all or any part of the Bonds. However, the Investor may sell the Bonds at any time the Investor deems appropriate. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

4. The Investor understands that the Bonds are not registered under the Securities Act of 1933 and that such registration is not legally required as of the date hereof; and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, and (c) will not carry a rating from any rating service.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Improvement Area #2 Projects, the Bonds, the security therefor, and such other information as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds (collectively, the “Investor Information”). The Investor has received a copy of this Limited Offering Memorandum relating to the Bonds. The Investor acknowledges that it has assumed responsibility for its review of the Investor Information and it has not relied upon any advice, counsel, representation or information from the City in connection with the Investor’s purchase of the Bonds. The Investor agrees that none of the City, its City Council, officers, or employees shall have any liability to the Investor whatsoever for or in connection with the Investor’s decision to purchase the Bonds except for gross negligence, fraud or willful misconduct. For the avoidance of doubt, it is acknowledged that the Underwriter is not deemed an officer or employee of the City.

6. The Investor acknowledges that the obligations of the City under the Indenture are special, limited obligations payable solely from amounts paid by the City pursuant to the terms of the Indenture and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for amounts due under the Indenture. The Investor understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the City, the State or any political subdivision or taxing district thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the City, the State or any political subdivision thereof; that no right will exist to have taxes levied by the State or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the City and the State with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

7. The Investor has made its own inquiry and analysis with respect to the Bonds and the security therefor. The Investor is aware that the development of the District involves certain economic and regulatory variables and risks that could adversely affect the security for the Bonds.

8. The Investor acknowledges that the sale of the Bonds to the Investor is made in reliance upon the certifications, representations and warranties described in items 1-7 above.

**DESCRIPTION OF THE BONDS**

**General Description**

The Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Limited Offering Memorandum. Interest on the Bonds will accrue from their date of delivery (the “Closing Date”) to the Underwriter and will be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on each March 1 and September 1, commencing ~~\_\_\_\_\_~~ March 1, 2025 (each an “Interest Payment Date”), until maturity or prior redemption. Wilmington Trust, National Association, Dallas, Texas is the initial Trustee, Paying Agent and Registrar for the Bonds.

The Bonds will be issued in fully registered form, without coupons, in authorized denominations of ~~\$100,000~~ \$25,000 of principal and any integral multiple of \$1,000 in excess thereof (or such smaller amounts of not less than \$1,000 as authorized under the Indenture as a result of partial redemption) (“Authorized Denominations”). Upon initial issuance, the ownership of the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), and purchases of beneficial interests in the Bonds will be made in book-entry-only form. See “BOOK-ENTRY-ONLY SYSTEM” and “SUITABILITY FOR INVESTMENT.”

**Redemption Provisions**

*Optional Redemption.* The Bonds may be redeemed prior to their scheduled maturities on any date on or after September 1, 20[\_\_\_], at the option of the City, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the City, at the redemption price equal to the principal amount to be redeemed plus accrued and unpaid interest to the date of redemption (the “Redemption Price”).

*Extraordinary Optional Redemption.* The City reserves the right and option to redeem Bonds before their respective scheduled maturity dates, in whole or in part, on any date, at the Redemption Price, from amounts on deposit in the Redemption Fund as a result of Prepayments (including related transfers to the Redemption Fund made pursuant to the Indenture) or any other transfers to the Redemption Fund under the terms of the Indenture. See “ASSESSMENT PROCEDURES — Prepayment of Assessments” for the definition and description of Prepayments.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on September 1 in the years 20[\_\_\_], 20[\_\_\_], 20[\_\_\_] and 20[\_\_\_] (collectively, “Term Bonds”) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the City in part at the Redemption Price from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective Sinking Fund Installments as set forth in the following schedule:

<u>\$ _____ Term Bonds due September 1, 20 _____</u>	
<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 1, 20 _____	\$ _____
September 1, 20 _____	\$ _____
<del>September 1, 20 _____</del>	<del>\$ _____</del>
September 1, 20 _____ †	\$ _____

† Stated maturity.

\$ Term Bonds due September 1, 20

<u>Redemption Date</u>	<u>Sinking Fund Installment</u>
September 1, 20__	\$
September 1, 20__	
<del>September 1, 20__</del>	
September 1, 20__†	

† Stated maturity.

At least 30 days prior to each mandatory sinking fund redemption date and subject to any prior reduction authorized by the Indenture, the Trustee shall select for redemption by lot a principal amount of Term Bonds of such maturity equal to the Sinking Fund Installment of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory sinking fund redemption date, and will give notice of such redemption, as provided in the Indenture.

The principal amount of Term Bonds required to be redeemed on any redemption date shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such maturity which, at least 30 days prior to the sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued and unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Term Bonds required to be redeemed on any redemption date shall be reduced on a pro rata basis among Sinking Fund Installments by the principal amount of any Term Bonds which, at least 30 days prior to the sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions, and not previously credited to a mandatory sinking fund redemption.

*Partial Redemption.* If less than all of the Bonds are to be redeemed, Bonds shall be redeemed in increments of \$1,000, provided that no redemption shall cause the principal amount of any Bond to be less than the minimum Authorized Denomination for such Bond except as provided in the following sentence. Notwithstanding the foregoing, if any Bonds are to be partially redeemed and such redemption results in the redemption of a portion of a single Bond in an amount less than the Authorized Denomination in effect at the time, a Bond in the principal amount equal to the unredeemed portion, but not less than \$1,000, may be issued. Each Bond shall be treated as representing the number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

If less than all the Bonds are called for optional redemption, the City shall, pursuant to a City Certificate, determine the Bond or Bonds or the amount thereof within a Stated Maturity to be redeemed and direct the Trustee to call by lot the Bonds, or portions thereof, within such Stated Maturity and in such principal amounts, for redemption.

If less than all of the Bonds are called for extraordinary optional redemption, the Bonds or portion of a Bond to be redeemed shall be allocated on a pro rata basis (as nearly as practicable) among all Outstanding Bonds. If less than all Bonds within a Stated Maturity are called for extraordinary optional redemption, the Trustee shall call by lot the Bonds, or portions thereof, within such Stated Maturity and in such principal amounts, for redemption.

Upon surrender of any Bond for redemption in part, the Trustee, in accordance with the provisions of the Indenture, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

*Notice of Redemption.* Upon written notification by the City to the Trustee of the exercise of any redemption, the Trustee will give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Holder of each Bond or portion thereof to be redeemed, at the address shown in the Register. The notice will state the redemption date, the Redemption Price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed, any conditions to

such redemption and that on the redemption date, if all conditions, if any, to such redemption have been satisfied, such Bond shall become due and payable. Any such notice shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Notice of redemption having been given as provided in the Indenture, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption provided that funds for the payment of the Redemption Price of such Bonds to the date fixed for redemption are on deposit with the Trustee; thereafter, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

The City has the right to rescind any optional redemption or extraordinary optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Trustee shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

With respect to any optional redemption of the Bonds, unless the Trustee has received funds sufficient to pay the Redemption Price of the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Trustee on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

#### **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Limited Offering Memorandum. The City and the Underwriter believe the source of such information to be reliable, but neither the City nor the Underwriter takes responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical

movement of securities 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 registered 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings’ rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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 affect 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 Bonds of the same maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant of 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 City 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).

Principal, interest and all other 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 detailed information from the City or Paying Agent/Registrar, on the payment 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 nor its nominee, the Trustee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of

principal, interest and payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, the Paying Agent/Registrar or the City, 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. Thereafter, Bond certificates may be transferred and exchanged as described in the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the City's Financial Advisor or the Underwriter take any responsibility for the accuracy thereof.

NONE OF THE CITY, THE TRUSTEE, THE PAYING AGENT, THE CITY'S FINANCIAL ADVISOR OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM. 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.

### **SECURITY FOR THE BONDS SIMILARLY SECURED**

**The following is a summary of certain provisions contained in the Indenture. Reference is made to the Indenture for a full statement of the terms and provisions of the Bonds Similarly Secured (as defined below). Investors must read the entire Indenture to obtain information essential to the making of an informed investment decision. See "APPENDIX B — Form of Indenture."**

#### **General**

THE BONDS SIMILARLY SECURED ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS SIMILARLY SECURED DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE HOLDERS OF THE BONDS SIMILARLY SECURED SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO HOLDER OF THE BONDS SIMILARLY SECURED SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS SIMILARLY SECURED OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS SIMILARLY SECURED OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE. SEE "APPENDIX B — FORM OF INDENTURE."

The principal of, premium, if any, and interest on the Bonds Similarly Secured are secured by a pledge of and a lien upon the pledged revenues (the “Pledged Revenues”), consisting primarily of the Improvement Area #2 Assessments expected to be levied against the Improvement Area #2 Assessed Property (as defined herein) in Improvement Area #2 of the District and other funds comprising the Trust Estate, all to the extent and upon the conditions described herein and in the Indenture. In accordance with the PID Act, on [\_\_\_\_], 2024, the City Council expects to approve and adopt the 2024 Amended and Restated Service and Assessment Plan (as may be updated and amended from time to time, the “Service and Assessment Plan”), which, among other things, will amend and restate the 2023 Service and Assessment Plan (as defined herein), describe the special benefit received by the property within Improvement Area #2, provide the basis and justification for the determination of special benefit on such property, establish the methodology for the levy of the Improvement Area #2 Assessments, and provide for the allocation of Pledged Revenues for payment of principal of, premium, if any, and interest on the Bonds. The Service and Assessment Plan is reviewed and updated annually for the purpose of determining the annual budget for improvements and the Annual Installments (as defined below) of Improvement Area #2 Assessments due in a given year. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on all current and future landowners within the District. See “APPENDIX C — Form of Service and Assessment Plan.”

The City is authorized by the PID Act, the Assessment Ordinance and other provisions of applicable law to finance the Improvement Area #2 Authorized Improvements by levying Improvement Area #2 Assessments upon the Improvement Area #2 Assessed Property. For a description of the assessment methodology and the amounts of Improvement Area #2 Assessments levied in the District, see “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

Pursuant to the Indenture, the following terms are assigned the following meanings:

“Additional Interest” means the amount collected by application of the Additional Interest Rate.

“Additional Interest Rate” means the 0.50% additional interest rate charged on the Improvement Area #2 Assessments as authorized by Section 372.018 of the PID Act.

“Additional Obligations” means any bonds or obligations, including specifically, any installment contracts, reimbursement agreements, temporary notes, or time warrants, secured in whole or in part by an assessment, other than the Improvement Area #2 Assessments securing the Bonds Similarly Secured, levied against property within Improvement Area #2 of the District in accordance with the PID Act.

“Annual Installment” means the annual payment of the Improvement Area #2 Assessments as calculated by the PID Administrator and approved by the City Council that includes: (1) principal; (2) interest; (3) Annual Collection Costs; and (4) Additional Interest.

“Assessed Property” or “Assessed Properties” means any Parcel within the District that benefits from an Authorized Improvement and on which Assessments have been levied as shown on an Assessment Roll (as the same may be updated each year by an update to a Service and Assessment Plan).

“Assessment Revenues” means the revenues received by the City from the collection of Improvement Area #2 Assessments, including Prepayments, Annual Installments and Foreclosure Proceeds.

“Bonds Similarly Secured” means, collectively, any Outstanding Bonds and Refunding Bonds.

“Pledged Funds” means, collectively, the Pledged Revenue Fund, the Bond Fund, the Project Fund, the Reserve Fund, and the Redemption Fund.

“Pledged Revenues” means, collectively, the (i) Assessment Revenues (excluding the portion of the Improvement Area #2 Assessments and Annual Installments collected for the payment of Annual Collection Costs and Delinquent Collection Costs, as set forth in the Service and Assessment Plan), (ii) the moneys held in any of the



Pledged Funds and (iii) any additional revenues that the City may pledge to the payment of the Bonds or other Bonds Similarly Secured.

“Quarter in Interest” means as of any particular date of calculation, the Holders of no less than twenty-five percent (25%) of the principal amount of the then Outstanding Bonds Similarly Secured so affected. In the event that two or more groups of Holders satisfy the percentage requirement set forth in the immediately preceding sentence and act (or direct the Trustee in writing to act) in a conflicting manner, only the group of Holders with the greatest percentage of then Outstanding Bonds Similarly Secured so affected (as measured in accordance with the immediately preceding sentence) shall, to the extent of such conflict, be deemed to satisfy such requirement.

### **Assessments Payable in Annual Installments**

The Improvement Area #2 Assessments on each parcel, tract or lot which are to be collected in each year during the term of the Bonds are shown on the Improvement Area #2 Assessment Roll (as defined herein). The Improvement Area #2 Assessments, together with the interest thereon, will be deposited in the Pledged Revenue Fund for the payment of the principal of and interest on the Bonds, as and to the extent provided in the Service and Assessment Plan and the Indenture. See “SECURITY FOR THE BONDS SIMILARLY SECURED — Pledged Revenue Fund and Project Collection Fund.”

The Improvement Area #2 Assessments assessed to pay debt service on the Bonds together with interest thereon, are payable in Annual Installments established by the Assessment Ordinance and the Service and Assessment Plan to correspond, as nearly as practicable, to the debt service requirements for the Bonds. An Annual Installment of an Improvement Area #2 Assessment will be made payable in the Assessment Ordinance in each City fiscal year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay debt service requirements attributable to the Improvement Area #2 Assessment in the Service and Assessment Plan. Each Annual Installment is payable as provided in the Service and Assessment Plan and the Assessment Ordinance.

The portions of the Annual Installments of Improvement Area #2 Assessments collected to pay Annual Collection Costs and Delinquent Collection Costs will be deposited in the Administrative Fund and shall not constitute Pledged Revenues.

### **Unconditional Levy of Assessments**

The City will impose Improvement Area #2 Assessments on the Improvement Area #2 Assessed Property to pay the principal of and interest on the Bonds scheduled for payment from Pledged Revenues as described in the Indenture and in the Service and Assessment Plan and coming due during each fiscal year. The Improvement Area #2 Assessments shall be effective on the date of, and strictly in accordance with the terms of, the Assessment Ordinance. Each Improvement Area #2 Assessment may be paid immediately in full or in periodic Annual Installments over a period of time equal to the term of the Bonds, which installments shall include interest on the Improvement Area #2 Assessments. After issuance of the Bonds, interest on the Improvement Area #2 Assessments will accrue at the rate on the Bonds, plus the Additional Interest on the Improvement Area #2 Assessments, for each lot within Improvement Area #2, as specified in the Assessment Ordinance. The rate of Additional Interest may not exceed a rate that is 0.50% higher than the actual interest rate of the Bonds, pursuant to Section 372.018 of the PID Act. Each Annual Installment, including the interest on the unpaid amount of an Improvement Area #2 Assessment, shall be calculated annually and shall be billed on or about October 1 of each year, and is due upon receipt. Each Annual Installment together with interest thereon shall be delinquent if not paid prior to February 1 of the following year.

As authorized by Section 372.018(b) of the PID Act, the City will collect, each year while the Bonds are Outstanding and unpaid, as part of the Annual Installment, an amount to pay the annual costs incurred by the City in the collection of the assessments, administration and operation of the District (the “Annual Collection Costs”). The portion of each Annual Installment of an Improvement Area #2 Assessment used to pay Annual Collection Costs shall remain in effect each year until all Bonds are finally paid or until the City adjusts the amount after an annual review in any year pursuant to Section 372.013 of the PID Act. The amount collected to pay Annual Collection Costs shall be billed in the manner set forth in the Assessment Ordinance on or about October 1 of each year and is

due upon receipt and shall be delinquent if not paid by February 1 of the following year. **Amounts collected for Annual Collection Costs do not secure repayment of the Bonds.**

There is no discount for the early payment of Improvement Area #2 Assessments.

The PID Act provides that the Improvement Area #2 Assessments (including any reassessment, with interest, the expense of collection and reasonable attorney's fees, if incurred) are a first and prior lien (the "Assessment Lien") against the Improvement Area #2 Assessed Property, superior to all other liens and claims, except liens and claims for the State, county, school district, or municipality for ad valorem taxes and are a personal liability of and charge against the owners of property, regardless of whether the owners are named. Pursuant to the PID Act, the Assessment Lien is effective from the date of the Assessment Ordinance until the Improvement Area #2 Assessments are paid (or otherwise discharged) and is enforceable by the City Council in the same manner that an ad valorem property tax levied against real property may be enforced by the City Council. See "ASSESSMENT PROCEDURES" herein. The Assessment Lien is superior to any homestead rights of a property owner that are properly claimed after the adoption of the Assessment Ordinance. However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance ("Pre-existing Homestead Rights") for as long as such rights are maintained on the property. See "BONDHOLDERS' RISKS — Assessment Limitations."

Failure to pay an Annual Installment when due will not accelerate the payment of the remaining Annual Installments of the Improvement Area #2 Assessments and such remaining Annual Installments (including interest) will continue to be due and payable at the same time and in the same amount and manner as if such default had not occurred.

### **Collection of Assessments and Enforcement of Lien**

For so long as any Bonds Similarly Secured are Outstanding, and/or amounts are due to the Managing Developer to reimburse it for its funds it has contributed to pay Actual Costs of the Improvement Area #2 Projects, the City covenants, agrees and warrants that it will take and pursue all actions permissible under Applicable Laws to cause the Improvement Area #2 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Improvement Area #2 Assessments.

The City will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Improvement Area #2 Assessment or the corresponding Improvement Area #2 Assessed Property. Furthermore, nothing shall obligate the City, the City Attorney, or any appropriate designee to undertake collection or foreclosure actions against delinquent accounts in violation of applicable state law, court order, or existing contractual provisions between the City and its appropriate collections enforcement designees.

### **Perfected Security Interest**

The lien on and pledge of the Trust Estate will be valid and binding and fully perfected from and after the Closing Date, without physical delivery or transfer of control of the Trust Estate, the filing of the Indenture or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended, which applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the City under the Indenture, and such pledge is therefore valid, effective and perfected. If State law is amended at any time while the Bonds Similarly Secured are Outstanding such that the pledge of the Trust Estate granted by the City under the Indenture is to be subject to the filing requirements of Chapter 9, Business and Commerce Code, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are

reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

### **Pledged Revenue Fund and Project Collection Fund**

On or before February 20, ~~20~~2026, and on or before each August 20 and February 20 of each year thereafter while the Bonds Similarly Secured are Outstanding, the City shall transfer to the Trustee for deposit to the Pledged Revenue Fund the Pledged Revenues, other than the Pledged Revenues deposited into the Project Collection Fund by the Trustee upon the receipt from the Tax Assessor-Collector of the County. Upon the Trustee's receipt of the Pledged Revenues, including the Pledged Revenues deposited into the Project Collection Fund pursuant to the following paragraph and subsequently transferred to the Pledged Revenue Fund by the Trustee pursuant to a City Certificate as described below, the Trustee shall deposit or cause to be deposited the foregoing amounts as follows: (i) *first*, to the Bond Pledged Revenue Account of the Pledged Revenue Fund in an amount sufficient to pay debt service on the Bonds Similarly Secured next coming due, (ii) *second*, to the Reserve Account of the Reserve Fund in an amount to cause the amount in the Reserve Account to equal the Reserve Account Requirement, (iii) *third*, to pay other Actual Costs of the Improvement Area #2 Projects, and (iv) *fourth*, to pay other costs permitted by the PID Act. Notwithstanding the foregoing, the Additional Interest of the Annual Installments shall only be utilized for the purposes set forth under " — Delinquency & Prepayment Reserve Account," and, on each March 1, beginning ~~March 1, 2025~~March 1, 2026, and on any other day set forth in a City Certificate, the amount of Additional Interest of the Annual Installments confirmed by the City pursuant to a City Certificate, will be transferred from the Pledged Revenue Fund and be deposited into the Delinquency & Prepayment Reserve Account and/or the Redemption Fund, as applicable. If there are insufficient funds to make the deposit in full set forth in (i) above for the debt service payment date immediately following the required transfer date or the deposit in full set forth in (ii) above after the City transfers the Pledged Revenues to the Trustee by the dates specified in this paragraph and after the Trustee deposits all such Pledged Revenues as provided in this paragraph, the City shall make additional transfers of Pledged Revenues as soon as available and practicable to the Trustee from time to time for deposit to the Pledged Revenue Fund as necessary to ensure such deposits in (i) and (ii) are made in full.

While any of the Bonds Similarly Secured are Outstanding, Hays County, Texas (the "County") acting by and through its Tax Assessor-Collector or another taxing unit or an appraisal district, by agreement with the City, may collect Assessment Revenues on the City's behalf. If such taxing unit or appraisal district presents or otherwise tenders to the Trustee such collected Assessment Revenues for deposit on the City's behalf, the Trustee shall accept such Assessment Revenues and deposit the same into the Project Collection Fund. The Trustee shall, as directed by the City pursuant to a City Certificate deposit or cause to be deposited (i) all of that portion of the Assessment Revenues deposited into the Project Collection Fund that consists of the Annual Collection Costs and Delinquent Collection Costs to the Administrative Fund, and (ii) all of that portion of the Assessment Revenues deposited into the Project Collection Fund that consists of the Pledged Revenues into the Pledged Revenue Fund and shall further deposit or cause to be deposited such Pledged Revenues pursuant to the paragraph above. The City shall provide such City Certificates on or before February 20, ~~20~~2026 and on or before every August 20 and February 20 thereafter while the Bonds Similarly Secured are Outstanding. If there are insufficient funds to make the deposit in full set forth in (i) of the above paragraph for the debt service payment date immediately following the required City Certificate delivery date or the deposit in full set forth in (ii) of the above paragraph after the City provides a City Certificate by the dates specified in this paragraph and after the Trustee deposits all Pledged Revenues received as provided in this paragraph and the above paragraph, the City will provide additional City Certificates as soon as practicable to the Trustee from time to time upon notice from the Trustee that additional Assessment Revenues have been deposited to the Project Collection Fund and the Trustee will make the transfers contemplated by this paragraph and the above paragraph, as necessary to ensure the deposits set forth in (i) and (ii) of the above paragraph are made in full.

For a discussion of the Billing and Collection Services Agreement (as defined herein) ~~to be~~ entered into between the City and the County, see "ASSESSMENT PROCEDURES — Billing and Collection Services Agreement."

**THE PROJECT COLLECTION FUND IS NOT A PLEDGED FUND AND IS NOT SECURITY FOR THE BONDS SIMILARLY SECURED.**

From time to time as needed to pay the obligations relating to the Bonds Similarly Secured, but no later than five Business Days before each Interest Payment Date, the Trustee shall withdraw from the Bond Pledged Revenue Account of the Pledged Revenue Fund and transfer to the Principal and Interest Account of the Bond Fund, an amount, taking into account any amounts then on deposit in such Principal and Interest Account and any expected transfers from the Capitalized Interest Account to the Principal and Interest Account, such that the amount on deposit in the Principal and Interest Account equals the principal (including any Sinking Fund Installments) and interest due on the Bonds Similarly Secured on the next Interest Payment Date.

The Trustee shall transfer the amounts determined in writing by the City as Prepayments to the Redemption Fund promptly after deposit of such amounts into the Pledged Revenue Fund.

