OFFICIAL STATEMENT DATED AUGUST 25, 2026

IN THE OPINION OF MCCALL, PARKHURST & HORTON L.L.P., BOND COUNSEL TO THE DISTRICT, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
See "MUNICIPAL BOND RATING" and
"MUNICIPAL BOND INSURANCE" herein.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

$2,700,000
UNLIMITED TAX BONDS
SERIES 2026A

$1,390,000
UNLIMITED TAX ROAD BONDS
SERIES 2026B

Dated Date: September 1, 2026
Interest Accrual Date: Date of Delivery (defined below)

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

The Caldwell County Municipal Utility District No. 2 $2,700,000 Unlimited Tax Bonds, Series 2026A (the "System Bonds") and its $1,390,000 Unlimited Tax Road Bonds, Series 2026B (the "Road Bonds," and together with the System Bonds, the "Bonds"), when issued, will constitute valid and legally binding obligations of Caldwell County Municipal Utility District No. 2 (the "District") and will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Caldwell County, the City of Lockhart or any entity other than the District. The Bonds are subject to special risk factors described herein. See "RISK FACTORS."

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially BOKF, NA (the "Paying Agent/Registrar") in Dallas, Texas. Interest on the Bonds will accrue from the initial date of delivery (expected on or about September 23, 2026) (the "Date of Delivery") and be payable on March 1, 2027 and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown on the inside cover page.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies") to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

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

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The Bonds are offered when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about September 23, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$2,700,000 Unlimited Tax Bonds, Series 2026A

Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 60,000		7.000 %	3.15 %	12900A EA7	2038	$ 100,000	(c)	4.500 %	4.35 %	12900A EL3
2029	65,000		7.000	3.25	12900A EB5	2039	105,000	(c)	4.500	4.45	12900A EM1
2030	65,000		7.000	3.35	12900A EC3	2040	110,000	(c)	4.500	4.54	12900A EN9
2031	70,000		7.000	3.45	12900A ED1	2041	115,000	(c)	4.500	4.61	12900A EP4
2032	75,000		7.000	3.55	12900A EE9	2042	120,000	(c)	4.625	4.66	12900A EQ2
2033	75,000	(c)	7.000	3.65	12900A EF6	2043	125,000	(c)	4.625	4.71	12900A ER0
2034	80,000	(c)	7.000	3.71	12900A EG4	2044	130,000	(c)	4.625	4.76	12900A ES8
2035	85,000	(c)	5.625	3.78	12900A EH2	2045	140,000	(c)	4.625	4.81	12900A ET6
2036	90,000	(c)	4.500	4.15	12900A EJ8	2046	145,000	(c)	4.750	4.85	12900A EU3
2037	95,000	(c)	4.500	4.25	12900A EK5	2047	155,000	(c)	4.750	4.89	12900A EV1

$330,000 Term Bonds due September 1, 2049 (c), 12900A EX7 (b), 4.750% Interest Rate, 4.91% Yield (a)
$365,000 Term Bonds due September 1, 2051 (c), 12900A EZ2 (b), 4.750% Interest Rate, 4.93% Yield (a)

$1,390,000 Unlimited Tax Road Bonds, Series 2026B

Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount		Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 30,000		7.000 %	3.15 %	12900A FA6	2039	$ 55,000	(c)	4.500 %	4.45 %	12900A FM0
2029	35,000		7.000	3.25	12900A FB4	2040	55,000	(c)	4.500	4.54	12900A FN8
2030	35,000		7.000	3.35	12900A FC2	2041	60,000	(c)	4.500	4.61	12900A FP3
2031	35,000		7.000	3.45	12900A FD0	2042	60,000	(c)	4.625	4.66	12900A FQ1
2032	40,000		7.000	3.55	12900A FE8	2043	65,000	(c)	4.625	4.71	12900A FR9
2033	40,000	(c)	7.000	3.65	12900A FF5	2044	70,000	(c)	4.625	4.76	12900A FS7
2034	40,000	(c)	7.000	3.71	12900A FG3	2045	70,000	(c)	4.750	4.81	12900A FT5
2035	45,000	(c)	5.375	3.78	12900A FH1	2046	75,000	(c)	4.750	4.85	12900A FU2
2036	45,000	(c)	4.500	4.15	12900A FJ7	2047	80,000	(c)	4.750	4.89	12900A FV0
2037	50,000	(c)	4.500	4.25	12900A FK4	2048	85,000	(c)	4.750	4.91	12900A FW8
2038	50,000	(c)	4.500	4.35	12900A FL2						

$270,000 Term Bonds due September 1, 2051 (c), 12900A FZ1 (b), 4.750% Interest Rate, 4.93% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of The American Bankers Association, and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) The Bonds maturing on and after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or in part, on September 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701, upon payment of duplication costs.

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

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

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

THE FINANCING

The Issuer .... Caldwell County Municipal Utility District No. 2 (the "District"), a political subdivision of the State of Texas, is located in Caldwell County, Texas. See "THE DISTRICT."

The Issue.. $2,700,000 Unlimited Tax Bonds, Series 2026A (the "System Bonds") will be issued as fully registered bonds maturing on September 1 in each of the years 2028 through 2047, both inclusive, and as term bonds maturing on September 1 in each of the years 2049 and 2051 (the "System Term Bonds") in the amounts shown on the inside cover hereof. Interest on the System Bonds accrues from the Date of Delivery (expected on or about September 23, 2026) and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption.

$1,390,000 Unlimited Tax Road Bonds, Series 2026B (the "Road Bonds," and together with the System Bonds, the "Bonds") will be issued as fully registered bonds maturing on September 1 in each of the years 2028 through 2048, both inclusive, and as term bonds maturing on September 1, 2051 (the "Road Term Bonds") in the amounts shown on the inside cover hereof. The System Term Bonds and the Road Term Bonds shall be referred to herein collectively as the "Term Bonds." Interest on the Road Bonds accrues from the Date of Delivery (expected on or about September 23, 2026) and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2033, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2032, or on any date thereafter. Additionally, the Term Bonds are subject to mandatory sinking fund redemption as more fully described herein. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS—Redemption Provisions."

Authority of Issuance..................... The System Bonds are the third series of bonds issued out of an aggregate of $225,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The System Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "Commission" or the "TCEQ"), the terms and conditions of an order adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Order"), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8053 of the Texas Special District Local Laws Code, an election held within the District as described above and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

The Road Bonds are the third series of bonds issued out of an aggregate $145,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring and constructing road improvements. The Road Bonds are issued by the District pursuant to the terms and conditions of an order adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Order"