Upon receipt of Foreclosure Proceeds, the Trustee shall transfer such amount of Foreclosure Proceeds determined in writing by the City, *first*, to the Reserve Fund to restore any transfers from the Reserve Fund made to which the Foreclosure Proceeds relate, *second*, to the Delinquency & Prepayment Reserve Account to replenish the Delinquency & Prepayment Reserve Requirement, and *third*, to the Redemption Fund.

After satisfaction of the requirement to provide for the payment of the principal of and interest on the Bonds Similarly Secured and to fund any deficiency that may exist in the Reserve Fund, the Trustee shall, at the written request of the City, transfer any Pledged Revenues remaining in the Pledged Revenue Fund to the City, which monies may be used for any lawful purpose for which Improvement Area #2 Assessments may be used under the PID Act. The Trustee may rely upon any such request of the City and shall have no obligation to determine the lawful purposes permitted under the PID Act.

### **Bond Fund**

On each Interest Payment Date, the Trustee shall withdraw from the Principal and Interest Account of the Bond Fund and transfer to the Paying Agent/Registrar the principal (including any Sinking Fund Installments) and/or interest then due and payable on the Bonds Similarly Secured ~~-,~~ less any amount to be used to pay interest on the Bonds Similarly Secured on such Interest Payment Date from the Capitalized Interest Account as provided below.

If amounts in the Principal and Interest Account are insufficient to pay the amounts due on the Bonds Similarly Secured on an Interest Payment Date, the Trustee shall withdraw from the Reserve Fund amounts to cover the amount of such insufficiency pursuant to the Indenture. Amounts so withdrawn from the Reserve Fund shall be deposited in the Principal and Interest Account of the Bond Fund and transferred to the Paying Agent/Registrar.

Moneys in the Capitalized Interest Account shall be used for the payment of all interest due on the Bonds on March 1, 2025 and September 1, 2025. Any amounts on deposit in the Capitalized Interest Account after the payment of interest on the dates and in the amounts listed above shall be transferred to the Project Fund, or if the Project Fund has been closed, such amounts shall be transferred to the Redemption Fund to be used to redeem Bonds and the Capitalized Interest Account shall be closed.

If, after the foregoing transfers and any transfer from the Reserve Fund as provided in the Indenture, there are insufficient funds to make the payments provided in the paragraph above, the Trustee shall apply the available funds in the Principal and Interest Account first to the payment of interest, then to the payment of principal (including any Sinking Fund Installments) on the Bonds Similarly Secured.

### **Project Fund**

Money on deposit in the Project Fund shall be used for the purposes specified below.

Disbursements from the Costs of Issuance Account of the Project Fund shall be made by the Trustee to pay costs of issuance of the Bonds pursuant to instructions on the memorandum to be issued by the City's financial advisor (the "Closing Memorandum") as of the Closing Date for the respective series of Bonds Similarly Secured. If, after the foregoing disbursements made pursuant to the Closing Memorandum, there are funds remaining in the Cost of Issuance Account, disbursements from the Costs of Issuance Account of the Project Fund shall be made by the

Trustee to pay costs of issuance of the Bonds pursuant to one or more City Certificates as provided under the Indenture.

Disbursements from the Improvement Account of the Project Fund to pay Actual Costs shall be made by the Trustee upon receipt by the Trustee of a properly executed and completed Certification for Payment. Each such Certification for Payment shall include a list of the payees and the payments (not to exceed) to be made to such payees as well as a statement that all payments shall be made by check or wire transfer in accordance with the payment instructions set forth in such written request and the Trustee may rely on such payment instructions though given by the City with no duty to investigate or inquire as to the authenticity of or authorization for the invoice or the payment instructions contained therein.

Except as provided below, money on deposit in the Improvement Account shall be used solely to pay Actual Costs provided the Trustee shall have no responsibility for the application of any funds disbursed from the Improvement Account in reliance upon a Certification for Payment approved by the City.

If the City Representative determines in the City Representative's reasonable discretion that amounts then on deposit in the Improvement Account of the Project Fund are not expected to be expended for purposes of the Improvement Account due to the abandonment, or constructive abandonment, of one or more of the Improvement Area #2 Projects such that, in the reasonable opinion of the City Representative, it is unlikely that the amounts in the Improvement Account of the Project Fund will ever be expended for the purposes of the Improvement Account, the City Representative shall, after providing the Owner with thirty (30) days notice of such determination, file a City Certificate with the Trustee which identifies the amounts then on deposit in the Improvement Account of the Project Fund that are not expected to be used for purposes of the Improvement Account. If such City Certificate is so filed, the amounts on deposit in the Improvement Account of the Project Fund shall be transferred to the Redemption Fund to redeem Bonds Similarly Secured on the earliest practicable date after notice of redemption has been provided in accordance with the Indenture. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

Upon the filing of a City Certificate stating that all of the Improvement Area #2 Projects have been completed and that all Actual Costs have been paid, or that any Actual Costs of the Improvement Area #2 Projects are not required to be paid from the Improvement Account of the Project Fund pursuant to a Certification for Payment, the Trustee shall transfer the amount, if any, remaining within the Improvement Account of the Project Fund to the Bond Fund or to the Redemption Fund as directed by the City Representative in a City Certificate filed with the Trustee. Upon such transfers, the Improvement Account of the Project Fund shall be closed.

Upon the Trustee's receipt of a written determination by the City Representative that all costs of issuance of the applicable series of Bonds Similarly Secured have been paid, any amounts remaining in the Costs of Issuance Account shall be transferred to (i) the Improvement Account in the Project Fund and used to pay Actual Costs of the Improvement Area #2 Projects or (ii) if no Improvement Area #2 Projects remain to be funded, to the Principal and Interest Account of the Bond Fund and used to pay principal on the Bonds, as directed in a City Certificate filed with the Trustee and the Costs of Issuance Account shall be closed.

### **Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Reserve Account has been created within the Reserve Fund for the benefit of the Bonds and held by the Trustee. The Reserve Account of the Reserve Fund will be initially funded with a deposit of \$\_\_\_\_\_ from the proceeds of the Bonds in the amount of the Reserve Account Requirement. The City agrees with the Holders of the Bonds Similarly Secured to accumulate from the deposits described under "— Pledged Revenue Fund and Project Collections Fund", and when accumulated, maintain in the Reserve Account of the Reserve Fund, an amount equal to not less than the Reserve Account Requirement except to the extent such deficiency is due to the application of the immediately succeeding paragraph. All amounts deposited in the Reserve Account of the Reserve Fund shall be used and withdrawn by the Trustee for the purpose of making transfers to the Principal and Interest Account of the Bond Fund or the Redemption Fund as provided in the Indenture. Pursuant to the Indenture, the "Reserve Account Requirement" for the Bonds Similarly Secured is the least of: (i) Maximum Annual Debt Service on the Bonds Similarly Secured as of the Closing Date, (ii) 125% of average Annual Debt Service on the Bonds Similarly Secured as of the Closing Date, or (iii) 10% of the proceeds of the Bonds Similarly

Secured; provided, however, that such amount shall be reduced as a result of an optional redemption pursuant or an extraordinary optional redemption, and any such reduction in the Reserve Account Requirement shall be by a percentage equal to the pro rata principal amount of Bonds Similarly Secured redeemed by such redemption divided by the total principal amount of the Outstanding Bonds Similarly Secured prior to such redemption. As of the Closing Date, the Reserve Account Requirement is \$ \_\_\_\_\_ which is an amount equal to [Maximum Annual Debt Service] on the Bonds as of the Closing Date.

In the event of an extraordinary optional redemption of Bonds Similarly Secured, the Trustee, pursuant to written directions from the City, shall transfer from the Reserve Account of the Reserve Fund to the Redemption Fund the amount specified in such directions, which shall be an amount equal to the principal amount of Bonds Similarly Secured to be redeemed multiplied by the lesser of: (i) the amount required to be in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption, and (ii) the amount actually in the Reserve Account of the Reserve Fund divided by the principal amount of Outstanding Bonds Similarly Secured prior to the redemption. If after such transfer, and after applying investment earnings on the Prepayment toward payment of accrued interest, there are insufficient funds to pay the principal amount plus accrued and unpaid interest on such Bonds Similarly Secured to the date fixed for redemption of the Bonds Similarly Secured to be redeemed as a result of such Prepayment, the Trustee shall transfer an amount equal to the shortfall and/or any additional amounts necessary to permit the Bonds Similarly Secured to be redeemed in minimum principal amounts of \$1,000, from the Delinquency & Prepayment Reserve Account to the Redemption Fund to be applied to the redemption of the Bonds Similarly Secured.

Whenever, on any Interest Payment Date, or on any other date at the request of a City Representative, the value of cash and Value of Investment Securities on deposit in the Reserve Account exceeds the Reserve Account Requirement, the Trustee shall provide written notice to the City Representative of the amount of the excess. Such excess shall be transferred to the Principal and Interest Account to be used for the payment of interest on the Bonds Similarly Secured on the next Interest Payment Date in accordance with the Indenture, unless prior to the next Interest Payment Date, the Trustee receives a City Certificate instructing the Trustee to apply such excess: (i) to pay amounts due to the Rebate Fund, (ii) to the Administrative Fund in an amount not more than the Annual Collection Costs for the Bonds Similarly Secured or (iii) to the Improvement Account of the Project Fund to pay Actual Costs of the Improvement Area #2 Projects if such application and the expenditure of funds is expected to occur within three years of the date hereof.

Whenever a transfer is made from the Reserve Account to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds.

Whenever, on any Interest Payment Date, the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds Similarly Secured due on such date, the Trustee shall transfer first from the Delinquency & Prepayment Reserve Account of the Reserve Fund, and second from the Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency.

At the final maturity of the Bonds Similarly Secured, the amount on deposit in the Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds Similarly Secured.

If, after a Reserve Account withdrawal, the amount on deposit in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund the amount of such deficiency, but only to the extent that such amount is not required for the timely payment of principal, interest, or Sinking Fund Installments.

If the amount held in the Reserve Fund together with the amount held in the Pledged Revenue Fund, the Bond Fund and Redemption Fund is sufficient to pay the principal amount of all Outstanding Bonds Similarly Secured on the next date the Bonds Similarly Secured may be optionally redeemed by the City at a redemption price

of par, together with the unpaid interest accrued on such Bonds Similarly Secured as of such date, the moneys shall be transferred to the Redemption Fund and thereafter used to redeem all Bonds Similarly Secured on such date.

### **Delinquency & Prepayment Reserve Account of the Reserve Fund**

Pursuant to the Indenture, a Delinquency & Prepayment Reserve Account has been created within the Reserve Fund, held by the Trustee for the benefit of the Bonds Similarly Secured. The Trustee, if needed, will transfer from the Bond Pledged Revenue Account to the Delinquency & Prepayment Reserve Account on March 1, commencing ~~March 1, 2025~~ March 1, 2026, and on any other day set forth in a City Certificate, an amount equal to the Additional Interest until the Delinquency & Prepayment Reserve Requirement has been accumulated in the Delinquency & Prepayment Reserve Account. Once the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account, any amounts in excess of the Delinquency & Prepayment Reserve Requirement shall be transferred by the Trustee to the Redemption Fund to redeem Bonds Similarly Secured as provided in the Indenture, however, that at any time the amount on deposit in the Delinquency & Prepayment Reserve Account is less than Delinquency & Prepayment Reserve Requirement, the Trustee shall resume depositing such Additional Interest into the Delinquency & Prepayment Reserve Account until the Delinquency & Prepayment Reserve Requirement has accumulated in the Delinquency & Prepayment Reserve Account. The Additional Interest shall continue to be collected and deposited pursuant to the Indenture until the Bonds Similarly Secured are no longer Outstanding. The Delinquency & Prepayment Reserve Requirement is [ ]% of the principal amount of the Outstanding Bonds Similarly Secured.

Whenever, on any Interest Payment Date, or on any other date at the written request of the City Representative, the amount in the Delinquency & Prepayment Reserve Account exceeds the Delinquency & Prepayment Reserve Requirement, the Trustee shall provide written notice to the City of the amount of the excess, and the Trustee shall transfer such excess pursuant to the above paragraph.

Whenever a transfer is made from the Delinquency & Prepayment Reserve Account to the Bond Fund due to a deficiency in the Bond Fund, the Trustee shall provide written notice thereof to the City, specifying the amount withdrawn and the source of said funds.

At the final maturity of the Bonds, the amount on deposit in the Delinquency & Prepayment Reserve Account shall be transferred to the Principal and Interest Account of the Bond Fund and applied to the payment of the principal of the Bonds Similarly Secured.

### **Administrative Fund**

The City has created under the Indenture an Administrative Fund held by the Trustee. On or before February 20, ~~20~~ 2026, and on or before each August 20 and February 20 of each year thereafter while the Bonds Similarly Secured are Outstanding, the City shall deposit or cause to be deposited to the Administrative Fund the portion of the Improvement Area #2 Assessments and Annual Installments allocated to the payment of Annual Collection Costs and Delinquent Collection Costs, as set forth in the Service and Assessment Plan, other than the Annual Collection Costs and Delinquent Collection Costs deposited into the Project Collection Fund, which amounts shall be deposited in accordance with the provisions under “— Pledged Revenue Fund and Project Collections Fund.”

Moneys in the Administrative Fund shall be held by the Trustee separate and apart from the other Funds created and administered under the Indenture and used as directed by a City Certificate solely for the purposes set forth in the Service and Assessment Plan, including payment of Annual Collection Costs and Delinquent Collection Costs or may be withdrawn by the Trustee without further authorization for the payment of the fees, expenses, advances and indemnities owed to the Trustee in accordance with the Indenture.

**THE ADMINISTRATIVE FUND IS NOT A PLEDGED FUND AND SHALL NOT BE SECURITY FOR THE BONDS SIMILARLY SECURED.**

## Defeasance

Any Outstanding Bonds Similarly Secured shall, prior to the Stated Maturity or redemption date thereof, be deemed to have been paid and no longer Outstanding within the meaning of the Indenture (a “Defeased Debt”), when payment of the principal of, premium, if any, on such Defeased Debt, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), either (1) shall have been made in accordance with the terms thereof, or (2) shall have been provided by irrevocably depositing with the Trustee, in trust, and irrevocably set aside exclusively for such payment, (A) money sufficient to make such payment or (B) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amount and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of the Trustee pertaining to the Bonds Similarly Secured with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Indenture nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Bonds Similarly Secured. Any cash received from such principal of and interest on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, be reinvested in Defeasance Securities as directed by the City maturing at times and in amounts sufficient to pay when due the principal of and interest on the Bonds Similarly Secured on and prior to such redemption date or maturity date thereof, as the case may be. Any payment for Defeasance Securities purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such Defeasance Securities.

“Defeasance Securities” means Investment Securities then authorized by applicable law for the investment of funds to defease public securities. “Investment Securities” means those authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “PFIA”); and that at the time made are included in and authorized by the City’s official investment policy as approved by the City Council from time to time. Under current State law, Investment Securities that are authorized for the investment of funds to defease public securities are (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality, and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a City, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds Similarly Secured. Because the Indenture does not contractually limit such investments, Holders will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

## Events of Default

Each of the following occurrences or events constitutes an “Event of Default” under the Indenture:

- (i) The failure of the City to deposit the Pledged Revenues to the Pledged Revenue Fund;
- (ii) The failure of the City to enforce the collection of the Improvement Area #2 Assessments, including the prosecution of foreclosure proceedings;



(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under the Indenture other than a default under (i) above or (iv) below, and the continuation thereof for a period of 90 days after written notice specifying such default and requiring same to be remedied shall have been given to the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of at least a majority of the aggregate Outstanding principal of the Bonds Similarly Secured so affected by such Event of Default; and

(iv) The failure to make payment of the principal of or interest on any of the Bonds Similarly Secured when the same becomes due and payable and such failure is not remedied within 30 days thereafter; provided, however, that the payments are to be made only from Pledged Revenues or other funds currently available in the Pledged Funds and available to the City to make any such payments.

### **Remedies in Event of Default**

Upon the happening and continuance of any Event of Default, the Trustee may, and at the written direction of the Holders of at least a Quarter in Interest of the Series of Bonds Similarly Secured and so affected by such Event of Default and its receipt of indemnity satisfactory to it shall, proceed against the City for the purpose of protecting and enforcing the rights of the Holders under the Indenture, by action seeking mandamus or by other suit, action, or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Laws, including, but not limited to, the specific performance of any covenant or agreement contained in the Indenture, or injunction; provided, however, that no action for money damages against the City may be sought or shall be permitted. The Trustee retains the right to obtain the advice of counsel in its exercise of remedies of default.

THE PRINCIPAL OF THE BONDS SIMILARLY SECURED SHALL NOT BE SUBJECT TO ACCELERATION UNDER ANY CIRCUMSTANCES.

Whenever moneys are to be applied pursuant to the Indenture, irrespective of and whether other remedies authorized under the Indenture shall have been pursued in whole or in part, the Trustee may cause any or all of the assets of the Trust Estate, including Investment Securities, to be sold. The Trustee may so sell the assets of the Trust Estate and all right, title, interest, claim and demand thereto and the right of redemption thereof, in one or more parts, at any such place or places, and at such time or times and upon such notice and terms as the Trustee may deem appropriate and as may be required by law and apply the proceeds thereof in accordance with the provisions of the Indenture. The Trustee shall sell Trust Estate assets, according to the appraised value thereof, beginning with the asset of the highest value and continuing such sales in the order of next succeeding most valuable asset until satisfaction of debts pertaining to the Outstanding Bonds Similarly Secured. Upon such sale, the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the City, and all other Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money proceeds thereof or to inquire as to the authorization, necessity, expediency, or regularity of any such sale. Nevertheless, if so requested by the Trustee, the City shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or, in the judgment of the Trustee, proper for the purpose which may be designated in such request.

In an Event of Default shall have occurred and be continuing, the City, upon demand of the Trustee, shall surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the City pertaining thereto, and including the rights and the position of the City, and to hold, operate, and manage the same, and from time to time make all needed repairs and improvements, as well as set up proper reserve for the payment of all proper costs and expenses, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents, and counsel, (ii) any reasonable charges of the Trustee hereunder, (iii) any taxes and assessments and other charges prior to the lien of the of Indenture, and (iv) all expenses of such repairs and improvements. After payment in full of the foregoing, the Trustee shall surrender possession of the Trust Estate to the City, its successors or assigns.

## **Restriction on Holder's Actions**

No Holder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or any other remedy under the Indenture, unless (i) a default has occurred and is continuing of which the Trustee has been notified in writing, (ii) such default has become an Event of Default and the Holders of a Quarter in Interest of the Series of Bonds Similarly Secured then Outstanding and so affected by such Event of Default have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, suit or proceeding in its own name, (iii) the Holders have furnished to the Trustee indemnity as provided in the Indenture, (iv) the Trustee has for 60 days after such notice failed or refused to exercise the powers granted under the Indenture, or to institute such action, suit, or proceeding in its own name, (v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of at least a Quarter in Interest of the Bonds Similarly Secured then Outstanding and so affected by such Event of Default, and (vi) notice of such action, suit or proceeding is given to the Trustee; however, no one or more Holders of the Bonds Similarly Secured shall have any right in any manner whatsoever to affect, disturb, or prejudice the Indenture by its, his, or their action or to enforce any right thereunder except in the manner provided therein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided therein and for the equal benefit of the Holders of all Bonds Similarly Secured then Outstanding. The notification, request and furnishing of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy thereunder.

Subject to provisions of the Indenture with respect to certain liabilities of the City, nothing in the Indenture shall affect or impair the right of any Holder to enforce, by action at law, payment of any Bond Similarly Secured at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Bond Similarly Secured issued under the Indenture to the respective Holders thereof at the time and place, from the source and in the manner expressed in the Indenture and in the Bonds Similarly Secured.

In case the Trustee or any Holders shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Holders, then and in every such case the City, the Trustee and the Holders shall be restored to their former positions and rights thereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## **Application of Revenues and Other Moneys after Event of Default**

All moneys, securities, funds and Pledged Revenues and other assets of the Trust Estate and the income therefrom received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture with respect to Events of Default, shall, after payment of the cost and expenses of the proceedings resulting in the collection of such amounts, the expenses (including Trustee's counsel), liabilities, and advances incurred or made by the Trustee and the fees of the Trustee in carrying out the Indenture during the continuance of an Event of Default, be applied by the Trustee, on behalf of the City, to the payment of interest and principal or Redemption Price then due on Bonds Similarly secured, as follows:

(i) FIRST: To the payment to the Holders entitled thereto all installments of interest then due in the direct order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Holders entitled thereto, without any discrimination or preference; and

(ii) SECOND: To the payment to the Holders entitled thereto of the unpaid principal of Outstanding Bonds Similarly Secured, or Redemption Price of any Bonds Similarly Secured which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds Similarly Secured due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due and to the Holders entitled thereto, without any discrimination or preference.

Within 30 days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Holders pursuant to the Indenture.

In the event funds are not adequate to cure any of the Events of Default described above, the available funds shall be allocated to the Bonds Similarly Secured that are Outstanding in proportion to the quantity of Bonds Similarly Secured that are currently due and in default under the terms of the Indenture.

The restoration of the City to its prior position after any and all defaults have been cured, as provided above, shall not extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

### **Investment of Funds**

Money in any Fund or Account, other than the Reserve Account, shall be invested by the Trustee as directed by the City pursuant to a City Certificate filed with the Trustee in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund or Account will be available at the proper time or times. Money in the Reserve Account shall be invested in such Investment Securities as directed by the City pursuant to a City Certificate filed with the Trustee, provided that the final maturity of any individual Investment Security shall not exceed 270 days and the average weighted maturity of any investment pool or no-load money market mutual fund shall not exceed 90 days. Each such City Certificate shall be a certification that the investment directed therein constitutes an Investment Security and that such investments meet the maturity and average weighted maturity requirements set forth in the preceding sentence and the Trustee shall not be responsible for determining such requirements. Such investments shall be valued each year in terms of the Value of Investment Securities as of September 30. For purposes of maximizing investment returns, to the extent permitted by law, money in the Funds and Accounts may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or Account are held by or on behalf of each such Fund or Account. If necessary, such investments shall be promptly sold, in order to make the disbursements required or permitted by the Indenture, to prevent any default under the Indenture. If the City does not give the Trustee written or timely instructions with respect to investments of funds, the Trustee shall hold such funds uninvested.

Obligations purchased as an investment of moneys in any Fund or Account shall be deemed to be part of such Fund or Account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in Funds and Accounts. Whenever in the Indenture any moneys are required to be transferred by the City to the Trustee, such transfer may be accomplished by transferring a like amount of Investment Securities.

### **Additional Obligations or Other Liens; Refunding Bonds**

The City reserves the right to issue Additional Obligations under other indentures, assessment ordinances, or similar agreements or other obligations which do not constitute or create a lien on any portion of the Trust Estate and are not payable from any portion of the Trust Estate.

Other than bonds issued to refund any Outstanding Bonds (“Refunding Bonds”), the City will not create or voluntarily permit to be created any debt, lien, or charge on any portion of the Trust Estate and will not do or omit to do or suffer to be or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority thereof might or could be lost or impaired; and further covenants that it will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence over or any equality with the Indenture as a lien or charge upon the Trust Estate; provided, however, that nothing in the corresponding section of the Indenture shall require the City to apply, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be

contested by it in good faith, unless thereby, in the opinion of counsel to the Trustee, the same would endanger the security for the Bonds Similarly Secured.

Additionally, the City has reserved the right to issue bonds or other obligations secured by and payable from Pledged Revenues so long as such pledge is subordinate to the pledge of Pledged Revenues securing payment of the Bonds Similarly Secured.

The City reserves the right to issue Refunding Bonds, the proceeds of which would be utilized to refund all or any portion of the Outstanding Bonds or Outstanding Refunding Bonds and to pay all costs incident to the Refunding Bonds, as authorized by the laws of the State.

Notwithstanding anything to the contrary in the Indenture, no Refunding Bonds may be issued by the City unless: (1) the principal (including any principal amounts to be redeemed on a mandatory sinking fund redemption date) of such Refunding Bonds is scheduled to mature on September 1 of the years in which principal is scheduled to mature and (2) the interest on such Refunding Bonds must be scheduled to be paid on March 1 and September 1 of the years in which interest is scheduled to be paid. The date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions of Refunding Bonds shall be set forth in a Supplemental Indenture.

Upon their authorization by the City, the Refunding Bonds of a Series issued under the Indenture shall be issued and shall be delivered to the purchasers or owners thereof, but before, or concurrently with, the delivery of said Refunding Bonds to such purchasers or owners there shall have been filed with the Trustee (1) a copy, certified by the City Secretary, of the ordinance or ordinances of the City authorizing the issuance, sale, execution and delivery of the Refunding Bonds and the execution and delivery of a Supplemental Indenture establishing, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates, redemption and all other terms and provisions of such Refunding Bonds, and (2) an original executed counterpart of the Supplemental Indenture for such Refunding Bonds.

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## SOURCES AND USES OF FUNDS

The table that follows summarizes the expected sources and uses of proceeds of the Bonds:\*

Sources of Funds:	
Principal Amount	\$
<b>TOTAL SOURCES</b>	<b>\$</b>
Use of Funds:	
Deposit to Improvement Account of the Project Fund	\$
<u>Deposit to Capitalized Interest Account of the Bond Fund</u>	
Deposit to Costs of Issuance Account of the Project Fund	
Deposit to Reserve Account of the Reserve Fund	
Deposit to the Administrative Fund	
Underwriter's Discount <sup>(1)</sup>	
<b>TOTAL USES</b>	<b>\$</b>

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\* To be updated and completed upon pricing.

<sup>(1)</sup> Includes Underwriter's Counsel's fee of \$ \_\_\_\_\_.

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## DEBT SERVICE REQUIREMENTS

The following table sets forth the anticipated debt service requirements for the Bonds:\*

Year Ending (September 30)	Principal	Interest	Total
2025 <sup>(1)</sup>	\$	\$	\$
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
<b>Total</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>

<sup>(1)</sup> Interest due in 2025 will be paid from amounts on deposit in the Capitalized Interest Account.

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\* To be updated and completed upon pricing.

## OVERLAPPING TAXES AND DEBT

### Overlapping Taxes

The land within Improvement Area #2 has been, and is expected to continue to be, subject to taxes imposed by taxing entities other than the City. Such taxes are payable in addition to the Improvement Area #2 Assessments. The County, Dripping Springs Independent School District (“Dripping Springs ISD”), North Hays County Emergency Services District No. 1 (“North Hays Co ESD No. 1”) and Hays County Emergency Services District No. 6 (“Hays Co ESD No. 6”) may each levy ad valorem taxes upon all of the land in Improvement Area #2 for payment of debt incurred by such governmental entities and/or for payment of maintenance and operations expenses. The City has no control over the level of ad valorem taxes levied by such other taxing authorities. The following table reflects the overlapping ad valorem taxes currently levied on property located in Improvement Area #2.

#### Overlapping Taxes in Improvement Area #2

<u>Taxing Entity</u>	<u>Tax Year 2023 Ad Valorem Tax Rate<sup>(1)</sup></u>
The City	\$0.1718
Hays County (including special road tax)	0.3075
Dripping Springs ISD	1.1075
North Hays Co ESD No. 1	0.0301
Hays Co ESD No. 6	<u>0.0649</u>
<b>Total Current Tax Rate</b>	<b>\$1.6818</b>
Estimated Average Annual Installment of Improvement Area #2 Assessments as an Equivalent Tax Rate <sup>(2)</sup>	<del>\$0.7735</del> <u>0.7608</u>
<b>Estimated Total Tax Rate and Average Annual Installment of Improvement Area #2 Assessments as an Equivalent Tax Rate</b>	<del>\$2.4553</del> <u>2.4426</u>

<sup>(1)</sup> As reported by the taxing entities. Per \$100 in taxable assessed value.

<sup>(2)</sup> Derived from information in the Service and Assessment Plan.

Source: Hays Central Appraisal District and the Service and Assessment Plan.

### Overlapping Debt

As noted above, Improvement Area #2 includes territory located in other governmental entities that may issue or incur debt secured by the levy and collection of ad valorem taxes. Set forth below is an overlapping debt table showing the outstanding indebtedness payable from ad valorem taxes with respect to property within Improvement Area #2 and City debt to be secured by the Improvement Area #2 Assessments:

#### Overlapping Debt in Improvement Area #2

<u>Taxing or Assessing Entity</u>	<u>Gross Outstanding Debt as of [____], 2024</u>	<u>Estimated % Applicable<sup>(1)</sup></u>	<u>Estimated Overlapping Debt<sup>(1)</sup></u>
The City (Assessments - The Bonds)	\$6,873,000	100.00%	\$6,873,000
The City (Ad Valorem Taxes)		____%	
Hays County		____%	
Dripping Springs ISD		____%	
<b>Total<sup>(2)</sup></b>	<b>\$</b>		<b>\$</b>

<sup>(1)</sup> Based on the Appraisal (as defined herein) for Improvement Area #2 and on certified valuations for the Tax Year 2023 for the taxing entities.

<sup>(2)</sup> North Hays Co ESD No. 1 and Hays Co ESD No. 6 do not have outstanding general obligation debt.

Sources: Hays Central Appraisal District and Municipal Advisory Council of Texas. [\[Financial Advisor to complete\]](#)

## **Homeowners' Association**

In addition to the Improvement Area #2 Assessments described above, the Developers anticipate that each single-family residential lot owner in Improvement Area #2 will pay an annual maintenance and operation fee and/or a property owner's association fee to a homeowners' association (the "HOA") formed by the Developers. The HOA fees are expected to be approximately \$500 per year.

## **ASSESSMENT PROCEDURES**

### **General**

Capitalized terms used under this caption and not otherwise defined in this Limited Offering Memorandum shall have the meaning given to such terms in the Service and Assessment Plan. As required by the PID Act, when the City determines to defray a portion of the costs of the Improvement Area #2 Authorized Improvements through Improvement Area #2 Assessments, it must adopt a resolution generally describing the Improvement Area #2 Authorized Improvements and the land within Improvement Area #2 to be subject to Improvement Area #2 Assessments to pay the costs therefor. The City has caused an assessment roll to be prepared (the "Improvement Area #2 Assessment Roll"), which Improvement Area #2 Assessment Roll shows the Improvement Area #2 Assessed Property within Improvement Area #2, the amount of the benefit to and the Improvement Area #2 Assessment against each Lot or Parcel of land and the number of Annual Installments in which the Improvement Area #2 Assessment is divided. The Improvement Area #2 Assessment Roll will be filed with the City Secretary and made available for public inspection. Statutory notice was given to the owners of the property to be assessed and a public hearing will be conducted to hear testimony from affected property owners as to the propriety and advisability of undertaking the Improvement Area #2 Authorized Improvements and funding the same with Improvement Area #2 Assessments. The City expects to levy the Improvement Area #2 Assessments and adopt the Assessment Ordinance on [\_\_\_\_], 2024, after which the Improvement Area #2 Assessments will become legal, valid, and binding liens upon the Improvement Area #2 Assessed Property.

Under the PID Act, the costs of the Improvement Area #2 Authorized Improvements to be defrayed through Improvement Area #2 Assessments may be assessed by the City against the Improvement Area #2 Assessed Property so long as the special benefit conferred upon the Improvement Area #2 Assessed Property by the Improvement Area #2 Authorized Improvements equals or exceeds the Improvement Area #2 Assessments. The costs of the Improvement Area #2 Authorized Improvements may be assessed using any methodology that results in the imposition of equal shares of cost on Improvement Area #2 Assessed Property similarly benefited. The allocation of benefits and assessments to the benefitted land within Improvement Area #2 is presented in the Service and Assessment Plan, which should be read in its entirety. See "APPENDIX C — Form of Service and Assessment Plan."

### **Assessment Methodology**

The Service and Assessment Plan describes the special benefit to be received by each Parcel of Improvement Area #2 Assessed Property as a result of the Improvement Area #2 Authorized Improvements, provides the basis and justification for the determination that such special benefit exceeds the Improvement Area #2 Assessments being levied, and establishes the methodology by which the City allocates the special benefit of the Improvement Area #2 Authorized Improvements to Parcels in a manner that results in equal shares of costs being apportioned to Parcels similarly benefited. As described in the Service and Assessment Plan, a portion of the costs of the Improvement Area #2 Authorized Improvements are being funded with proceeds of the Bonds, which are payable from and secured by the Trust Estate consisting of the Pledged Revenues, including primarily the Improvement Area #2 Assessments.

As set forth in the Service and Assessment Plan, the benefits received by the Major Improvements shall be allocated pro rata between the Improvement Area #1 Assessed Property, Improvement Area #2 Assessed Property, and the assessed property within the Future Improvement Areas based on Estimated Buildout Value and the benefits received by the Improvement Area #2 Improvements and Bond Issuance Costs and Administrative Reserves allocable to the Bonds shall initially be allocated entirely to the Improvement Area #2 Assessed Property relating to



the applicable bonds. See “APPENDIX C — Form of Service and Assessment Plan.” As the Improvement Area #2 Assessed Property is subsequently divided, the benefits received by the Improvement Area #2 Authorized Improvements and the related Improvement Area #2 Assessments will be apportioned pro rata according to the Estimated Buildout Value of the newly created Parcels. See “— Assessment Amounts – Method of Apportionment of Assessments” below.

The City has determined that the foregoing method of allocation will result in the imposition of equal shares of the Improvement Area #2 Assessments on Parcels similarly benefitted within Improvement Area #2. The Improvement Area #2 Assessments and interest thereon are expected to be paid in Annual Installments as described above. The determination by the City of the assessment methodology set forth in the Service and Assessment Plan is the result of the discretionary exercise by the City Council of its legislative authority and governmental powers and is conclusive and binding on the Developers and all future owners and developers within Improvement Area #2. See “APPENDIX C — Form of Service and Assessment Plan.”

The table below provides the estimated value to lien analysis based on Lot Type in Improvement Area #2.

**Estimated Value to Lien Analysis in Improvement Area #2<sup>(1)</sup>**

Lot Type	Planned Number of Lots	Estimated Finished Lot Value per Lot <sup>(2)</sup>	Estimated Buildout Value per Lot <sup>(3)</sup>	Estimated Buildout Value per Lot Type <sup>(3)</sup>	Maximum Assessment per Lot <sup>(4)</sup>	Estimated Ratio of Finished Lot Value to Maximum Assessment	Estimated Ratio of Buildout Value to Maximum Assessment
35'	6	\$ 90,000	\$420,000	\$ 2,520,000	\$39,826.99	2.26 : 1	10.55 : 1
40'	68	103,000	<del>440,000</del> <u>432,851</u>	<del>29,920,000</del> <u>29,434,400</u>	41,723.51	2.47 : 1	<del>10.55</del> <u>10.37</u> : 1
45'	74	115,875	<del>460,000</del> <u>497,891</u>	<del>34,040,000</del> <u>36,840,834</u>	43,620.03	2.66 : 1	<del>10.55</del> <u>11.41</u> : 1
50'	12	128,750	<del>500,000</del> <u>561,220</u>	<del>6,000,000</del> <u>6,734,640</u>	47,413.08	2.72 : 1	<del>10.55</del> <u>11.84</u> : 1
<b>Total</b>	<b>160</b>			<b><del>\$72,480,000</del> <u>\$75,330,664</u></b>			<b><del>10.55</del> <u>10.99</u> : 1</b>

- (1) Preliminary; subject to change. The actual unit counts and estimated buildout value may vary from that shown above. Additionally, the Improvement Area #2 Assessment allocation for each Lot Type may vary, subject to the terms of the Service and Assessment Plan, the PID Act, and other documents associated with the Bonds, and will be finalized for each Parcel at the time such Parcel is platted.
- (2) The estimated finished lot value is derived from the Appraisal. See “APPRAISAL” and “APPENDIX F — Appraisal.”
- (3) Provided by the Managing Developer, per actual sales prices in the District.
- (4) Pursuant to the Service and Assessment Plan, the Improvement Area #2 Assessment per Lot Type may not exceed the Maximum Assessment (as defined herein). See “— Assessment Amounts – Method of Apportionment of Assessments” and “APPENDIX C — Form of Service and Assessment Plan.”

**Collection and Enforcement of Assessment Amounts**

Under the PID Act, the Annual Installments may be collected in the same manner and at the same time as ad valorem taxes of the City. The Improvement Area #2 Assessments may be enforced by the City in the same manner that an ad valorem tax lien against real property is enforced. Delinquent installments of the Improvement Area #2 Assessments incur interest, penalties, and attorney’s fees in the same manner as delinquent ad valorem taxes. Under the PID Act, the Assessment Lien is a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for State, county, school district or municipality ad valorem taxes. See “BONDHOLDERS’ RISKS — Assessment Limitations” herein.

The City will covenant in the Indenture to collect, or cause to be collected, Improvement Area #2 Assessments as provided in the Assessment Ordinance. No less frequently than annually, City staff or a designee of the City shall prepare, and the City Council shall approve, an Annual Service Plan Update to allow for the billing and collection of Annual Installments. Each Annual Service Plan Update shall include an updated Improvement

Area #2 Assessment Roll and a calculation of the Annual Installment for each Parcel. Annual Collection Costs shall be allocated among all Parcels in proportion to the amount of the Annual Installments for the Parcels.

The City will covenant, agree and warrant in the Indenture that, for so long as any Bonds Similarly Secured are Outstanding and amounts are due to the Managing Developer under the Financing Agreement to reimburse it for funds that it has contributed to pay the costs of the Improvement Area #2 Projects, it will take and pursue all actions permissible under Applicable Laws to cause the Improvement Area #2 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and, to the extent permitted by Applicable Laws, to cause no reduction, abatement or exemption in the Improvement Area #2 Assessments. See “SECURITY FOR THE BONDS SIMILARLY SECURED — Collection of Assessments and Enforcement of Lien.”

To the extent permitted by law, notice of the Annual Installments will be sent by, or on behalf of the City, to the affected property owners on the same statement or such other mechanism that is used by the City, so that such Annual Installments are collected simultaneously with ad valorem taxes and shall be subject to the same penalties, procedures, and foreclosure sale in case of delinquencies as are provided for ad valorem taxes of the City.

The City will determine or cause to be determined, no later than February 15 of each year, whether or not any Annual Installment is delinquent and, if such delinquencies exist, the City will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Annual Installment, and any delinquent charges and interest thereon, including diligently prosecuting an action in district court to foreclose the currently delinquent Annual Installment. Notwithstanding the foregoing, the City will not be required under any circumstances to purchase or make payment for the purchase of the delinquent Improvement Area #2 Assessment or the corresponding property. See “SECURITY FOR THE BONDS SIMILARLY SECURED — Collection of Assessments and Enforcement of Lien.”

The City expects to implement the basic timeline and procedures for Improvement Area #2 Assessment collections and pursuit of delinquencies set forth in Exhibit C of the Continuing Disclosure Agreement of the Issuer set forth in APPENDIX E-1 and to comply therewith to the extent that the City reasonably determines that such compliance is the most appropriate timeline and procedures for enforcing the payment of delinquent Improvement Area #2 Assessments.

The City will not be required under any circumstances to expend any funds for Delinquent Collection Costs in connection with its covenants and agreements under the Indenture or otherwise other than funds on deposit in the Administrative Fund.

Annual Installments will be paid to the City or its agent. Annual Installments are due when billed on or about November 1 each year and become delinquent on February 1. In the event Improvement Area #2 Assessments are not timely paid, there are penalties and interest as set forth below:

<u>Date Payment</u> <u>Received</u>	<u>Cumulative</u> <u>Penalty</u>	<u>Cumulative</u> <u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney’s collection fee may be added to the total penalty and interest charge. In general, property subject to lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. An automatic stay by creditors or other entities, including governmental units, could prevent governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy

court. In most cases, post-petition Improvement Area #2 Assessments are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

### **Billing and Collection Services Agreement**

The City and the County entered into an Agreement for Billing and Collection Services (the “Billing and Collection Services Agreement”), which provides for the collection of Assessment Revenues by the County Tax Assessor-Collector on the City’s behalf. Pursuant to the Billing and Collection Services Agreement, the County Tax Assessor-Collector will bill and collect the Annual Installments by including the amount of the Annual Installment as a line item in the consolidated property tax bill mailed by the County Tax Assessor-Collector to each owner of real property in the District. The County Tax Assessor-Collector will represent the City for all purposes related to the billing and collection of the Annual Installments. The County Tax-Assessor Collector will collect the Annual Installments of the Improvement Area #2 Assessments and remit the amount collected to the City daily by electronic funds transfer, after deducting the amount due to the County as billing and collection fees, as provided in the Billing and Collection Services Agreement. The owners of the Bonds are not third-party beneficiaries of the Billing and Collection Services Agreement and will have no enforcement rights under such agreement. The Billing and Collection Services Agreement may be terminated annually by either party, and the agreement may be amended by the parties at any time without notice to any other party. Accordingly, there is no assurance that the Billing and Collection Services Agreement will not be amended or terminated prior to the maturity date of the Bonds.

### **Assessment Amounts**

*Assessment Amounts.* The amounts of the Improvement Area #2 Assessments have been established by the methodology described in the Service and Assessment Plan. The Improvement Area #2 Assessment Roll sets forth for each year the Annual Installment for each Parcel within Improvement Area #2. The Improvement Area #2 Assessments may not exceed the amounts shown on the Improvement Area #2 Assessment Roll. The Improvement Area #2 Assessments will be levied against the Parcels comprising the Improvement Area #2 Assessed Property, as indicated on the Improvement Area #2 Assessment Roll. See “APPENDIX C — Form of Service and Assessment Plan.”

The Annual Installments shown on the Improvement Area #2 Assessment Roll will be reduced to equal the actual costs of repaying the Bonds, the Additional Interest and actual Annual Collection Costs (as provided for in the definition of such term), taking into consideration any other available funds for these costs, such as interest income on account balances.

*Method of Apportionment of Assessments.* For purposes of the Service and Assessment Plan, the City Council has determined that the Improvement Area #2 Assessments shall be initially allocated 100% to the Improvement Area #2 Assessed Property. Upon the division of any Improvement Area #2 Assessed Property without the recording of a subdivision plat, the PID Administrator shall reallocate the Improvement Area #2 Assessment for the Improvement Area #2 Assessed Property prior to the subdivision among the newly divided Assessed Properties according to the following formula:

$$A = B \times (C \div D)$$

Where the terms have the following meaning:

- A = the Assessment for the newly divided Assessed Property
- B = the Assessment for the Assessed Property prior to division
- C = the Estimated Buildout Value of the newly divided Assessed Property
- D = the sum of the Estimated Buildout Value for all the newly divided Assessed Properties

Upon the subdivision of any Improvement Area #2 Assessed Property based on a recorded subdivision plat, the PID Administrator shall reallocate the Improvement Area #2 Assessment for the Improvement Area #2 Assessed Property prior to the subdivision among the new subdivided Lots based on Estimated Buildout Value according to the following formula:

$$A = [B \times (C \div D)]/E$$

Where the terms have the following meanings:

- A = the Assessment for the newly subdivided Lot
- B = the Assessment for the Parcel prior to subdivision
- C = the sum of the Estimated Buildout Value of all newly subdivided Lots with same Lot Type
- D = the sum of the Estimated Buildout Value for all the newly subdivided Lots excluding Non-Benefitted Property
- E = the number of newly subdivided Lots with the same Lot Type

The sum of the Improvement Area #2 Assessment for all newly subdivided Lots shall not exceed the Improvement Area #2 Assessment for the portion of the Improvement Area #2 Assessed Property subdivided prior to subdivision. The calculation shall be made separately for each newly subdivided Improvement Area #2 Assessed Property. The reallocation of an Improvement Area #2 Assessment for an Improvement Area #2 Assessed Property that is a homestead under State law may not exceed the Improvement Area #2 Assessment prior to the reallocation. Any reallocation pursuant to this section shall be reflected in the next Annual Service Plan Update and approved by the City Council. See “APPENDIX C — Form of Service and Assessment Plan.”

The Improvement Area #2 Assessment for any resulting Lot may not exceed the “Maximum Assessment” for such Lot Type. The term “Maximum Assessment” means, for each Lot Type within Improvement Area #2, the amount shown in Exhibit J to the Service and Assessment Plan, which amount will be reduced annually by principal payments made as part of the Annual Installments. See “APPENDIX C — Form of Service and Assessment Plan.”

The following table provides the expected allocation of Improvement Area #2 Assessments based on Lot Type.

**Improvement Area #2 Assessment Allocation by Lot Type in Improvement Area #2<sup>(1)</sup>**

Lot Type	Planned Number of Lots	Estimated Buildout Value per Lot Type <sup>(2)</sup>	Maximum Assessment per Lot <sup>(3)</sup>	Total Assessment per Lot Type <sup>(3)</sup>	Estimated Average Annual Installment per Lot <sup>(4)</sup>	Equivalent Tax Rate per \$100 Assessed Value <sup>(4)</sup>
35'	6	\$420,000	\$39,826.99	\$ 238,961.92	<del>\$3,248.50</del> <u>3.31</u>	<del>\$0.7735</del> <u>0.7929</u>
40'	68	<del>440,000</del> <u>432,851</u>	41,723.51	2,837,198.68	<del>\$3,403.19</del> <u>3.41</u>	<del>\$0.7735</del> <u>0.8059</u>
45'	74	<del>460,000</del> <u>497,891</u>	43,620.03	3,227,882.45	<del>\$3,557.88</del> <u>3.61</u>	<del>\$0.7735</del> <u>0.7325</u>
50'	12	<del>500,000</del> <u>561,221</u>	47,413.08	568,956.95	<del>\$3,867.26</del> <u>3.91</u>	<del>\$0.7735</del> <u>0.7064</u>
<b>Total/Avg.</b>	<b>160</b>			<b>\$6,873,000.00</b>		<b>\$0.7608</b>

- <sup>(1)</sup> Preliminary; subject to change. The actual unit counts and estimated buildout value may vary from that shown above.
- <sup>(2)</sup> Provided by the Managing Developer, per actual sales prices in the District.
- <sup>(3)</sup> Pursuant to the Service and Assessment Plan, the Improvement Area #2 Assessment per Lot Type may not exceed the Maximum Assessment, as shown in the table above. See “APPENDIX C — Form of Service and Assessment Plan.”
- <sup>(4)</sup> Shown for illustrative purposes only.

The Bonds are secured by a lien on and pledge of the Trust Estate consisting primarily of Pledged Revenues, including the Improvement Area #2 Assessments. See “SECURITY FOR THE BONDS SIMILARLY SECURED” and “APPENDIX C — Form of Service and Assessment Plan.”

## Prepayment of Assessments

Voluntary Prepayments. Pursuant to the PID Act and the Indenture, the owner of any Improvement Area #2 Assessed Property may voluntarily prepay (a “Prepayment”) all or part of any Improvement Area #2 Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time. Upon receipt of such Prepayment, such amounts will be applied towards the redemption or payment of the Bonds. Amounts received at the time of a Prepayment which represent a payment of principal, interest, or penalties on a delinquent installment of an Improvement Area #2 Assessment are not to be considered a Prepayment, but rather are to be treated as payment of regularly scheduled Improvement Area #2 Assessments.

Mandatory Prepayments. If Improvement Area #2 Assessed Property is transferred to a person or entity that is exempt from payment of the Improvement Area #2 Assessments, the owner transferring the Improvement Area #2 Assessed Property shall pay to the City or the PID Administrator on behalf of the City the full amount of the outstanding Improvement Area #2 Assessment, plus Prepayment Costs and Delinquent Collection Costs, if any, for such Improvement Area #2 Assessed Property, prior to the transfer. If the owner of the Improvement Area #2 Assessed Property causes the Improvement Area #2 Assessed Property to become Non-Benefited Property, the owner causing the change in status shall pay the full amount of the outstanding Improvement Area #2 Assessment, plus Prepayment Costs and Delinquent Collection Costs, if any, prior to the change in status.

True-Up of Assessments if Maximum Assessment Exceeded. Prior to the City approving a final subdivision plat, the PID Administrator will certify that such plat will not result in the Improvement Area #2 Assessment per Lot for any Lot Type to exceed the Maximum Assessment. If the PID Administrator determines that the resulting Improvement Area #2 Assessment per Lot for any Lot Type will exceed the Maximum Assessment, then (i) the Improvement Area #2 Assessment applicable to each Lot Type exceeding the Maximum Assessment shall be reduced to the Maximum Assessment, and (ii) the person or entity filing the plat shall pay to the City the amount the Improvement Area #2 Assessment was reduced, plus Prepayment Costs and Delinquent Collection Costs, prior to the City approving the final plat. The City’s approval of a final subdivision plat without payment of such amounts does not eliminate the obligation of the person or entity filing the plat to pay the amounts referenced in the preceding sentence.

Prepayment as a Result of an Eminent Domain Proceeding or Taking. Subject to applicable law, if any portion of any Parcel of Improvement Area #2 Assessed Property is taken from an owner as a result of eminent domain proceedings or if a transfer of any portion of any Parcel of Improvement Area #2 Assessed Property is made to an entity with the authority to condemn all or a portion of the Improvement Area #2 Assessed Property in lieu of or as a part of an eminent domain proceeding (a “Taking”), the portion of the Improvement Area #2 Assessed Property that was taken or transferred (the “Taken Property”) shall be reclassified as Non-Benefited Property (as defined in the Service and Assessment Plan).

For the Improvement Area #2 Assessed Property that is subject to the Taking as described in the preceding paragraph, the Improvement Area #2 Assessment that was levied against the Improvement Area #2 Assessed Property (when it was included in the Taken Property) prior to the Taking shall remain in force against the remaining Improvement Area #2 Assessed Property (the Improvement Area #2 Assessed Property less the Taken Property) (the “Remaining Property”) following the reclassification of the Taken Property as Non-Benefited Property, subject to an adjustment of the Improvement Area #2 Assessment and Annual Installments applicable to the Remaining Property after any required Prepayment as set forth below. The owner will remain liable to pay in Annual Installments, or payable as otherwise provided by the Service and Assessment Plan, as updated, or the PID Act, the Improvement Area #2 Assessment that remains due on the Remaining Property, subject to an adjustment in the Annual Installments applicable to the Remaining Property after any required Prepayment as set forth below. Notwithstanding the foregoing, if the Improvement Area #2 Assessment that remains due on the Remaining Property exceeds the Maximum Assessment, the owner will be required to make a Prepayment in an amount necessary to ensure that the Improvement Area #2 Assessment against the Remaining Property does not exceed the Maximum Assessment, in which case the Improvement Area #2 Assessment and Annual Installments applicable to the Remaining Property will be reduced by the amount of the partial Prepayment. If the City receives all or a portion of the eminent domain proceeds (or payment made in an agreed sale in lieu of condemnation), such amount shall be credited against the amount of Prepayment, with any remainder credited against the Improvement Area #2

Assessment on the Remainder Property. In all instances the Improvement Area #2 Assessment remaining on the Remaining Property shall not exceed the Maximum Assessment.

Notwithstanding the preceding paragraphs under this subcaption, if the owner of the Taken Property notifies the City and the PID Administrator that the Taking prevents the Remaining Property from being developed for any use which could support the Estimated Buildout Value requirement, the owner shall, upon receipt of the compensation for the Taken Property, be required to prepay the amount of the Improvement Area #2 Assessment required to buy down the outstanding Improvement Area #2 Assessment to the Maximum Assessment on the Remaining Property to support the Estimated Buildout Value requirement. The owner will remain liable to pay the Annual Installments on both the Taken Property and the Remaining Property until such time that such Improvement Area #2 Assessment has been prepaid in full.

Notwithstanding the preceding paragraphs under this subcaption, the Improvement Area #2 Assessment shall never be reduced to an amount less than the amount required to pay all outstanding debt service requirement on all outstanding Bonds.

*Reduction of Assessments.* If, as a result of cost savings or Improvement Area #2 Projects not being constructed, the Actual Costs of completed Improvement Area #2 Projects are less than the Improvement Area #2 Assessments, the Trustee shall apply amounts on deposit in the Project Fund that are not expected to be used for purposes of the Project Fund to redeem outstanding Bonds. The Improvement Area #2 Assessments shall not, however, be reduced to an amount less than the related outstanding Bonds.

The PID Administrator shall update (and submit to the City Council for review and approval as part of the next Annual Service Plan Update) the Improvement Area #2 Assessment Roll and corresponding Annual Installments to reflect the reduced Improvement Area #2 Assessments.

### **Priority of Lien**

The Improvement Area #2 Assessments or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, constitute a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for the State, county, school district or municipality ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named. The lien is effective from the date of the Assessment Ordinance until the Improvement Area #2 Assessment is paid and may be enforced by the City in the same manner as an ad valorem tax levied against real property may be enforced by the City. The owner of any Improvement Area #2 Assessed Property may pay the entire Improvement Area #2 Assessment levied against any Lot or Parcel, together with accrued interest to the date of payment, at any time. See "ASSESSMENT PROCEDURES — Prepayment of Assessments."

### **Foreclosure Proceedings**

In the event of delinquency in the payment of any Annual Installment, except for unpaid Improvement Area #2 Assessments on homestead property (unless the lien associated with the assessment attached prior to the date the property became a homestead), the City is empowered to order institution of an action in state district court to foreclose the lien of such delinquent Annual Installment. In such action the real property subject to the delinquent Annual Installments may be sold at judicial foreclosure sale for the amount of such delinquent Annual Installments, plus penalties and interest.

Any sale of property for nonpayment of an installment or installments of an Improvement Area #2 Assessment will be subject to the lien established for remaining unpaid installments of the Improvement Area #2 Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the non-delinquent installments of the Improvement Area #2 Assessments against such property as they become due and payable. Judicial foreclosure proceedings are not mandatory. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event, there could be an additional delay in payment of the

principal of and interest on Bonds or such payment may not be made in full. The City is not required under any circumstance to purchase or make payment for the purchase of the delinquent Improvement Area #2 Assessment on the corresponding Improvement Area #2 Assessed Property.

The City will covenant in the Indenture to take and pursue all reasonable actions permissible under Applicable Laws to cause the Improvement Area #2 Assessments to be collected and the liens thereof enforced continuously, in the manner and to the maximum extent permitted by Applicable Laws, and to cause no reduction, abatement or exemption in the Improvement Area #2 Assessments, provided that the City is not required to expend any funds for collection and enforcement of Improvement Area #2 Assessments other than funds on deposit in the Administrative Fund. Pursuant to the Indenture, Foreclosure Proceeds (excluding Delinquent Collection Costs) constitute Pledged Revenues to be deposited into the Pledged Revenue Fund upon receipt by the City and distributed in accordance with the Indenture. See “APPENDIX B — Form of Indenture.” See also “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer” for a description of the expected timing of certain events with respect to collection of the delinquent Improvement Area #2 Assessments.

The City will not be obligated to fund foreclosure proceedings out of any funds other than in the Administrative Fund. If Pledged Revenues are insufficient to pay foreclosure costs, the owners of the Bonds may be required to pay amounts necessary to continue foreclosure proceedings. See “APPENDIX B — Form of Indenture” and “APPENDIX C — Form of Service and Assessment Plan.”

## THE CITY

The City is located in northwestern Hays County, 21 miles west of Austin along U.S. Highway 290. The City covers approximately 3.3 square miles. The City’s 2020 census population was 4,650. The City’s 2024 population estimate is ~~6,250~~8,689.

The City is a political subdivision formed in 1981 and is a Type A general law municipality of the State of Texas, duly organized and existing under the laws of the State. ~~The~~ City Council is comprised of the Mayor and five Council members who are elected for staggered two-year terms. The City Council formulates operating policy for the City, while the City Administrator is the chief administration officer.

The current members of the City Council and their respective expiration of terms of office and the principal officials of the City are shown on page ii hereof. General information regarding the City and the surrounding area can be found in “APPENDIX A — General Information Regarding the City.”

### Wastewater Service Agreement

The City and the Original Owner entered into the Wastewater and Impact Fee Agreement effective as of October 17, 2017, as assigned to the Developers (as amended, the “Wastewater Service Agreement”), pursuant to which the City agreed to provide wastewater service to the District and the Developers agreed to construct certain improvements necessary to provide such service. The City is providing wastewater service pursuant to its Texas Commission of Environmental Quality (“TCEQ”) Wastewater Permit No. WQ0014488001 (the “TLAP Permit”) and Permit No. WQ0014488003 (the “Discharge Permit”). Wastewater service by the City to the Development will be initiated in three stages, based upon the corresponding wastewater system permitting plans of the City, which will total 700 living equivalent units (“LUEs”), as follows:

**Stage 1 Service.** The City will provide wastewater service to the Development through the City’s wastewater system (the “System”) in an initial amount of 150 LUEs (the “Stage 1 LUEs”). The City will make this wastewater service available to Improvement Area #1 upon issuance of an amendment to the TLAP Permit (the “Amendment 1”) and Developers’ construction of the “Stage 1 Facilities,” which consist of the wastewater facilities, equipment, or related improvements necessary to serve Improvement Area #1 with the Stage 1 LUEs and located between the structures on Improvement Area #1 including the off-site wastewater lines between the District and the existing City facilities located on Sportsplex Drive and Mercer Street. The Stage 1 Facilities are considered Improvement Area #1 Improvements reimbursed with Improvement Area #1 Bond proceeds. The Amendment 1 has

been issued and the Managing Developer completed construction of the Stage 1 Facilities, which have been accepted by the City.

While the Stage 1 Service will only provide 150 LUEs and Improvement Area #1 is expected to include 158 single-family homes, the Developers expect to have the Stage 2 LUEs (as defined below) available well in advance of the completion of 150 homes within Improvement Area #1.

**Stage 2 Service.** The City will provide wastewater service to the Development through the System in a subsequent and additional amount of 330 LUEs (the “Stage 2 LUEs”). The City will make this wastewater service available to the Development through the onsite wastewater treatment plant (“Onsite WWTP”) that the Developer elected to permit and construct. The Developers began construction of the Onsite WWTP ~~Facilities and its facilities~~ and the Heritage Stage 2 Effluent Disposal Field in February of 2024, and expects to complete such construction in December of 2024. The Onsite WWTP and its ~~Facilities~~ ~~facilities~~ will be decommissioned and removed within 120 days after the City’s Discharge Permit Facilities are completed, operational and capable of providing service to the Development. ~~[Will bond proceeds be used to construct the Onsite WWTP and its Facilities? If a potential for abandonment, check with bond counsel to see if such improvements can be finance with bond proceeds.][Developer to confirm when construction of the Onsite WWTP and its Facilities began and is expected to be completed.][City to confirm there will be sufficient wastewater treatment capacity to serve IA#2]~~

The Discharge Permit was issued in March 2019; however, the permit has been the subject of administrative and judicial appeals. On December 13, 2022, the Court of Appeals Eighth District of Texas has held that the permit was lawfully issued, and the court “affirm[ed] the order of the Executive Director approving the permit.” A Motion for Rehearing was filed and was denied by the Court of Appeals on March 6, 2023. A petition for review was filed by Save Our Springs on May 4, 2023, in the Supreme Court of Texas. On September 29, 2023, the Supreme Court ordered a full briefing on the merits. All briefs have now been submitted. On June 14, 2024, the Supreme Court granted the Petition for Review, which means that the Supreme Court will be considering the merits of the case. Oral argument on the case is set for October 1, 2024. While the Court has no deadline in which to issue an opinion, a decision is expected in late spring/early summer 2025.

The construction costs of the Onsite WWTP will be funded by the Developers and are expected to constitute Future Improvement Area Improvements, a portion of which are expected to be reimbursed with proceeds of the Future Improvement Area Bonds.

Upon completion, the Onsite WWTP will be dedicated to the City as a public improvement and the site of the Onsite WWTP (and the associated drip irrigation fields) will be leased to the City (“WWTP Lease”). The WWTP Lease shall be in the amount of \$100.00 per year during the term of the lease. Additionally, upon completion of construction of the Onsite WWTP and the relevant phase of the Stage 2 Onsite Facilities or the Stage 3 Onsite Facilities (as defined in the Wastewater Service Agreement) needed to connect such facilities to the phase of lots requiring wastewater service, the City shall provide retail wastewater service to the Development for the Stage 2 LUEs and the Stage 3 LUEs in the same manner as the City has otherwise herein agreed to serve such LUEs. Within 120 days after (i) the Discharge Permit Facilities are completed, operational and capable of providing service to the Development, or (ii) the City otherwise provides notice that it has facilities that are completed, operational and capable of providing service to the Stage 2 LUEs and Stage 3 LUEs at the Development, then the City shall stop use of the Onsite WWTP for treatment of wastewater. The City shall fully cooperate with the Developers to decommission the Onsite WWTP and terminate the WWTP Lease at the Developers’ sole cost and expense.

The Developers have agreed to construct and, subject to the potential receipt of the City Share (as defined below), fund the Construction Costs of the Effluent Transmission Line and shall construct such line as a condition for service for any of the Stage 2 LUEs. All construction costs for the Effluent Transmission Line shall be funded pro-rata by the Developers and any other person that obtains capacity in the System (at any time, whether such capacity is obtained before or after the completion of construction of the Effluent Transmission Line) as a result of use of the Effluent Transmission Line (but not by persons who use the Effluent Transmission Line solely for receipt of treated effluent for beneficial reuse). To the extent that the Developers’ pro-rata share of the actual construction costs for the Effluent Transmission Line exceeds \$2,660,054 (to be adjusted from 2017 dollars by the Handy-Whitman water industry construction index) (“ETL Threshold”), the Developers will be responsible for their pro-rata share of one-half of the actual construction costs for the Effluent Transmission Line that exceed the ETL



Threshold and the City will be responsible to fund one-half of the actual construction costs that exceed the ETL Threshold (although City's liability under this provision shall be capped at \$200,000 (the "City's Share")). The Developers' construction costs of the Effluent Transmission Line are expected to constitute Future Improvement Area Improvements, a portion of which are expected to be reimbursed with proceeds of the Future Improvement Area Bonds.

**Stage 3 Service.** The City will provide wastewater service to the Development through the System in a final additional amount of 220 LUEs (the "Stage 3 LUEs") in the same manner that it is providing for the Stage 2 LUEs.

Upon issuance by TCEQ of the Discharge Permit and upon obtaining funding for the Discharge Permit Facilities, the City shall initiate design and construction of the Discharge Permit Facilities and the Force Main Improvements. The City has obtained funding for the construction of such facilities from the Texas Water Development Board and has issued its Combination Tax and Surplus Revenues Certificates of Obligation, Series 2022 in connection therewith. All construction costs of the Force Main Improvements shall be funded pro-rata by the Developers and other users of the Force Main Improvements. The Developers' construction costs of the Force Main Improvements are expected to constitute Future Improvement Area Improvements, a portion of which are expected to be reimbursed with proceeds of the Future Improvement Area Bonds. The Developers shall have no funding obligation for any portion of the Discharge Permit Facilities.

Upon completion of the construction of the upgrades to the System authorized by the Discharge Permit, the City's use of the Heritage Stage 2 Effluent Disposal Field for disposal of treated effluent shall cease. The Developers shall have the responsibility to remove or abandon any facilities or drain lines located within the area of the Heritage Stage 2 Effluent Disposal Field at their cost. ~~Will bond proceeds be used to construct effluent Disposal field? If a potential for abandonment, check with bond counsel to see if such improvements can be finance with bond proceeds.~~

The Managing Developer expects to (i) construct the Stage 2 Onsite Facilities and Stage 3 Onsite Facilities as part of the Future Improvement Area Improvements for the applicable Future Improvement Area, and (ii) commence construction of the Force Main Improvements by the second quarter of 2025 and complete such construction by the second quarter of 2026. To be update by City and Developer.

## THE DISTRICT

### General

The PID Act authorizes the City to create public improvement districts within its boundaries or extraterritorial jurisdiction and to impose assessments within the public improvement district to pay for certain improvements. The District was created by the City in accordance with the PID Act by a resolution adopted by the City Council on November 14, 2017 in accordance with the PID Act (the "Creation Resolution"), for the purpose of undertaking and financing, in phases, the cost of certain public improvements within the District, including the Improvement Area #2 Projects, authorized by the PID Act and approved by the City Council that confer a special benefit on the portion of the District property being developed in a phase. The District is not a separate political subdivision of the State and is governed by the City Council. Maps showing various boundaries in the District, as well as the current concept plan for the District are on pages v-viii.

### Powers and Authority of the City

Pursuant to the PID Act, the City may establish and create the District and undertake, or reimburse a property owner for the costs of, improvement projects that confer a special benefit on property located within the District, including Improvement Area #2. The PID Act provides that the City may levy and collect the Improvement Area #2 Assessments on property in Improvement Area #2 of the District, or portions thereof, payable in periodic installments based on the benefit conferred by an improvement project to pay all or part of its cost.

Pursuant to the PID Act and the Creation Resolution, the City has the power to undertake, or reimburse a property owner for the costs of, the financing, acquisition, construction, or improvement of the Improvement Area #2 Improvements. See “THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS.” Pursuant to the authority granted by the PID Act and the Creation Resolution, the City has determined to undertake the construction, acquisition, or purchase of certain street, drainage, wastewater, and trail and landscaping improvements comprising the Improvement Area #2 Projects and to finance a portion of the costs thereof through the issuance of the Bonds. The City has further determined to provide for the payment of debt service on the Bonds through Pledged Revenues. See “ASSESSMENT PROCEDURES” and “APPENDIX C — Form of Service and Assessment Plan.”

**District Collection and Delinquency of Assessments**

Improvement Area #1. On June 6, 2023, the City levied the Improvement Area #1 Assessments on assessable property in Improvement Area #1, through the City Council’s adoption of an assessment ordinance and approval of the initial service and assessment plan for the District (the “2023 Service and Assessment Plan”). The initial annual installments of Improvement Area #1 Assessments were billed on or about October of 2023 and became due and payable on or before January 31, 2024. The following table shows the collection and delinquency history of the Improvement Area #1 Assessments.

**Collection and Delinquency History of Improvement Area #1 Assessments**

Assessments Due 1/31 <sup>(1)</sup>	Total Annual Installments Levied	Parcels Levied	Delinquent Amount as of 3/1	Delinquent Percentage as of 3/1	Delinquent Amount as of 9/1	Delinquent Percentage as of 9/1	Total Annual Installments Collected <sup>(2)</sup>
2024	\$561,230.32	158	\$65,884.86	11.74%	N/A	N/A	\$550,501.36 <sup>(3)</sup>

<sup>(1)</sup> Pursuant to Section 31.031, Texas Tax Code, certain veterans, persons aged 65 or older, and the disabled, who qualify for an exemption under either Section 11.13(c), 11.32, or 11.22, Texas Tax Code, are eligible to pay property taxes in four equal installments (“Installment Payments”). Effective January 1, 2018, pursuant to Section 31.031(a-1), Texas Tax Code, the Installment Payments are each due before February 1, April 1, June 1, and August 1. Each unpaid Installment Payment is delinquent and incurs penalties and interest if not paid by the applicable date.

<sup>(2)</sup> Excludes penalties and interest and any prepayments of Improvement Area #1 Assessments.

<sup>(3)</sup> Collections as of June 15, 2024.

**THE COLLECTION AND DELINQUENCY HISTORY OF THE IMPROVEMENT AREA #1 ASSESSMENTS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY; NO ASSURANCE CAN BE GIVEN THAT THE COLLECTION OF THE IMPROVEMENT AREA #2 ASSESSMENTS WILL MIRROR THE COLLECTION HISTORY OF THE IMPROVEMENT AREA #1 ASSESSMENTS. THE IMPROVEMENT AREA #1 ASSESSMENTS ARE NOT SECURITY FOR THE PAYMENT OF THE BONDS.**

**THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS**

**General**

The Improvement Area #2 Authorized Improvements consist of the (i) Improvement Area #2 Major Improvements, (ii) Improvement Area #2 Improvements, (iii) Bond Issuance Costs and (iv) Administrative Reserves, each as described below. A portion of the costs of the Improvement Area #2 Authorized Improvements will be funded with proceeds of the Bonds. The balance of the costs of the Improvement Area #2 Authorized Improvements have been or will be paid by the Developers under the terms of the JODA, the Financing Agreement and the Service and Assessment Plan. See “APPENDIX C — Form of Service and Assessment Plan” and “APPENDIX G — Financing Agreement.”

**Improvement Area #2 Authorized Improvements**

Major Improvements. The Improvement Area #2 Authorized Improvements consist of Improvement Area #2’s allocable share of the following Major Improvements:

Roadway. Improvements including subgrade stabilization (including lime treatment and compaction), curb and gutter, road base construction, hot mix asphalt, curb ramps, sidewalk,

roundabout improvements, street lights, striping, concrete, signalization at the intersection of Ranch Road 12 and Roger Hanks Parkway, and reinforcing steel for collector roadways and slip streets. The grading associated with collector and slip street construction is included. The erosion control associated with collector and slip street construction and wet pond construction is included. Mobilization costs are included. The signalization of RM 12 and Roger Hanks Parkway/Brookside Street and the channelized southbound right-turn movement on RM 12 at Roger Hanks Parkway/Brookside Street will be dedicated to TxDOT (as defined herein).

**Drainage.** Improvements including storm pipe, storm manholes, junction boxes, headwalls, area inlets, curb inlets, manhole casting adjustments, wet pond improvements, and trench safety program associated with drainage improvements.

**Trails and Landscaping.** Improvements necessary to construct the 10' hike and bike trail that runs East to West along North Roger Hanks Parkway, the 8' hike and bike trail that runs from the Northern overall property boundary to the Southern overall property boundary and Entry Monumentation improvements at the intersection of Ranch Road 12 and North Roger Hanks Parkway.

**Soft Costs.** Estimated to be 16% of hard costs, inclusive of a 4% construction management fee.

**Improvement Area #2 Improvements.** The Improvement Area #2 Authorized Improvements consist of the following Improvement Area #2 Improvements:

**Roadway.** Subgrade stabilization (including lime treatment and compaction), curb and gutter, road base construction, hot mix asphalt, curb ramps, sidewalk, roundabout improvements, street lights, striping, concrete, mobilization, erosion control, and reinforcing steel for internal roadways.

**Drainage.** Trench excavation and embedment, trench safety, reinforced concrete pipe, manholes, storm outfalls, storm drain inlets, testing, related earthwork, excavation, erosion control and all other necessary appurtenances required to ensure proper drainage of the public roadways within Improvement Area #2.

**Wastewater.** Trench excavation and embedment, trench safety, PVC piping, manholes, service connections, testing, related earthwork, excavation, erosion control and all other necessary appurtenances required to provide wastewater service to each Parcel within Improvement Area #2.

**Landscaping.** Landscaping improvements including plantings, and a pocket park within Improvement Area #2.

**Soft Costs.** Estimated to be 16% of hard costs, inclusive of a 4% construction management fee.

**Bond Issuance Costs.** The Improvement Area #2 Authorized Improvements also consist of the following "Bond Issuance Costs": costs associated with issuing the Bonds, if issued, including but not limited to attorney fees, financial advisory fees, consultant fees, appraisal fees, printing costs, publication costs, City costs, reserve fund requirements, underwriter's discount, fees charged by the Texas Attorney General, and any other cost or expense directly associated with the issuance of the Bonds.

**Administrative Reserves.** The Improvement Area #2 Authorized Improvements also include the "Administrative Reserves," which are the estimated first two year's Annual Collection Costs allocable to the Bonds.

## Costs of Improvement Area #2 Authorized Improvements

The following table reflects the expected total costs of the Improvement Area #2 Authorized Improvements, a portion of which are expected to be financed with proceeds of the Bonds.

### Estimated Improvement Area #2 Authorized Improvements Costs<sup>(1)</sup>

Type of Improvement Area #2 Authorized Improvement	Total Cost
<i>Major Improvements<sup>(2)</sup></i>	
Roadway	\$ 1,533,717
Drainage	795,772
Trails and Landscaping	120,587
Soft Costs	392,012
Subtotal	\$ 2,842,088
<i>Improvement Area #2 Improvements</i>	
Roadway	\$ 1,898,122
Drainage	1,604,672
Wastewater	1,317,125
Landscaping	624,657
Soft Costs	871,132
Subtotal	\$ 6,315,708
<i>Bond Issuance Costs</i>	
Deposit to Reserve Account	\$ <del>506,441</del> 501,729
Capitalized Interest	<del>357,826</del> 351,812
Underwriter Discount	206,190
Costs of Issuance	<del>482,543</del> 483,269
Subtotal	\$ <del>1,553,000</del> 1,543,000
<i>Administrative Reserves</i>	
	\$ 80,000
<b>Total<sup>(3)</sup></b>	<b>\$<del>10,790,795</del>10,780,797</b>

<sup>(1)</sup> Preliminary; subject to change. Derived from information in the Service and Assessment Plan.

<sup>(2)</sup> The total estimated costs of the Major Improvements are \$11,371,881. The Major Improvements have been allocated 25.61% to Improvement Area #1, 24.99% to Improvement Area #2 and 49.39% to the Future Improvement Areas based on Estimated Buildout Value as shown on Exhibit K of the Service and Assessment Plan.

<sup>(3)</sup> Totals may not add due to rounding.

The costs of the Improvement Area #2 Projects are based on information provided by the Managing Developer and its engineer and reviewed by the City staff and by third-party consultants retained by the City and were approved by the City Council. The total costs of all the Improvement Area #2 Authorized Improvements are expected to be approximately \$~~10,790,795~~10,780,797\*, a portion of which in the approximate amount of \$6,873,000, are expected to be financed with proceeds of the Bonds. The balance of the costs of the Improvement Area #2 Authorized Improvements, in the total approximate amount of \$~~3,917,795~~3,907,797\*, have been financed by the Developers and will not be reimbursed by the City. The Managing Developer has completed construction of all of the Improvement Area #2 Projects, which were accepted by the City in July 2024.

\* Preliminary; subject to change.

## Ownership and Maintenance of Improvement Area #2 Projects

The Improvement Area #2 Improvements and the Major Improvements, except for the TxDOT Improvements (as defined herein), will be dedicated to the City and will constitute a portion of the City’s infrastructure improvements. The TxDOT Improvements will be dedicated to and maintained by the Texas Department of Transportation (“TxDOT”). The City will provide for the ongoing maintenance and repair of the remaining Improvement Area #2 Projects, except for the parks and trail improvements, which will be dedicated to the City by plat and maintained by the HOA on behalf of the City, pursuant to a license and maintenance agreement.

### THE DEVELOPMENT

*The following information has been provided by the Developers. Certain of the following information is beyond the direct knowledge of the City and the Underwriter, and neither the City nor the Underwriter have any way of guaranteeing the accuracy of such information.*

#### Overview

The Development is a master-planned mixed-use development within the City and the County. The Development is comprised of approximately 188,943 acres and is located west of Ranch Road 12, northeast of Sportsplex Drive and approximately one mile north of Highway 290.

#### Development Plan and Status of Construction

The District is expected to be developed in four Improvement Areas beginning with the construction of the Major Improvements and the Improvement Area #1 Improvements, and following with the construction of the Improvement Area #2 Improvements. The Developers anticipate that such development will follow with the construction of the Future Improvement Area Improvements in the remaining two Improvement Areas based on market demand. The Development is expected to include approximately 595 single-family residential lots and approximately 105 multifamily units. Improvement Area #1 includes 158 lots, consisting of 12 40’ lots, 100 45’ lots and 46 50’ lots. Improvement Area #2 includes 160 lots, consisting of 6 35’ lots, 68 40’ lots, 74 45’ lots and 12 50’ lots. The Future Improvement Areas are expected to include approximately 277 lots, consisting of 45 35’ lots, 34 40’ lots, 134 45’ lots and 64 50’ lots, and approximately 105 multifamily units. The following table shows the expected number and type of lots within each Improvement Area of the District.

#### Expected Single-Family Lots within the Development

Lot Size	Improvement Area #1 <sup>(1)</sup>	Improvement Area #2	Improvement Area #3 <sup>(2)</sup>	Improvement Area #4 <sup>(2)</sup>	Total number of Lots
35’	-	6	45	0	51
40’	12	68	34	0	114
45’	100	74	59	75	308
50’	46	12	25	39	122
<b>Total</b>	<b>158</b>	<b>160</b>	<b>163</b>	<b>114</b>	<b>595</b>

<sup>(1)</sup> Numbers include lots on which homebuilders have built 2 model homes.

<sup>(2)</sup> The Future Improvement Areas consist of Improvement Areas #3-4. Lot counts within such Improvement Areas are estimated, preliminary and subject to change.

The Managing Developer, on behalf of Tri Pointe, completed construction of the Improvement Area #1 Improvements and a portion of the Major Improvements, including the Improvement Area #1 Major Improvements, which were accepted by the City in January of 2023. The Managing Developer completed construction of the Improvement Area #2 Improvements and a portion of the Major Improvements, including the Improvement Area #2 Major Improvements, in July of 2024. The City accepted the Improvement Area #2 Improvements and Improvement Area #2 Major Improvements in July of 2024. The Managing Developer expects to complete construction of the remaining Major Improvements by the second quarter of 2026. See “THE DEVELOPMENT — Offsite Road and Trail Agreement,” “— Traffic Impact Analysis” and “— Wastewater Service Agreement” below.

In addition to the Authorized Improvements, the Managing Developer will construct (i) the Water Improvements and (ii) the Amenities. See “THE DEVELOPMENT — Water Improvements” and “— Amenities” below.

**Single-Family and Multifamily Development**

*Single Family Development.* Pursuant to the JODA, the Developers expect to each build 50% of the homes within the District. As of June 30, 2024, in Improvement Area #1, (i) the Managing Developer has closed and delivered to homeowners 65 homes and has 7 homes under contract with homeowners and (ii) Tri Pointe has closed and delivered to homeowners 41 homes and has 19 homes under contract with homeowners. As of June 30, 2024, in Improvement Area #2, (i) the Managing Developer has yet to begin construction on homes, but has 8 homes under contract with homeowners and (ii) Tri Pointe [has](#) yet to begin construction on homes and has yet to have any homes under contract with end-users. For more information regarding the status of single-family home construction and sales in the District, see table “Status of Single-Family Lot and Home Construction in the District” below. For expected home prices within Improvement Area #2, see the estimated buildout values per lot under “ASSESSMENT PROCEDURES — Assessment Methodology – Estimated Value to Lien Analysis in Improvement Area #2.”

The Developer’s current expectations regarding the actual and expected build-out and absorption schedule, and the status of lot and home construction, and sale of homes to homeowners in the District are as follows:

**Actual and Expected Build-Out and Absorption Schedule of the District<sup>(1)</sup>**

Improvement Area	Lot Type/Size	Number of Lots	Actual/Expected Infrastructure Completion Date	Actual/Expected Initial Date of Single-Family Homes Closed with Homeowners	Actual/Expected Final Date of Single-Family Homes Closed with Homebuyers
1	35'	-	N/A	N/A	N/A
1	40'	12	1/3/2023	10/2023	5/2024
1	45'	100	1/3/2023	8/2023	12/2024
1	50'	46	1/3/2023	8/2023	12/2024
2	35'	6	7/2024	6/2025	6/2026
2	40'	68	7/2024	11/2024	6/2026
2	45'	74	7/2024	1/2025	7/2026
2	50'	12	7/2024	1/2025	12/2025
3	35'	45	8/2025	2/2026	8/2027
3	40'	34	8/2025	2/2026	8/2027
3	45'	59	8/2025	2/2026	6/2027
3	50'	25	8/2025	2/2026	1/2027
4	35'	-			
4	40'	-			
4	45'	75	9/2026	3/2027	6/2028
4	50'	39	9/2026	3/2027	8/2028
<b>Total</b>		<b>595</b>			

<sup>(1)</sup> These projections regarding final buildout and final sale dates were provided by the Managing Developer. Numbers include model homes.

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The following table shows the status of single-family lot and home construction in Improvement Area #1 and Improvement Area #2 of the District as of June 30, 2024.

**Status of Single-Family Lot and Home Construction in the District**

IA#	Product Type	Lots	Lots Developed	Lots owned by Developers	Homes under Construction <sup>(1)</sup>	Homes under contract w/ Homebuyer	Homes closed to Homebuyer
1	35'	-	-	-	-	-	-
1	40'	12	12	0	0	0	12
1	45'	100	100	40	30	22	60
1	50'	46	46	12	4	4	34
2	35'	6	6	6	0	0	0
2	40'	68	68	68	0	3	0
2	45'	74	74	74	0	3	0
2	50'	12	12	12	0	2	0
<b>Total</b>		<b>318</b>	<b>318</b>	<b>212</b>	<b>34</b>	<b>34</b>	<b>106</b>

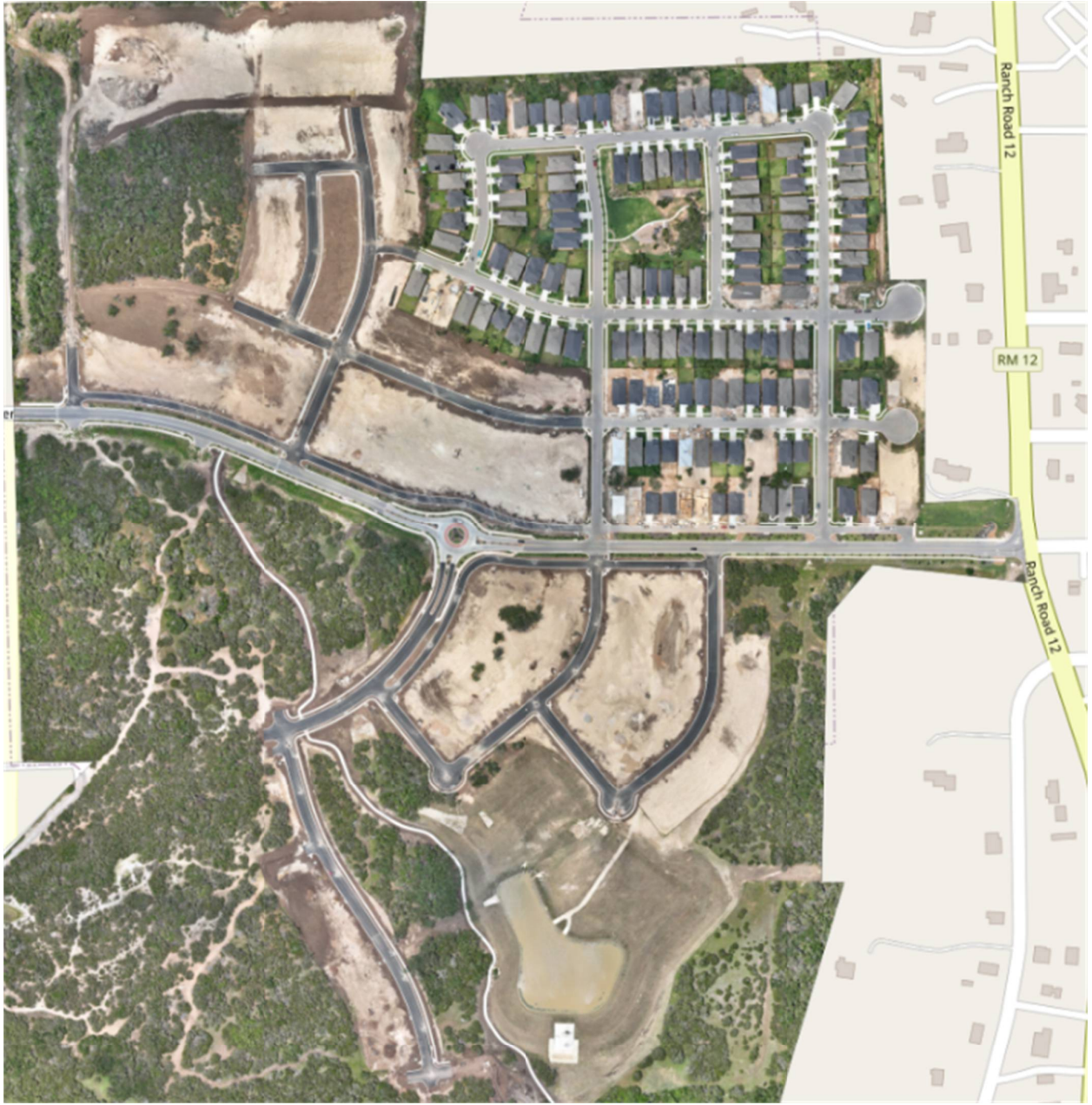
<sup>(1)</sup> Includes lots with active building permits for home construction.

*Multifamily Development.* The Developers expect to sell the multifamily tract in the Future Improvement Areas to a multifamily developer who will be responsible for the vertical construction of the 105 multifamily units. The Developers do not currently have any purchase agreements or letters of intent for the multifamily tract.

**Photographs**

The following are photographs of the current construction within the District.









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The following photographs show Tri Pointe's model home and homes under construction.





The following photographs show the Managing Developer's model home and homes under construction.



## Offsite Road and Trail Agreement

Pursuant to the Offsite Road and Trail Agreement between the City and the Original Owner, as assigned to the Developers (the “Offsite Road and Trail Agreement”), the Developers agreed to construct (i) the offsite section of the Roger Hanks roadway extension (the “Roger Hanks Extension”) and (ii) a 10’ concrete offsite trail extension from the on-site trail system within the District to Mercer Street (the “Offsite Trail”). A portion of the costs of the Roger Hanks Extension are considered a Major Improvement, which may be reimbursed with proceeds of the Bonds and any Future Improvement Area Bonds, in accordance with the respective Improvement Area’s allocable share of the costs. The Managing Developer commenced construction of the Roger Hanks Extension in March of 2023 and completed construction in September of 2023 with City acceptance occurring in February of 2024. The total costs to complete the Roger Hanks Extension was approximately \$3,339,463, of which 30% is eligible for reimbursement.

**[P3 to confirm]**

The Offsite Trail is not considered an Authorized Improvement and the costs to construct the Offsite Trail will be paid by the Developers without reimbursement by the City. The Developers are not required to commence construction of the Offsite Trail until the City has acquired all necessary right-of-way or easements to construct the Offsite Trail. The City has not yet provided the necessary right-of-way or easements.

## Traffic Impact Analysis

Kimley Horn prepared a Traffic Impact Analysis for the District (the “TIA”) dated November 19, 2020. In accordance with the findings of the TIA, the Developers agreed to construct the following improvements, all of which constitute Major Improvements:

- Roger Hanks Extension at an expected cost \$3,339,463, 30% of which is allocated to the District and is eligible for reimbursement; to be dedicated to the City; construction commenced March of 2023
  - Completed September 2023
  - Accepted by the City on February 6, 2024
- Signalization of RM 12 and Roger Hanks Parkway/Brookside Street at an expected cost of \$375,000; to be dedicated to TxDOT pursuant to a donation agreement; construction commencement will be dependent on when traffic counts warrant the signal (the “Signalization Improvement”)
  - Scheduled for completion August 2024.
- Channelized southbound right-turn movement on RM 12 at Roger Hanks Parkway/Brookside Street at a cost of \$50,000; completed in January of 2023 and dedicated to TxDOT (the “Channelized Southbound Lane” and, together with the Signalization Improvement, the “TxDOT Improvements”)
- Eastbound right-turn lane on Roger Hanks Parkway at RM 12 at a cost of \$150,000; completed and accepted by the City in January of 2023
- Westbound right-turn lane on Sportsplex Drive at Baird Lane at an expected cost of \$225,000; to be dedicated to City; expected to be installed in the fourth quarter of 2025
- Southbound left-turn lane on Baird Lane at Sportsplex Drive at an expected cost of \$225,000; to be dedicated to City; expected to be installed in the fourth quarter of 2025.

## Water Improvements

Dripping Springs Water Supply Corporation agreed to provide retail water service for 700 LUEs in the District (which shall include any use by the HOA or the Amenities), in a phased manner, in accordance with a Nonstandard Water Service Agreement (the “Water Service Agreement” and, together with the Offsite Road and Trail Agreement and the Wastewater Service Agreement, the “PID Agreements”). DSWSC is under no obligation to provide water service to the District or an Improvement Area therein until (i) a final plat for the District, or an Improvement Area, has been recorded, (ii) upon completion and acceptance of the applicable Water Improvements necessary to serve the respective Improvement Area, and (iii) all required fees and charges have been paid. The final plat for Improvement Area #2 has been recorded.

In order to reserve the necessary LUEs, beginning with the first full calendar month following the effective date of the Water Service Agreement, the Developers were required to pay to the DSWSC a monthly reserved

service charge for the first 70 LUEs out of the total of 700 LUEs. In order to reserve service for the remaining 630 LUEs, the Developers are required to pay DSWSC a monthly reserved service charge, on a phase-by-phase basis, that shall begin for any phase on the date of recording of the final plat for the respective phase in accordance with the number of lots platted in such phase. The Developers have paid the initial reservation charge and the additional monthly service charge for the first 158 LUEs.

Under the Water Service Agreement, the Developers agreed to construct all water transmission and distribution facilities, lines, mains, storage facilities, pump stations, residential and other connections necessary to distribute water to customers located in the District (the “Internal Facilities”) and all water mains, water lines, and related fittings, equipment and appurtenances necessary to transmit water from DSWSC’s water system to the District (the “Offsite Facilities”) and, together with the Internal Facilities, the “Water Improvements”) and finance such construction without reimbursement by DSWSC. The Managing Developer completed construction of the Water Improvements necessary to serve Improvement Area #1, and they were accepted by DSWSC in January of 2023. The Managing Developer has also completed construction of the Water Improvements necessary to serve Improvement Area #2 for the approximate amount of \$983,434, and they were accepted by DSWSC in June of 2024. The Managing Developer expects to construct the ~~[Water Improvements]~~ Internal Facilities necessary to serve each Future Improvement Area concurrently with construction of the respective Future Improvement Area Improvements.

### **Development Agreement**

On October 17, 2017, the City, the Original Owner, and BobWhite entered into the Annexation and Development Agreement Planned Development District No. 5: Heritage Subdivision between the City, as assigned to the Developers (the “Development Agreement”), to provide standards for developing the District, and to provide for the development of certain public and private improvements, as discussed further herein. On July 16, 2024, the City approved Resolution No. 2024-R14 consenting and assigning all rights, interests and obligations of BobWhite under the Development Agreement to the Managing Developer.

### **Financing Agreement**

The City and the Managing Developer entered into the Financing Agreement, which provides, in part, for the deposit of the Improvement Area #2 Assessments and the proceeds from the issuance and sale of the Bonds, and the payment of the Actual Costs of the Improvement Area #2 Projects. In the Financing Agreement, the Managing Developer agreed to pay the costs of constructing the Improvement Area #2 Projects that are not paid from proceeds of the Bonds or the Improvement Area #2 Assessments without reimbursement by the City. The Financing Agreement provides that (i) the maximum aggregate principal amount of bonds for the District (“PID Bonds”) that may be issued is \$27,500,000, (ii) the final maturity for any PID Bonds may not be later than 30 years from the date of issuance of the first series of PID Bonds for the Improvement Area in question, and (iii) the targeted annual installment equivalent tax rate (inclusive of total debt service, prepayment and delinquency reserve fund contributions and administrative expenses) at the time the assessments are levied is \$0.73 per \$100 of valuation (based on the estimated buildout values at the time the Service and Assessment Plan is adopted). The \$0.73 targeted annual installment equivalent tax rate is not intended to be a maximum amount that may not be exceeded. The Annual Installment for Improvement Area #2 as an equivalent tax rate is ~~\$0.77350.7608~~ \$0.7608 per \$100 of valuation.

### **Amenities**

In accordance with the PDD Ordinance (as defined herein) and the Development Agreement, the Developer plans to construct the following “Amenities:” (i) four pocket parks, one in each Improvement Area; (ii) hike and bike trails across all Improvement Areas; (iii) at least two playgrounds, including one in Improvement Area #2 and one at the Amenity Center location; and (iv) an amenity center, consisting of a resort style pool, the aforementioned playground, restrooms and a parking area (collectively, the “Amenity Center”), as depicted in the map on the following page. The pocket parks, the playground in Improvement Area #2 and the hike and bike trails will be dedicated to the City and operated and maintained by the HOA. The Amenity Center will be located in Improvement Area #2 and will be owned, operated, and maintained by the HOA.

The pocket park and playground in Improvement Area #2 are considered Improvement Area #2 Improvements eligible to be reimbursed with Bond proceeds. The pocket parks in the Future Improvement Areas are expected to be considered Future Improvement Area Improvements anticipated to be reimbursed with proceeds of the Future Improvement Area Bonds, if any. The estimated cost for each pocket park is approximately \$250,000. The Managing Developer expects to begin construction of the pocket park and playground in the third annual quarter of 2024 and expects such construction to be completed by the second annual quarter of 2025. The Managing Developer expects construction of the playground in Improvement Area #2 to cost approximately \$185,919. The approximately 7,800 linear feet of hike and bike trails running through the District are considered Major Improvements, a portion of which are eligible to be reimbursed with proceeds of the Bonds. See “THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS.”

The Amenity Center is a private improvement to be funded by the Developers on a cash basis without reimbursement by the City. Pursuant to the Development Agreement, the Developers shall apply for a building permit for the construction of the Amenity Center during the second phase of the District. Construction of the Amenity Center shall be complete within 12 months of the approval of the building permit by the City. The Developer expects to begin construction of the Amenity Center in the third quarter of 2024 and complete construction in the third quarter of 2025. The anticipated cost to complete the Amenity Center is \$2,000,000.

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**LEGEND**

- 8' WIDE CONCRETE PATH OR TRAIL - CONCEPTUAL ALIGNMENT
  - SHARED USE PATH (ADJACENT TO STREET, IN LIEU OF 5' SIDEWALK)
  - MULTI-USE PATH (COMBINED WITH SLIP STREET, MAY BE ASPHALT)
  - OFF-STREET TRAIL (SEPARATED FROM STREET AND SIDEWALK NETWORK)
- PROPOSED OFF-SITE EXTENSION

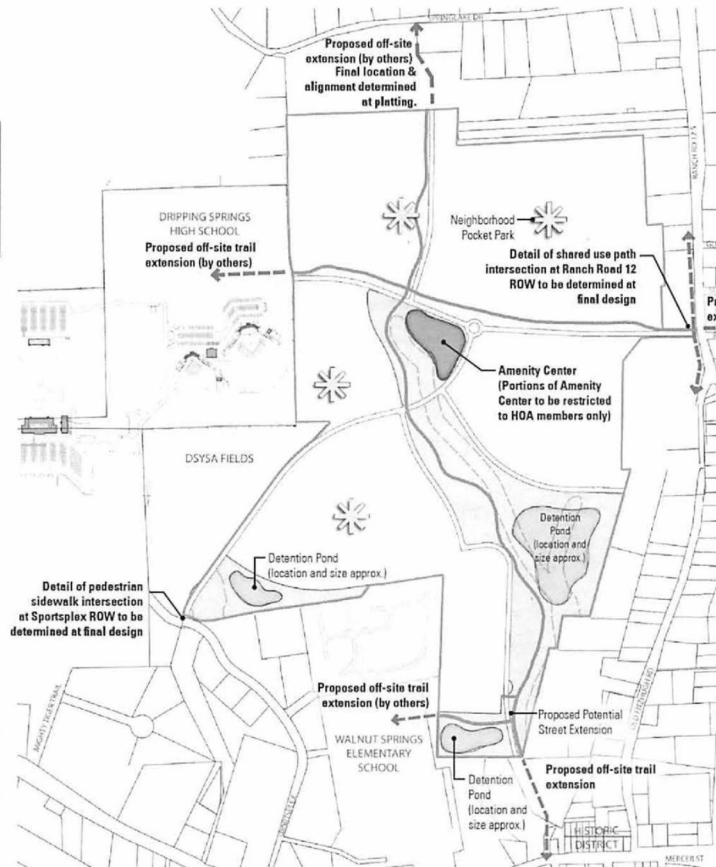
**PARKLAND DEDICATION - MINIMUM OF 28 ACRES PROVIDED**

- PARKLAND
- PARKLAND, NEIGHBORHOOD POCKET PARKS (GENERAL LOCATION)
- DEFINED DRAINAGE SETBACK

**PDD NO. 5 OPEN SPACE PLAN NOTES:**

- A MASTER PARKS AND TRAILS PLAN (MPTP) FOR PDD NO. 5 SHALL BE APPROVED SEPARATE FROM THIS PDD. THE MPTP SHALL BE APPROVED PRIOR TO THE FIRST RESIDENTIAL PRELIMINARY PLAT AND MAY BE PHASED IN ACCORDANCE WITH THE PHASED PLATTING OF THE PROJECT.
- OPEN SPACE DEDICATED FOR PARKLAND SHALL BE PUBLICLY ACCESSIBLE. PARKLAND AND IMPROVEMENTS IN THE PARKLAND, INCLUDING TRAILS, SHALL BE CONVEYED TO AND PERMANENTLY MAINTAINED BY A HOMEOWNER ASSOCIATION (HOA) OR OTHER RESPONSIBLE NON-CITY ENTITY.
- PARKLAND DEDICATION REQUIREMENTS SHALL MEET AND/OR EXCEED CODE REQUIREMENTS. THE HOA MAY ADOPT RULES AND REGULATIONS REGARDING ACCESS, PERMITTED USES, SECURITY (POLICING) AND MAINTENANCE RESPONSIBILITIES.
- PARKLAND LOCATION AND SIZE IS CONCEPTUALLY SHOWN ON THIS EXHIBIT C. BOUNDARIES OF PARKLAND TO BE DETERMINED AT PRELIMINARY PLAT. DETENTION, WATER QUALITY PONDS, UTILITY EASEMENTS, AND OFF-STREET TRAILS ARE PERMITTED IN PARKLAND.
- NEIGHBORHOOD POCKET PARKS ARE INCLUDED IN PARKLAND DEDICATION. POCKET PARKS ARE INTENDED TO SERVE THE RECREATIONAL NEEDS OF RESIDENTS, PROVIDE OPPORTUNITIES FOR INTERACTION WITHIN THE NEIGHBORHOOD AND/OR PROVIDE OPPORTUNITIES FOR INTERACTION WITH THE NATURAL ENVIRONMENT.
- SHARED USE PATH/MULTI-USE PATH/OFF-STREET TRAILS:
  - MUST BE CONCRETE, 8FT IN WIDTH, EXCEPT THAT MULTI-USE PATH MAY BE ASPHALT
  - TRAIL/PATH LOCATIONS ARE CONCEPTUAL. TRAIL LOCATION TO BE FURTHER REFINED IN THE MPTP. FINAL ALIGNMENT TO BE DETERMINED AT FINAL PLAT.
  - INDICATED TRAILS AND PATHS OUTSIDE THE PUBLIC ROW WILL BE MAINTAINED BY THE HOA.
- UNLESS OTHERWISE DEPICTED ON THIS EXHIBIT C WHEREIN A SHARED USE PATH OR MULTI-USE PATH IS PROVIDED ON A STREET, 5FT SIDEWALKS SHALL BE INSTALLED ON BOTH SIDES OF ALL LOCAL RESIDENTIAL STREETS, PER EXHIBIT F - STREET STANDARDS.
- AMENITY CENTER AREAS INTENDED FOR EXCLUSIVE USE OF THE HOA ARE NOT INCLUDED AS PART OF PARKLAND DEDICATION.

PARKLAND CODE	CODE REQUIREMENTS	PROVIDED
DEDICATION REQUIREMENT	PDD NO. 5 MAX. 700 LUE± (1 AC PARKLAND PER 25 LUE±)	MIN. 28 AC PARKLAND
WATER QUALITY AND DETENTION & STREAM SETBACK FOR DRAINAGE	NOT TO EXCEED 50% OF TOTAL OPEN SPACE	MAX. 14 AC OF THE 28 AC PARKLAND



## **Zoning/Permitting**

The development of the property within the District will be governed by the City's Code of Ordinances, including the Planned Development District Ordinance No. 1220.124 (the "PDD Ordinance") and the Development Agreement. While the PDD Ordinance does permit commercial uses, there are currently no plans to include commercial property within the District.

## **Education**

The District is located within Dripping Springs ISD. Dripping Springs ISD operates five elementary schools, two middle schools and one high school. Walnut Springs Elementary School, which is approximately 2.9 miles from the District, Dripping Springs Middle School, which is approximately 3.1 miles from the District, and Dripping Springs High School, which is adjacent to the District, are expected to serve residents within the District.

GreatSchools.org rated Walnut Springs Elementary School and Dripping Springs Middle School as "above average" and Dripping Springs High School as "average." According to the Texas Education Agency annual school report cards, Dripping Springs ISD and Walnut Springs Elementary School were rated "A" and Dripping Springs Middle School and Dripping Springs High School were rated "B" for 2021-2022. The categories for public school districts and public schools for the 2021-2022 school are A, B, C, D or Not Rated.

## **Mineral Rights**

There are certain mineral rights reservations of prior owners of real property within the District, including Improvement Area #2 (the "Mineral Owners"), pursuant to one or more deeds in the chain of title for the property in the District. The reservations of mineral rights include a waiver by the Mineral Owners of their right to enter onto the surface of the property and, to a depth of 1,000 feet below the surface, to explore, develop, drill, produce or extract minerals within the District. Such waiver does not prohibit subterranean underground directional, horizontal or "slant-well" drilling activities at depths of at least 1,000 feet or more below the underlying surface of the property.

While there is currently no drilling or exploration of minerals, the Developers cannot predict whether the Mineral Owners will take new action in the future to explore or develop the above-described mineral rights, subject to the waiver described above. The Developers are not aware of any real property (including mineral rights) owned by the Mineral Owners adjacent to the District. Certain rules and regulations of the Texas Railroad Commission may restrict the ability of the Mineral Owners to explore or develop the property due to well density, acreage, or location issues. Additionally, any drilling within the City, including redrilling of an existing well, must comply with Article 4.603 of the City's Code of Ordinances, including the requirement to obtain a "well permit," and certain required setbacks from property lines.

Although the Developers do not expect the exercise of such rights or any other mineral rights or related real property rights in or around the District, to have a material adverse effect on the Development, the property within the District, or the ability of landowners within Improvement Area #2 to pay the Improvement Area #2 Assessments, the Developers make no guarantee as to such expectation. See "BONDHOLDERS' RISKS — Exercise of Mineral Rights."

## **Environmental**

*Site Evaluation.* A Phase I Environmental Site Assessment (the "Phase I ESA") of the property within the District was completed on April 17, 2020. Based on the information presented in the Phase I ESA, there was no evidence that the Development was under environmental regulatory review or enforcement action. The site reconnaissance, regulatory database review and historical source review revealed no evidence of recognized environmental conditions involving the site.



Endangered Species. The Developers are not aware of any endangered or threatened species located on District property.

## Utilities

Water and Wastewater. DSWSC holds the certificate of convenience and necessity to provide retail water service to the District and will provide such service in accordance with the Water Service Agreement. West Travis County Public Utility Agency is the wholesale provider of water to DSWSC. DSWSC currently has sufficient capacity to provide water service to the District; however, such capacity is reserved on a phase-by-phase basis. The Developers have reserved the capacity to serve Improvement Area #1 and Improvement Area #2. See “THE DEVELOPMENT — Water Improvements” above.

The City holds the certificate of convenience and necessity to provide retail wastewater service to the District and will provide such service in accordance with the Wastewater Service Agreement. The City currently has capacity to serve 150 LUEs in Improvement Area #1. The Developers expect to have available the remaining LUEs in Improvement Area #1 prior to completion of ~~{150}~~ homes within Improvement Area #1. Additional wastewater capacity to serve Improvement Area #2 ~~and is dependent on construction of the Effluent Transmission Line.~~ Additional wastewater capacity to serve the Future Improvement Areas within the District is dependent on the construction of the Onsite WWTP and/or the ~~TLAP Amendment 2 and the~~ Discharge Permit being final and non-appealable and the construction of various other Major Improvements. ~~{What is the plan for the balance of IA#1 and IA#2?}~~ For a description of the status of the wastewater improvements and issuance of the TLAP Amendment 2 and the Discharge Permit, see “THE DEVELOPMENT — Wastewater Service Agreement” above.

Other Utilities. The Developer anticipates additional utilities to be provided by the following entities:

Gas	Texas Gas
Cable/Phone/Data	Spectrum
Electric	Pedernales Electric Cooperative

## THE DEVELOPERS

*The following information has been provided by the Developers with respect to their respective information. Certain of the following information is beyond the direct knowledge of the City, the City’s Financial Advisor and the Underwriter, and none of the City, the City’s Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information.*

## General

In general, the activities of a developer in a development such as the District include purchasing the land, designing the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities, as well as telephone and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. The relative success or failure of a developer to perform such activities within a development may have a material effect on the security of the revenue bonds, such as the Bonds, issued by a public improvement district. A developer is generally under no obligation to a public improvement district, such as the District, to develop the property which it owns in a development. Furthermore, there is no restriction on the developer’s right to sell any or all of the land which the developer owns within a development. In addition, a developer is ordinarily the major tax and assessment payer within a district during its development.

## Description of Managing Developer

The Managing Developer is a wholly-owned subsidiary of M/I Homes, Inc., an Ohio corporation (“M/I Homes”). M/I Homes stock trades on the New York Stock Exchange under the symbol MHO. M/I Homes is subject to the informational requirements of the Securities and Exchange Commission Act of 1934, as amended, and in

accordance therewith files reports, proxy statements, and other information with the SEC. The file number for M/I Homes is No.1-12434. Such reports, proxy statements, and other information filed by M/I Homes can be inspected and copied at the Public Reference Section of the SEC, Room 100 F Street, N.E., Washington D.C. 20549 and at the SEC’s internet website at <http://www.sec.gov>. Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 11 Wall Street, New York, New York 10005. All documents subsequently filed by M/I Homes pursuant to the requirements of the Securities and Exchange Commission Act of 1934 after the date of this Limited Offering Memorandum will be available for inspection in the same manner as described above.

In addition, M/I Homes makes available on its web site <https://www.mihomes.com> its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports from Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on M/I Homes’ website, available by hyperlink from M/I Homes’ website or on the SEC’s website, is not incorporated into this Limited Offering Memorandum.**

M/I Homes is one of the nation’s leading builders of single-family homes and commenced homebuilding activities in 1976. Since that time, M/I Homes has sold over 143,000 homes. M/I Homes consists of two distinct operations: homebuilding and financial services – providing mortgage loans and title services. Its homebuilding operations represented approximately 98% of consolidated revenue in both 2022 and 2021.

M/I Homes designs, markets, constructs, and sells single-family homes and attached townhomes to first time, move-up, empty nester, and luxury buyers. M/I Homes is currently offering homes for sale in 196 communities within 17 markets located in the following states – Ohio, Texas, Florida, North Carolina, Tennessee, Minnesota, Illinois, Indiana, and Michigan. The average sales price of homes delivered by M/I Homes in 2022 was \$479,000, and the average sales price of homes completed but unsold as of December 31, 2022, was \$541,000. M/I Homes offers homes ranging from a base sales price of approximately \$200,000 to \$800,000. This range of price points allows M/I Homes to appeal to and attract a wide range of buyers.

The Managing Developer was created by M/I Homes for the purpose of acquiring, owning, holding, managing, operating, investing, reinvesting, accumulating, improving, and developing residential housing upon property located in the State, including developing, managing and ultimately conveying property to third parties.

A snapshot of some of the communities the principals of the Managing Developer have developed is presented below.

<b>Name of Community</b>	<b>City</b>	<b>Number of Lots/MF Units</b>	<b>Status of Development</b>
Cascades at Onion Creek	Austin	505	Ongoing
Belterra <sup>(1)</sup>	Dripping Springs	76 (only M/I Homes lots)	Completed
Colony at Cole Springs <sup>(1)</sup>	Buda	499	Ongoing
Estancia West	Austin	462	Ongoing
Edgewood	Leander	378	Ongoing
Marble Creek Crossing	Austin	278	Ongoing
Barksdale	Leander	103	Ongoing
Lost Woods Preserve	Leander	227	Completed

<sup>(1)</sup> Development is funded partly through a municipal utility district.

### **Executive Biography of Principals of the Managing Developer**

Royce Rippey, M/I Homes VP of Land: Royce Rippey has over 20 years of experience in the acquisition, entitlement, and development of single-family residential communities in Texas. Many of those communities have had special districts (PIDs, MUDs, etc.).

## Description of Tri Pointe

Tri Pointe is a wholly-owned subsidiary of Tri Pointe Homes, Inc., a Texas corporation (“Tri Pointe Homes”). Tri Pointe Homes stock trades on the New York Stock Exchange under the symbol TPH. Tri Pointe Homes is subject to the informational requirements of the Securities and Exchange Commission Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the SEC. The file number for Tri Pointe Homes is No.1-35796. Such reports, proxy statements, and other information filed by Tri Pointe Homes can be inspected and copied at the Public Reference Section of the SEC, Room 100 F Street, N.E., Washington D.C. 20549 and at the SEC’s internet website at <http://www.sec.gov>. Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 11 Wall Street, New York, New York 10005. All documents subsequently filed by Tri Pointe Homes pursuant to the requirements of the Securities and Exchange Commission Act of 1934 after the date of this Limited Offering Memorandum will be available for inspection in the same manner as described above.

In addition, Tri Pointe Homes makes available on its web site <https://www.tripointegroup.com> its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports from Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on Tri Pointe Homes’ website, available by hyperlink from Tri Pointe Homes’ website or on the SEC’s website, is not incorporated into this Limited Offering Memorandum.**

## Executive Biography of Principals of Tri Pointe

Bryan Havel, Division President, Austin, Tri Pointe Homes: Bryan Havel has 20 years’ experience in all aspects of residential homebuilding including land acquisition and development, financial structures, and operations. He has been involved in public financing districts locally in Austin, Georgetown, Liberty Hill, Round Rock, Hutto, Dripping Springs, and Leander, as well as various public financing structure in Dallas and Houston.

## History and Financing of the District

Pursuant to the JODA, the Developers purchased approximately 187.267 acres of property within the District from the Original Owner. The purchase was closed in undivided fee simple ownership, with each Developer putting up funds proportional to their respective interests (50% each). In June of 2024, BobWhite conveyed four of the BobWhite lots to the Managing Developer and four of the BobWhite lots to Tri Pointe, totaling the remaining 1.676 acres of the District, in various fee simple transactions. Each of the Developers’ above-referenced acquisitions were made on a cash basis through corporate funding, and no third-party financing was used to acquire or has been used to subsequently develop the property within the District. Thus, there are currently no liens on the property within the District which were incurred by the Developers, and the Developers do not currently anticipate incurring any liens on the property within the District for as long as the Developers own such property (with the exception of the Assessment Lien). The PID Act provides that the Assessment Lien is a first and prior lien against the Improvement Area #2 Assessed Property and is superior to all other liens and claims except liens or claims for State, county, school district, or municipality ad valorem taxes.

The Managing Developer has completed construction of the Internal Facilities and Offsite Facilities necessary to serve Improvement Area #2 and they were accepted by DSWSC in June of 2024. The total actual or expected costs to construct the Improvement Area #2 Improvements, Major Improvements, Water Improvements necessary to serve Improvement Area #2, and the Amenity Center, are expected to be approximately \$6,315,708, \$11,399,830, \$984,508, and \$2,000,000, respectively. The total costs of the Improvement Area #2 Authorized Improvements are expected to be approximately ~~\$10,790,795~~ \$10,780,797. A portion of the total costs of the Improvement Area #2 Authorized Improvements, in the approximate amount of \$6,873,000, are expected to be financed with proceeds of the Bonds. The Developers have financed or will finance the remaining costs to complete the Improvement Area #2 Improvements, Major Improvements, Water Improvements, and the Amenities on a cash basis through corporate funding without reimbursement from the City.

## THE PID ADMINISTRATOR

*The following information has been provided by the PID Administrator. Certain of the following information is beyond the direct knowledge of the City, the City's Financial Advisor and the Underwriter, and none of the City, the City's Financial Advisor or the Underwriter have any way of guaranteeing the accuracy of such information.*

The City has selected P3Works, LLC as the initial PID Administrator. The City has entered into an agreement with the PID Administrator to provide specialized services related to the administration of the District needed to support the issuance of the Bonds. The PID Administrator will primarily be responsible for preparing the annual update to the Service and Assessment Plan. The PID Administrator is a consulting firm focused on providing district services relating to the formation and administration of public improvement districts, and has offices in Austin, Houston and North Richland Hills, Texas.

The PID Administrator's duties will include:

- Preparation of the annual update to the Service and Assessment Plan;
- Preparation of assessment rolls for City billing and collection;
- Establishing and maintaining a database of all City Parcel IDs within the District;
- Trust account analysis and reconciliation;
- Property owner inquiries;
- Determination of prepayment amounts;
- Preparation and review of disclosure notices with dissemination agent; and
- Review of developer draw requests for reimbursement of authorized improvement costs.

## APPRAISAL

### The Appraisal

*General.* Barletta & Associates, Inc. (the "Appraiser") prepared an appraisal report for the City dated July 15, 2024, based upon a physical inspection of the District conducted on June 28, 2024 (the "Appraisal"). The Appraisal was prepared at the request of the City. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the District. The Appraisal is attached hereto as APPENDIX F and should be read in its entirety in order to understand the meaning and basis of the information set forth therein. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions, and qualifications, which are set forth therein. See "APPENDIX F — Appraisal."

*Value Estimates.* The Appraiser estimated the "As Is" Bulk Market Value of the fee simple interest in the various tracts within Improvement Area #2 under certain hypothetical conditions. The Appraisal does reflect the value of Improvement Area #2 as if sold to a single purchaser in a single transaction. See "APPENDIX F — Appraisal."

The cumulative value estimate for Improvement Area #2 Assessed Property using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal, as of June 28, 2024, is \$15,025,000, and is broken down by bulk market value per lot type, as follows:

Description	No. of Lots	Avg. Lot FF	Bulk Value	Effective Date
"As Is" Bulk Market Value	6	35'	\$540,000	6/28/2024
"As Is" Bulk Market Value	68	40'	\$5,840,000	6/28/2024
"As Is" Bulk Market Value	74	45'	\$7,100,000	6/28/2024
"As Is" Bulk Market Value	12	50'	\$1,545,000	6/28/2024

None of the City, the Developers nor the Underwriter makes any representation as to the accuracy, completeness, assumptions, or information contained in the Appraisal. The assumptions or qualifications with respect to the Appraisal are contained therein. There can be no assurance that any such assumptions will be realized, and the City, the Developers and the Underwriter make no representation as to the reasonableness of such assumptions.

The Appraiser confirms that the valuations included in the Appraisal were prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value as of a specified date based upon assumptions and limiting conditions and any extraordinary assumptions specific to the relevant valuation. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The valuation set forth in the Appraisal is based on various assumptions of future expectations and while the Appraiser's forecasts for the properties in the District is considered by the Appraiser to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

The Bonds will not necessarily trade at values determined solely by reference to the underlying value of the properties in Improvement Area #2.

In performing its analyses, an appraiser makes numerous assumptions with respect to general business, economic and regulatory conditions and other matters, many of which are beyond the Appraiser's, Underwriter's and City's control, as well as to certain factual matters. Furthermore, the Appraiser's analysis, opinions and conclusions are necessarily based upon market, economic, financial and other circumstances and conditions existing prior to the valuation.

The intended use and user of the Appraisal are specifically identified in the Appraisal as agreed upon in the contract for services and/or reliance language found in the Appraisal. The Appraiser has consented to the use of the Appraisal in this Limited Offering Memorandum in connection with the issuance of the Bonds. No other use or user of the Appraisal is permitted by any other party for any other purpose.

### BONDHOLDERS' RISKS

*Before purchasing any of the Bonds, prospective investors and their professional advisors should carefully consider all of the risk factors described below which may create possibilities wherein interest may not be paid when due or that the Bonds may not be paid at maturity or otherwise as scheduled, or, if paid, without premium, if applicable. The following risk factors (which are not intended to be an exhaustive listing of all possible risks associated with an investment in the Bonds) should be carefully considered prior to purchasing any of the Bonds. Moreover, the order of presentation of the risks summarized below does not necessarily reflect the significance of such investment risks.*

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE CITY AND ARE PAYABLE SOLELY FROM THE SOURCES IDENTIFIED IN THE INDENTURE. THE HOLDERS OF**

**THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION, OR OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE, AS AND TO THE EXTENT PROVIDED IN THE INDENTURE. NO HOLDER OF THE BONDS SHALL HAVE THE RIGHT TO DEMAND ANY EXERCISE OF THE CITY'S TAXING POWER TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST OR REDEMPTION PREMIUM, IF ANY, THEREON. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THE BONDS OUT OF ANY FUNDS OF THE CITY OTHER THAN THE PLEDGED REVENUES AND OTHER FUNDS COMPRISING THE TRUST ESTATE.**

The ability of the City to pay debt service on the Bonds as due is subject to various factors that are beyond the City's control. These factors include, among others, (a) the ability or willingness of property owners within Improvement Area #2 to pay Improvement Area #2 Assessments levied by the City, (b) cash flow delays associated with the institution of foreclosure and enforcement proceedings against property within Improvement Area #2, (c) general and local economic conditions which may impact real property values, the ability to liquidate real property holdings and the overall value of real property development projects, and (d) general economic conditions which may impact the general ability to market and sell lots within Improvement Area #2, it being understood that poor economic conditions within the City, State and region may slow the assumed pace of sales of such lots.

The rate of development of the property in the District is directly related to the vitality of the residential housing industry. In the event that the sale of the lands within the District, including Improvement Area #2, should proceed more slowly than expected and the Developers are unable to pay the Improvement Area #2 Assessments, only the value of the Improvement Area #2 Assessed Property, with improvements, will be available for payment of the debt service on the Bonds, and such value can only be realized through the foreclosure or expeditious liquidation of the lands within Improvement Area #2. There is no assurance that the value of such lands will be sufficient for that purpose and the expeditious liquidation of real property through foreclosure or similar means is generally considered to yield sales proceeds in a lesser sum than might otherwise be received through the orderly marketing of such real property.

The Underwriter is not obligated to make a market in or repurchase any of the Bonds, and no representation is made by the Underwriter, the City, or the City's Financial Advisor that a market for the Bonds will develop and be maintained in the future. If a market does develop, no assurance can be given regarding future price maintenance of the Bonds.

#### **Deemed Representations and Acknowledgment by Purchasers**

Each purchaser of Bonds (each a "Purchaser") will be deemed to have acknowledged and represented to the City the matters set forth under the heading "LIMITATIONS APPLICABLE TO INITIAL PURCHASERS" which include, among others, a representation and acknowledgment that the purchase of the Bonds involves investment risks, certain of which are set forth under this heading "BONDHOLDERS' RISKS" and elsewhere herein, and each Purchaser, either alone or with its purchaser representative(s) (as defined in Rule 501(h) of Regulation D under the Securities Act of 1933), has sophisticated knowledge and experience in financial and business matters and the capacity to evaluate such risks in making an informed investment decision to purchase the Bonds, and the Purchaser can afford a complete loss of its investment in the Bonds.

#### **Assessment Limitations**

Annual Installments of Improvement Area #2 Assessments are billed to property owners of Improvement Area #2 Assessed Property. Annual Installments are due and payable, and bear the same penalties and interest for non-payment, as for ad valorem taxes as set forth under "ASSESSMENT PROCEDURES" herein. Additionally, Annual Installments established by the Service and Assessment Plan correspond in number and proportionate amount to the number of installments and principal amounts of the Bonds maturing in each year, plus interest and the Annual Collection Costs for such year. See "ASSESSMENT PROCEDURES" herein. The unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an

unwillingness or inability to make regular property tax payments and Annual Installments of Improvement Area #2 Assessment payments in the future.

In order to pay debt service on the Bonds, it is necessary that Annual Installments are paid in a timely manner. Due to the lack of predictability in the collection of Annual Installments in Improvement Area #2, the City has established a Reserve Account in the Reserve Fund, to be funded from the proceeds of the Bonds, to cover delinquencies. The Annual Installments are secured by the Assessment Lien. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Account and delay in payments of debt service on the Bonds. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy of Property Owner” herein.

Upon an ad valorem tax lien foreclosure event of a property within Improvement Area #2 of the District, any Improvement Area #2 Assessment that is also delinquent will be foreclosed upon in the same manner as the ad valorem tax lien (assuming all necessary conditions and procedures for foreclosure are duly satisfied). To the extent that a foreclosure sale results in insufficient funds to pay in full both the delinquent ad valorem taxes and the delinquent Improvement Area #2 Assessments, the liens securing such delinquent ad valorem taxes and delinquent Improvement Area #2 Assessments would likely be extinguished. Any remaining unpaid balance of the delinquent Improvement Area #2 Assessments would then be an unsecured personal liability of the original property owner.

Based upon the language of Texas Local Government Code, Section 372.017(b), case law relating to other types of assessment liens and opinions of the Texas Attorney General, the Assessment Lien as it relates to installment payments that are not yet due should remain in effect following an ad valorem tax lien foreclosure, with future installment payments not being accelerated. Texas Local Government Code Section 372.018(d) supports this position, stating that an Assessment Lien runs with the land and the portion of an assessment payment that has not yet come due is not eliminated by foreclosure of an ad valorem tax lien.

The Assessment Lien is superior to any homestead rights of a property owner that were properly claimed after the adoption of the applicable Assessment Ordinance. **However, an Assessment Lien may not be foreclosed upon if any homestead rights of a property owner were properly claimed prior to the adoption of the Assessment Ordinance (“Pre-existing Homestead Rights”) for as long as such rights are maintained on the property.** It is unclear under State law whether or not Pre-existing Homestead Rights would prevent the Assessment Lien from attaching to such homestead property or instead cause the Assessment Lien to attach, but remain subject to, the Pre-existing Homestead Rights.

Under State law, in order to establish homestead rights, the claimant must show a combination of both overt acts of homestead usage and intention on the part of the owner to claim the land as a homestead. Mere ownership of the property alone is insufficient and the intent to use the property as a homestead must be a present one, not an intention to make the property a homestead at some indefinite time in the future. As of the date of adoption of the Assessment Ordinance, no such homestead rights will have been claimed. Furthermore, the Developers are not eligible to claim homestead rights. Consequently, there are and can be no homestead rights on the Improvement Area #2 Assessed Property superior to the Assessment Liens and, therefore, the Assessment Liens may be foreclosed upon by the City.

Failure by owners of the parcels to pay Annual Installments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Improvement Area #2 Assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds.

THE IMPROVEMENT AREA #2 ASSESSMENTS CONSTITUTE A FIRST AND PRIOR LIEN AGAINST THE IMPROVEMENT AREA #2 ASSESSED PROPERTY, SUPERIOR TO ALL OTHER LIENS AND CLAIMS EXCEPT LIENS AND CLAIMS FOR STATE, COUNTY, SCHOOL DISTRICT OR MUNICIPALITY AD VALOREM TAXES AND IS A PERSONAL OBLIGATION OF AND CHARGE AGAINST THE OWNERS OF PROPERTY LOCATED WITHIN IMPROVEMENT AREA #2.

## **Failure to Provide Notice of Obligation to Pay Assessments**

The 87th Legislature passed HB 1543, which became effective September 1, 2021, and requires a person who proposes to sell or otherwise convey real property within a public improvement district to provide to the purchaser of the property, before the execution of a binding contract of purchase and sale, written notice of the obligation to pay public improvement district assessments, in accordance with Section 5.014, Texas Property Code, as amended. In the event a contract of purchase and sale is entered into without the seller providing the notice, the intended purchaser is entitled to terminate the contract of purchase and sale. If the Developers or any homebuilders within Improvement Area #2 do not provide the required notice and prospective purchasers of property within Improvement Area #2 terminate a purchase and sale contract, the anticipated absorption schedule may be affected. In addition to the right to terminate the purchase contract, a property owner who did not receive the required notice is entitled, after sale, to sue for damages for (i) all costs relative to the purchase, plus interest and reasonable attorney's fees, or (ii) an amount not to exceed \$5,000, plus reasonable attorney's fees. In a suit filed pursuant to clause (i), any damages awarded must go first to pay any outstanding liens on the property. In such an event, the outstanding Improvement Area #2 Assessments on such property should be paid. On payment of all damages respectively to the lienholders and purchaser pursuant to clause (i), the purchaser is required to reconvey the property to the seller. Further, if the Developers or any homebuilders within Improvement Area #2 of the District do not provide the required notice and become liable for monetary damages, the anticipated buildout and absorption schedule may be affected. No assurances can be given that the projected buildout and absorption schedules presented in this Limited Offering Memorandum will be realized. The forms of notice to be provided to homebuyers are attached as Exhibit R to the Service and Assessment Plan. See "Appendix C — Form of Service and Assessment Plan."

## **Potential Future Changes in State Law Regarding Public Improvement Districts**

During Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to the PID Act relating to oversight of bonds secured by special assessments including adopting requirements relating to levels of build out or adding State level oversight in connection with the issuance of bonds secured by special assessments under the PID Act. The 88th Legislative Session of the State (the "88th Regular Session") concluded on May 29, 2023. When the regular Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's direction, each lasting no more than 30 days, and for which the Governor sets the agenda. Upon conclusion of the 88th Regular Session, the Governor has called four special sessions all of which have ended without any legislation being passed by either chamber of the Texas legislature recommending oversight of bonds secured by assessments. It is impossible to predict what new proposals may be presented regarding the PID Act and the issuance of special assessment bonds during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Bonds. The next regular legislative session commences on January 14, 2025.

## **General Risks of Real Estate Investment and Development**

The Developers have the right to modify or change its plan for development of the District, from time to time, including, without limitation, land use changes, changes in the overall land and phasing plans, and changes to the type, mix, size and number of units to be developed. No defined "true-up" agreement has been entered into between the City and the Developers, nor is there a requirement that future developers or landowners enter into such an agreement. There can be no assurance, in the event the Developers or a subsequent developer modifies or changes its plan for development that the necessary revisions to the Service and Assessment Plan will be made, or if made will provide the necessary assessment revenues required to service debt on the Bonds. Nor can there be an assurance that the eventual assessment burden on the property will be marketable.

The ability of the Developers and any homebuilders to develop lots and sell single-family residential homes within the District may be affected by unforeseen changes in the general economic conditions, fluctuations in the real estate market and other factors beyond the control of the owner of the single-family residential lots. In the event that a large number of single-family projects are constructed outside of the District, and compete with the Development,



the demand for residential housing within the District could be reduced, thereby adversely affecting the continued development of the Development, or its attraction to businesses and residents.

Investments in undeveloped or developing real estate are generally considered to be speculative in nature and to involve a high degree of risk. The Development will be subject to the risks generally incident to real estate investments and development. Many factors that may affect the Development, including the schedule for and/or the costs of the various improvements to be constructed within the District necessary to serve residents therein, as well as the operating revenues of the Developers, including those derived from the Development, are not within the control of the Developers. Such factors include changes in national, regional and local economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; changes in local, regional and national market and economic conditions; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Development, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; acts of God (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; contractor or subcontractor defaults; and other unknown contingencies and factors beyond the control of the Developers.

The Development cannot be completed without the Managing Developer obtaining a variety of governmental approvals and permits, some of which have already been obtained. Certain permits are necessary to initiate construction of each phase of the Development and to allow the occupancy of residences and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for the Developers.

A slowdown of the development process and the related absorption rate within the Development because of any or all of the foregoing could affect adversely land values. The timely payment of the Bonds depends on the willingness and ability of the Developers and any subsequent owners to pay the Improvement Area #2 Assessments when due. Any or all of the foregoing could reduce the willingness and ability of such owners to pay the Improvement Area #2 Assessments and could greatly reduce the value of the property within the District in the event such property has to be foreclosed. If Annual Installments of Improvement Area #2 Assessments are not timely paid and there are insufficient funds in the accounts of the Reserve Fund, a nonpayment could result in a payment default under the Indenture.

### **Risks Related to the Current Residential Real Estate Market**

In the past, the real estate market has experienced significant slowing of new home sales and new home closings due in part to the subprime mortgage crisis involving adjustable-rate mortgages and other creative mortgage financing tools that allowed persons with higher credit risk to buy homes. The economic crisis that resulted from higher interest rates, at a time when many subprime mortgages were due to reset their interest rates, has served to reduce the availability of mortgages to many potential home buyers, making entry into the real estate market more difficult. In the past few years, both mortgage rates and home prices have increased, which may affect a home purchasers' ability to qualify for a mortgage loan and afford the total financing costs of a new home. Downturns in the real estate market and other factors beyond the control of the Developers, including general economic conditions, may impact the timing of lot and home sales within the District. No assurances can be given that projected home prices and buildout values presented in this Limited Offering Memorandum will be realized.

### **Competition**

The housing industry in the Austin-San Marcos MSA area is very competitive, and none of the Developers, the City, the City's Financial Advisor, or the Underwriter can give any assurance that the building programs of the single-family residential development within the District which are planned will ever be completed in accordance with the Developers' expectations. The competitive position of the Developers in the sale of developed lots or the

construction and sale of single-family residential units is affected by most of the factors discussed in this section, and such competitive position is directly related to maintenance of market values in the District.

Competitive projects in the area include:<sup>(1)</sup>

Project Name	# of Units	Proximity to District	Developer	Date Started	Completed/Expected	Home Prices	# of Units Remaining
Caliterra	~600	2.3 miles	Siepiela	Est. 2015	Est 2025	~\$699k - >\$1M	~35 lots
Headwaters	~1,081	3.6 miles	Freehold	Est. 2017	Est 2025	~\$370k - \$896k	~232 lots
Belterra	~2,000	7.8 miles	Ashlar	Est. 2004	Completed	Completed	0
Highpointe	~1,000	8.7 miles	DHI	Est. 2005	Completed	Completed	0

<sup>(1)</sup> Provided by the Managing Developer.

There can be no assurances that other similar single-family residential projects will not be developed in the future or that existing projects will not be upgraded or otherwise able to compete with the Development.

### **Lien Foreclosure and Bankruptcy**

The payment of Improvement Area #2 Assessments and the ability of the City to foreclose on the lien of a delinquent unpaid Improvement Area #2 Assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause the Improvement Area #2 Assessments to become extinguished, bankruptcy of a property owner in all likelihood would result in a delay in prosecuting foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds, and the possibility that delinquent Improvement Area #2 Assessments might not be paid in full.

### **Direct and Overlapping Indebtedness, Assessments and Taxes**

The ability of an owner of property within Improvement Area #2 to pay the Improvement Area #2 Assessments could be affected by the existence of other taxes and assessments imposed upon the property. Public entities whose boundaries overlap those of Improvement Area #2 currently impose ad valorem taxes on the property within Improvement Area #2 and will likely do so in the future. Such entities could also impose assessment liens on the property within Improvement Area #2. The imposition of additional liens, or for private financing, may reduce the ability or willingness of the landowners within Improvement Area #2 to pay the Improvement Area #2 Assessments. See “OVERLAPPING TAXES AND DEBT.”

### **Depletion of Reserve Account of the Reserve Fund**

Failure of the owners of property within Improvement Area #2 to pay the Improvement Area #2 Assessments when due could result in the rapid, total depletion of the accounts in the Reserve Account of the Reserve Fund prior to replenishment from the resale of property upon a foreclosure or otherwise or delinquency redemptions after a foreclosure sale, if any. There could be a default in payments of the principal of and interest on the Bonds if sufficient amounts are not available in the Reserve Account of the Reserve Fund. The Indenture provides that if, after a withdrawal from the Reserve Account of the Reserve Fund, the amount in the Reserve Account of the Reserve Fund is less than the Reserve Account Requirement, the Trustee shall transfer an amount from the Pledged Revenue Fund to the Reserve Account of the Reserve Fund sufficient to cure such deficiency, as described under “SECURITY FOR THE BONDS SIMILARLY SECURED — Reserve Account of the Reserve Fund” herein.

### **Hazardous Substances**

Although governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims also create risks for Bondholders. One of the most serious in terms of the potential reduction in property value is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel might be required by law to remedy conditions relating to releases or threatened releases of hazardous

substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or “Superfund Act,” is the most well-known and widely applicable of these laws. It is likely that, if any of the parcels of land located in the District is affected by a hazardous substance, the marketability and value of the affected parcels would be reduced by the costs of remedying the condition, because the purchaser, upon becoming owner, will also become obligated to remedy the condition.

The market value of the land within the District does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within the District has such a current liability with respect to such parcel; however, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the land within the District resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but that might in the future be so classified. Further, such liabilities might arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency.

See “THE DEVELOPMENT — Environmental” for discussion of the Phase I ESA performed on the property within the District.

## **Regulation**

Development within the District may be subject to future federal, state, and local regulations. Approval may be required from various agencies from time to time in connection with the layout and design of development in the District, the nature and extent of public improvements, land use, zoning, and other matters. Failure to meet any such regulations or obtain any such approvals in a timely manner could delay or adversely affect development in the District and property values.

## **100-Year Flood Plain**

Currently no land within the District is located within an official FEMA 100-year flood plain (the “Flood Plain”). FEMA will from time to time revise its Flood Insurance Rate Maps. FEMA ~~has~~ issued “preliminary floodplain maps” in December of 2022. Approximately 0.43 acres within the District are shown to be within the preliminary floodplain; however, these maps were created prior to the grading within the District performed by the Managing Developer. Based upon the updated grading, the Managing Developer represents that such 0.43 acres will no longer be within the preliminary floodplain.

None of the City, the Underwriter, or the Developer make any representation as to whether FEMA may revise its Flood Insurance Rate Maps, whether such revisions may result in homes that are currently outside of the 100-year flood plain from being included in the 100-year flood plain in the future, or whether extreme flooding events may exceed the Flood Plain.

## **Risk from Weather Events**

All of the State, including the City, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, hurricanes, tropical storms, flooding, heavy rains and freezes, including events similar to the severe winter storm that the continental United States experienced in February 2021, which resulted in disruptions in the Electric Reliability Council of Texas power grid and prolonged blackouts throughout the State. It is impossible to predict whether similar events will occur in the future and the impact they may have on the City, including land within the District.

## **Exercise of Mineral Rights**

As described herein under “THE DEVELOPMENT — Mineral Rights,” there are certain mineral rights reservations located within the District, including Improvement Area #2, that are not owned by the Developers. There may also be additional mineral rights and related real property rights reflected in the chain of title for the real property within the District recorded in the real property records of the County.

The Developers do not expect the existence or exercise of any mineral rights or related real property rights in or around the District to have a material adverse effect on the Development, the property within the District, or the ability of landowners within Improvement Area #2 to pay Improvement Area #2 Assessments. However, none of the City, the Financial Advisor, or the Underwriter provide any assurances as to the Developers expectations.

## **Bondholders’ Remedies and Bankruptcy of Property Owners**

In the event of default in the payment of principal of or interest on the Bonds or the occurrence of any other Event of Default under the Indenture, and upon the written request of at least 25% of the owners of the Bonds then Outstanding, the Trustee shall proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for mandamus or the specific performance of any covenant or agreement contained therein or in aid or execution of any power granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the City’s obligations under the Bonds or the Indenture and such obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with 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 owners of the Bonds cannot themselves foreclose on property within Improvement Area #2 or sell property within Improvement Area #2 in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the owners of the Bonds further 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 City. In this regard, should the City file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the City to seek judicial foreclosure of its Assessment Lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “BONDHOLDERS’ RISKS — Chapter 9 Bankruptcy Limitation to Bondholders’ Rights” herein.

Any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a property owner within the District pursuant to the Federal Bankruptcy Code could, subject to its discretion, delay or limit any attempt by the City to collect delinquent Improvement Area #2 Assessments, or delinquent ad valorem taxes, against such property owner.

In addition, in 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“Wasson”), the Texas Supreme Court (the “Court”) addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that “a city’s proprietary functions are not done pursuant to the ‘will of the people’” and protecting such municipalities “via the [S]tate’s immunity is not an efficient way to ensure efficient allocation of [S]tate resources.” While the Court recognized that the distinction

between governmental and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in a contract-claims context. The Court reviewed Wasson for a second time and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory and common law guidance at the time of inception of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgement, is justiciable against a municipality.

The City is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by such act. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages in the absence of City action, the Trustee or the owners of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Indenture covenants. As noted above, the Indenture provides that owners of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Indenture. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of moneys due under a contract).

### **Judicial Foreclosures**

Judicial foreclosure proceedings are not mandatory; however, the City has covenanted to order and cause such actions to be commenced. In the event a foreclosure is necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and, in such event, there could be an additional delay in payment of the principal of and interest on the Bonds or such payment may not be made in full. Moreover, in filing a suit to foreclose, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property; the proceeds of any sale of property within Improvement Area #2 available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property. See "OVERLAPPING TAXES AND DEBT." Collection of delinquent taxes, assessments and the Improvement Area #2 Assessments may be adversely affected by the effects of market conditions on the foreclosure sale price, and by other factors, including taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property, and by a time-consuming and expensive collection procedure.

### **No Acceleration**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in any event, including in the event of a payment default or other default under the terms of the Bonds or the Indenture.

## **Limited Secondary Market for the Bonds**

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a Holder thereof determines to solicit purchasers for the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Holders of the Bonds, depending on the progress of development of Improvement Area #2 subject to the Improvement Area #2 Assessments, existing real estate and financial market conditions and other factors.

## **No Credit Rating**

The City has not applied for or received a rating on the Bonds. Even if a credit rating had been sought for the Bonds, it is not anticipated that such a rating would have been investment grade. The absence of a rating could affect the future marketability of the Bonds. There is no assurance that a secondary market for the Bonds will develop or that holders who desire to sell their Bonds prior to the stated maturity will be able to do so. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **Chapter 9 Bankruptcy Limitation to Bondholders' Rights**

The enforceability of the rights and remedies of the owners of the Bonds 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 City. The City is authorized under State law to voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. 901-946. The City may proceed under Chapter 9 if it (1) is generally not paying its debts, or unable to meet its debts, as they become due, (2) desires to affect a plan to adjust such debts, and (3) has either obtained the agreement of or negotiated in good faith with its creditors, is unable to negotiate with its creditors because negotiation is impracticable, or reasonably believes that a creditor may attempt to obtain a preferential transfer.

If the City decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the City would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the City is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, (5) all regulatory or electoral approvals required under State law are obtained and (6) the plan is in the best interests of creditors and is feasible. The rights and remedies of the owners of the Bonds would be adjusted in accordance with the confirmed plan of adjustment of the City's debt. The City cannot predict a Bankruptcy Court's treatment of the Bond holders' creditor claim and whether a Bond holder would be repaid in full.

## **Tax-Exempt Status of the Bonds**

The Indenture contains covenants by the City intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. As discussed under the caption "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the City in violation of its covenants in the Indenture.

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.

As further described in “TAX MATTERS” below, failure of the City to comply with the requirements of the Internal Revenue Code of 1986 (the “Code”) and the related legal authorities, or changes in the federal tax law or its application, could cause interest on the Bonds to be included in the gross income of owners of the Bonds for federal income tax purposes, possibly from the date of original issuance of the Bonds. Further, the opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. The IRS has an ongoing program of auditing obligations that are issued and sold as bearing tax-exempt interest to determine whether, in the view of the IRS, interest on such obligations is included in the gross income of the owners thereof for federal income tax purposes. In the past, the IRS has announced audit efforts focused in part on “developer-driven bond transactions,” including certain tax increment financings and certain assessment bond transactions. It cannot be predicted if this IRS focus could lead to an audit of the Bonds or what the result would be of any such audit. If an audit of the Bonds is commenced, under current procedures parties other than the City would have little, if any, right to participate in the audit process. Moreover, because achieving judicial review in connection with an audit of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, regardless of the outcome, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues, may affect the market price for, or the marketability of, the Bonds. Finally, if the IRS ultimately determines that the interest on the Bonds is not excluded from the gross income of Bondholders for federal income tax purposes, the City may not have the resources to settle with the IRS, the Bonds are not required to be redeemed, and the interest rate on the Bonds will not increase.

### **Management and Ownership**

The management and ownership of the Developers and related property owners could change in the future. Purchasers of the Bonds should not rely on the management experience of such entities. There are no assurances that such entities will not sell the subject property or that officers will not resign or be replaced. In such circumstances, a new developer or new officers in management positions may not have comparable experience in projects comparable to the Development.

### **Availability of Utilities**

The progress of development within the District is also dependent upon DSWSC providing an adequate supply of water and sufficient capacity for the collection and treatment of wastewater, respectively. If such parties fail to supply water and wastewater services to the property within the District, the development of the land in the District could be adversely affected. See “THE DEVELOPMENT — Water Improvements,” “— Wastewater Service Agreement” and “— Utilities.”

### **Dependence Upon Developers**

As of June 30, 2024, the Developers owned approximately 100% of the Improvement Area #2 Assessed Property in Improvement Area #2, and therefore have the obligation for payment of 100% of the Improvement Area #2 Assessments. The ability of the Developers to make full and timely payment of the Improvement Area #2 Assessments will directly affect the ability of the City to meet its debt service obligations with respect to the Bonds. There can be no assurances given as to the financial ability of the Developers to advance any funds to the City to supplement revenues from the Improvement Area #2 Assessments if necessary, or as to whether the Developers will advance such funds. See “THE DEVELOPERS — Description of the Managing Developer” and “— Description of Tri Pointe.”

## TAX MATTERS

### Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel to the City 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 D — Form of Opinion of Bond Counsel.”

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

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

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that 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 City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with



respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, 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 SIMILARLY SECURED.

Interest on the Bonds may be includable in certain ~~corporation's~~corporations' "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 Non-U.S. holders, 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.

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## **LEGAL MATTERS**

### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General to the effect that the Bonds are valid and legally binding obligations of the City under the Constitution and laws of the State, payable from the Trust Estate and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect.

McCall, Parkhurst & Horton L.L.P. serves as Bond Counsel to the City. Orrick, Herrington & Sutcliffe LLP serves as Disclosure Counsel to the City. Norton Rose Fulbright US LLP serves as Underwriter’s Counsel. The legal fees paid to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

## **Legal Opinions**

The City will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and binding special, limited obligations of the City. The City will also furnish the legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding special, limited obligations of the City under the Constitution and laws of the State. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from and secured by a pledge of and lien on the Trust Estate. Bond Counsel will also provide a legal opinion to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described above under the caption "TAX MATTERS," including the alternative minimum tax consequences for corporations. A copy of the opinion of Bond Counsel is attached hereto as "APPENDIX D — Form of Opinion of Bond Counsel."

Except as noted below, Bond Counsel did not take part in the preparation of the Limited Offering Memorandum, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds herein under the captions or subcaptions "PLAN OF FINANCE — The Bonds," "DESCRIPTION OF THE BONDS," "SECURITY FOR THE BONDS SIMILARLY SECURED," "ASSESSMENT PROCEDURES" (except for the subcaptions "Assessment Methodology," "Billing and Collection Services Agreement" and "Assessment Amounts"), "THE DISTRICT," "TAX MATTERS," "LEGAL MATTERS — Legal Proceedings" (except for the final paragraph thereof), "LEGAL MATTERS — Legal Opinions," "SUITABILITY FOR INVESTMENT," "CONTINUING DISCLOSURE — The City," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "INVESTMENTS," "APPENDIX B" and "APPENDIX D" and such firm is of the opinion that the information relating to the Bonds, the Bond Ordinance, the Assessment Ordinance and the Indenture contained therein fairly and accurately describes the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Ordinance, the Assessment Ordinance, the Service and Assessment Plan and the Indenture.

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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Litigation — The City**

At the time of delivery and payment for the Bonds, the City will certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to its knowledge, overtly threatened against the City affecting the existence of the District, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof, in accordance with the Indenture, or the collection or application of the Improvement Area #2 Assessments securing the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Assessment Ordinance, the Indenture, any action of the City contemplated by any of the said documents, or the collection or application of the Trust Estate, or in any way contesting the completeness or accuracy of this Limited Offering Memorandum or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any documents relating to the Bonds.

### **Litigation — The Developers**

At the time of delivery and payment for the Bonds, the Developers will each certify that, except as disclosed herein, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory body, public board or body pending, or, to the best knowledge of the respective Developer,

threatened against or affecting such Developer wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition or operations of such Developer or its general partner or would adversely affect (1) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Indenture, the Bond Ordinance, the Service and Assessment Plan, the Development Agreement, the Financing Agreement, the PID Agreements, the JODA or the Bond Purchase Agreement, or otherwise described in this Limited Offering Memorandum, or (2) the tax-exempt status of interest on the Bonds (individually or in the aggregate, a “Material Adverse Effect”). Additionally, MI/Homes, Tri Pointe Homes and their respective affiliates, including the Managing Developer and Tri Pointe, respectively, have been and are parties to pending and threatened litigation related to their commercial and real estate development activities. Such litigation occurs in the ordinary course of business and is not expected to have a Material Adverse Effect.

### **SUITABILITY FOR INVESTMENT**

Investment in the Bonds poses certain economic risks. See “BONDHOLDERS’ RISKS.” The Bonds are not rated by any nationally recognized municipal securities rating service. No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. Additional information will be made available to each prospective investor, including the benefit of a site visit to the City and the opportunity to ask questions of the Developers, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. See “BONDHOLDERS’ RISKS — Bondholders’ Remedies and Bankruptcy of Property Owner.” Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by governmental immunity, bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors and enacted before or after such delivery, and by general principles of equity that permit the exercise of judicial discretion.

### **NO RATING**

No application for a rating on the Bonds has been made to any rating agency, nor is there any reason to believe that the City would have been successful in obtaining an investment grade rating for the Bonds had application been made.

### **CONTINUING DISCLOSURE**

#### **The City**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City, the PID Administrator and Wilmington Trust, National Association (in such capacity, the “Dissemination Agent”) will enter into a Continuing Disclosure Agreement (the “Disclosure Agreement of the Issuer”) for the benefit of the Holders of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Issuer, certain financial information and operating data relating to the City (collectively, the “City Reports”). The specific nature of the information to be contained in the City Reports is set forth in “APPENDIX E-1 — Form of Disclosure Agreement of the Issuer.” Under certain circumstances, the failure of the City to comply with its obligations under the Disclosure Agreement of the Issuer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of

default under the Disclosure Agreement of the Issuer would allow the Holders of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The City has agreed to update information and to provide notices of certain specified events only as provided in the Disclosure Agreement of the Issuer. The City 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 in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Issuer. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Issuer or from any statement made pursuant to the Disclosure Agreement of the Issuer.

### **The City's Compliance with Prior Continuing Disclosure Agreements**

During the past five years, the City has complied in all material respects with continuing disclosure agreements made by it in accordance with Rule 15c2-12, except as noted below.

The City has entered into continuing disclosure agreements with respect to the sale of securities to the Texas Water Development Board (the "TWDB") pursuant to the rules and regulations applicable to the TWDB (the "TWDB Agreements"), which are not subject to the Rule but track the requirements of the Rule in all material respects. The City failed to file its audited financial statements for fiscal years ending 2019 and 2022 in a timely manner, in accordance with the TWDB Agreements. Additionally, notice of a Moody's rating change, which occurred on February 15, 2023, was not timely filed. The City also failed to timely file a Notice of Incurrence of Financial Obligation in relation to its Tax Note, Series 2024 which it incurred on March 26, 2024. The City has since filed such information and notices and has policies and procedures in place to ensure timely filing in the future.

### **The Developers**

*The Managing Developer.* The Managing Developer, the PID Administrator and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement of the Managing Developer") for the benefit of the Holders of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of the Managing Developer, certain information regarding the Development and the improvements therein (collectively, the "Managing Developer Reports"). The specific nature of the information to be contained in the Managing Developer Reports is set forth in "APPENDIX E-2 — Form of Disclosure Agreement of the Managing Developer." Under certain circumstances, the failure of the Managing Developer to comply with its obligations under the Disclosure Agreement of the Managing Developer constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of the Managing Developer would allow the Holders of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

The Managing Developer has agreed to (i) prepare and provide certain updated information in report form to the Dissemination Agent and (ii) provide notices of certain specified events, only as provided in the Disclosure Agreement of the Managing Developer. The Managing Developer 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 in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of the Managing Developer. The Managing Developer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Managing Developer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of the Managing Developer or from any statement made pursuant to the Disclosure Agreement of the Managing Developer.

*Tri Pointe.* Tri Pointe, the PID Administrator and the Dissemination Agent will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement of Tri Pointe") for the benefit of the Holders of the Bonds (including owners of beneficial interests in the Bonds), to provide, by certain dates prescribed in the Disclosure Agreement of Tri Pointe, certain information regarding the Development (collectively, the "Tri Pointe Reports").

The specific nature of the information to be contained in the Tri Pointe Reports is set forth in “APPENDIX E-3 — Form of Disclosure Agreement of Tri Pointe.” Under certain circumstances, the failure of Tri Pointe to comply with its obligations under the Disclosure Agreement of Tri Pointe constitutes an event of default thereunder. Such a default will not constitute an event of default under the Indenture, but such event of default under the Disclosure Agreement of Tri Pointe would allow the Holders of the Bonds (including owners of beneficial interests in the Bonds) to bring an action for specific performance.

Tri Pointe has agreed to (i) prepare and provide certain updated information in report form to the Dissemination Agent and (ii) provide notices of certain specified events, only as provided in the Disclosure Agreement of Tri Pointe. Tri Pointe 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 in this Limited Offering Memorandum, except as provided in the Disclosure Agreement of Tri Pointe. Tri Pointe makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. Tri Pointe disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the Disclosure Agreement of Tri Pointe or from any statement made pursuant to the Disclosure Agreement of Tri Pointe.

### **The Developers’ Compliance With Prior Undertakings**

*Managing Developer.* During the last five years, the Managing Developer has complied in all material respects with its continuing disclosure agreements. [**Managing Developer to confirm or update**]

*Tri Pointe.* During the last five years, Tri Pointe has complied in all material respects with its continuing disclosure agreements. [**Tri Pointe to confirm or update**]

## **UNDERWRITING**

FMSbonds, Inc. (the “Underwriter”) has agreed to purchase the Bonds from the City at a purchase price of \$\_\_\_\_\_ (representing the par amount of the Bonds, less an underwriting discount of \$\_\_\_\_\_). The Underwriter’s obligations are subject to certain conditions precedent and if obligated to purchase any of the Bonds the Underwriter will be obligated to purchase all of the Bonds. The Bonds may be offered and sold by the Underwriter at prices lower than the initial offering prices stated on the inside cover page hereof, and such initial offering prices may be changed from time to time by the Underwriter.

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of 1933 in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter’s written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

The PID Act and Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provide that the Bonds are negotiable instruments and investment securities

governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “NO RATING” above. In addition, the PID Act and various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

## INVESTMENTS

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City’s account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City’s custodian of the banking deposits issued for the City’s account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined

termination date, are secured by a combination of cash and obligations described in clause (1) above or clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City 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 City 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 City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City 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 ten (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.

Political subdivisions such as the City are authorized to implement 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 (8) 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 (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (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; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the City 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 City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City 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 State law, the City'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 City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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) State law. No person may invest City funds without express written authority from the City Council.

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

### **INFORMATION RELATING TO THE TRUSTEE**

The City has appointed Wilmington Trust, National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is to carry out those duties assignable to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Limited Offering Memorandum and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Limited Offering Memorandum or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the City of any of the Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such Bonds by the City. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial

feasibility of the project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

In the Indenture, the City has agreed to compensate the Trustee from the amount collected each year for Annual Collection Costs and in the manner set forth in the Indenture for the Trustee's services as Trustee and as Paying Agent/Registrar; provided, however, notwithstanding anything in the Indenture to the contrary, the aggregate value of the Indenture and the compensation paid to the Trustee under the Indenture does not and shall not exceed the dollar limitation set forth in Section 2271.002(a)(2) and Section 2274.002(a)(2) of the Texas Government Code. In the Indenture, the Trustee agrees to submit to the City and/or the PID Administrator an annual report, no later than six months after each Bond Year (as defined in the Indenture), beginning with the Bond Year ending September 30, 2023, setting forth (i) the amount of fees the Trustee has received pursuant to the terms of the Indenture for the preceding Bond Year and (ii) the cumulative amount of fees paid to the Trustee pursuant to the terms of the Indenture to the date of such annual report. If at any time the Trustee receives compensation from the City under the Indenture that would otherwise cause the aggregate value of the Indenture to exceed the dollar limitation set forth in Section 2271.002(a)(2) and Section 2274.002(a)(2) of the Texas Government Code, the Trustee shall have an immediate reimbursement obligation due to the City for the amount of any such excess and shall promptly return the amount of such excess to the City. For the avoidance of doubt, any such excess amount shall never constitute compensation to the Trustee under the Indenture. See "APPENDIX B — Form of Indenture."

Additional information about the Trustee may be found at its website at [www.wilmingtontrust.com](http://www.wilmingtontrust.com). Neither the information on the Trustee's website, nor any links from that website, is a part of this Limited Offering Memorandum, nor should any such information be relied upon to make investment decisions regarding the Bonds.

## SOURCES OF INFORMATION

### General

The information contained in this Limited Offering Memorandum has been obtained primarily from the City's records, the Developers and their respective representatives and other sources believed to be reliable. In accordance with its responsibilities under the federal securities law, the Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum or any sale hereunder will create any implication that there has been no change in the financial condition or operations of the City or the Developers described herein since the date hereof. This Limited Offering Memorandum contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. The summaries of the statutes, resolutions, ordinances, indentures and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

### Developers

*Managing Developer.* The information contained in this Limited Offering Memorandum relating to the description of the Authorized Improvements, the Development and the Developers generally and, in particular, the information included in the maps in the Limited Offering Memorandum and in the sections captioned "PLAN OF FINANCE — Development Plan" and "— Additional Indebtedness," "OVERLAPPING TAXES AND DEBT — Homeowners' Association," "THE IMPROVEMENT AREA #2 AUTHORIZED IMPROVEMENTS," "THE DEVELOPMENT," and "THE DEVELOPERS" (only as it pertains to the Managing Developer) and, to the best of its knowledge after due inquiry, under the captions "BONDHOLDERS' RISKS" (only as it pertains to the Managing Developer, the Authorized Improvements and the Development), "LEGAL MATTERS — Litigation — The Developers" (only as it pertains to the Managing Developer), "CONTINUING DISCLOSURE — The Developers — Managing Developer" and "— The Developers' Compliance with Prior Undertakings — Managing Developer," "APPENDIX E-2" and "APPENDIX G" has been provided by the Managing Developer, and the Managing

Developer warrants and represents that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Bonds to the Underwriter, the Managing Developer will deliver a certificate to this effect to the City and the Underwriter.

*Tri Pointe.* The information contained in this Limited Offering Memorandum relating to the description of Tri Pointe generally and, in particular, the information included in the sections captioned “PLAN OF FINANCE — Development Plan” and “— Additional Indebtedness,” and “THE DEVELOPERS” (only as it pertains to Tri Pointe) and, to the best of its knowledge after due inquiry, under the captions “BONDHOLDERS’ RISKS” (only as it pertains to Tri Pointe and the Development), “LEGAL MATTERS — Litigation — The Developers” (only as it pertains to Tri Pointe), “CONTINUING DISCLOSURE — The Developers – Tri Pointe” and “— The Developers’ Compliance with Prior Undertakings – Tri Pointe,” “APPENDIX E-3” and “APPENDIX G” has been provided by Tri Pointe, and Tri Pointe warrants and represents that the information contained herein is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading. At the time of delivery of the Bonds to the Underwriter, Tri Pointe will deliver a certificate to this effect to the City and the Underwriter.

### **Experts**

The information regarding the Service and Assessment Plan in this Limited Offering Memorandum has been provided by P3Works, LLC and has been included in reliance upon the authority of such firm as experts in the field of assessment allocation/methodology and district administration.

The information regarding the Appraisal in this Limited Offering Memorandum has been provided by the Appraiser and has been included in reliance upon the authority of such firm as experts in the field of the appraisal of real property. The Appraiser has consented to the inclusion of the Appraisal herein.

### **Updating of Limited Offering Memorandum**

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

### **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21e of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “anticipate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS,

PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY OF ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

**AUTHORIZATION AND APPROVAL**

The City Council has approved the form and content of this Preliminary Limited Offering Memorandum and has authorized this Preliminary Limited Offering Memorandum to be used by the Underwriter in connection with the marketing and sale of the Bonds.

CITY OF DRIPPING SPRINGS, TEXAS

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Secretary

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

The following information has been provided for informational purposes only.

**General Information**

The City is located in northwestern Hays County, 21 miles west of Austin along U.S. Highway 290. The City covers approximately 3.3 square miles. The City’s 2020 census population was 4,650. The City’s 2024 population estimate is ~~6,250~~8,689.

The City is a political subdivision formed in 1981 and is a Type A general law municipality of the State of Texas, duly organized and existing under the laws of the State. City Council is comprised of the Mayor and five Council members who are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Administrator is the chief administration officer.

**Historical Employment in Hays County**

	Average Annual				
	2024 <sup>(1)</sup>	2023	2022	2021	2020
Civilian Labor Force	148,053	143,130	138,543	129,600	121,304
Total Employed	142,477	138,268	134,363	124,271	113,639
Total Unemployed	5,576	4,862	4,180	5,329	7,665
Unemployment Rate	3.5%	3.4%	3.0%	4.1%	6.3%

<sup>(1)</sup> Data through June of 2024.  
Source: Texas Labor Market Information.

**Ten Largest Employers in Hays County (2023)**

The ten largest employers in Hays County are set forth in the table below.

Employer	Employees
<del>Amazon Fulfillment Center</del> <a href="#">Texas State University</a>	<del>4,390</del> <a href="#">3,653</a>
<del>Texas State University</del> <a href="#">Hays CISD</a>	<del>3,730</del> <a href="#">3,058</a>
<del>Hays CISD</del> <a href="#">Amazon Fulfillment Center</a>	<del>3,430</del> <a href="#">1,953</a>
Premium Outlets	1,600
Tanger Factory Outlet Center	1,540
San Marcos CISD	<del>1,400</del> <a href="#">1,264</a>
Hays County	<del>1,100</del> <a href="#">1,120</a>
Dripping Springs ISD	<del>1,090</del> <a href="#">1,029</a>
<del>HEB Distribution Center</del>	<del>750</del>
Christus Santa Rosa Hospital	700
<a href="#">HEB Distribution Center</a>	<a href="#">692</a>

Source: ~~County’s fiscal year 2023 audited financial statements~~ [Hays County Annual Comprehensive Financial Report, for the year ended September 30, 2023.](#)

## Surrounding Economic Activity

The major employers of municipalities within or surrounding the City are set forth in the table below.

City of Buda, TX		City of Austin, TX		City of Kyle, TX	
Approximately 20 Miles from the City		Approximately 20 Miles from the City		Approximately 20 Miles from the City	
Employer	Employees	Employer	Employees	Employer	Employees
Capital Excavation	315	State Government	39,306	Hays County ISD	2,383
HEB Grocery	249	University of Texas at Austin	29,597	Seton Medical Center Hays	610
Walmart	240	HEB	20,749	City of Kyle	251
Pro Build	222	City of Austin	15,548	HEB Plus	208
Fat Quarter Shop	215	Federal Government	15,000	Legend Oaks Healthcare	116
Cabela's	196	Dell Computer Corporation	13,000	Lowes	108
Texas Lehigh Cement	180	Ascension Seton	12,086	Warm Springs Rehab Hospital	100
U.S. Foods	159	Amazon.com LLC	11,000	Home Depot	80
Hays Community YMCA	157	St. David's Healthcare Partnership	10,854	Austin Community College at Hays	58
Capital Spectrum	150	IBM Corporation	10,565	RSI, Inc.	40

City of San Marcos TX	
Approximately 30 Miles from the City	
Employer	Employees
Amazon	5,000
Texas State University	3,730
San Marcos Premium Outlets	1,600
Tanger Factory Outlets	1,540
San Marcos CISD	1,400
Hays County	885
City of San Marcos	818
HEB Distribution Center	750
Central TX Medical Center	675
CFAN	500

City of New Braunfels, TX	
Approximately 40 Miles from the City	
Employer	Employees
Comal ISD	2,895
Schlitterbahn Water Park	2,100
Wal-Mart Distribution Center	1,250
New Braunfels ISD	1,188
City of New Braunfels	812
Sysco	810
Hunter Industries-Colorado Materials	730
Comal County	681
HD Supply	538
Rush Enterprises	518

Source: For information relating to the City of Buda, the Municipal Advisory Council of Texas; for information relating to the remaining cities, the individual city's 2023 ACFR.





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APPENDIX B  
FORM OF INDENTURE

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APPENDIX C

FORM OF SERVICE AND ASSESSMENT PLAN

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APPENDIX D  
FORM OF OPINION OF BOND COUNSEL

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APPENDIX E-1

FORM OF DISCLOSURE AGREEMENT OF THE ISSUER



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APPENDIX E-2

FORM OF DISCLOSURE AGREEMENT OF THE MANAGING DEVELOPER

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APPENDIX E-3

FORM OF DISCLOSURE AGREEMENT OF TRI POINTE

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APPENDIX F  
APPRAISAL

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APPENDIX G  
FINANCING AGREEMENT



<b>Summary report:</b>	
<b>Litera Compare for Word 11.5.0.74 Document comparison done on 8/14/2024 2:59:37 PM</b>	
<b>Style name:</b> Standard	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> nd://4129-9341-9344/3/Dripping Springs, Heritage Park PID IA #2 - PLOM.docx	
<b>Modified DMS:</b> nd://4129-9341-9344/4/Dripping Springs, Heritage Park PID IA #2 - PLOM.docx	
<b>Changes:</b>	
Add	115
Delete	110
<del>Move From</del>	0
Move To	0
Table Insert	2
Table Delete	3
Table moves to	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>230</b>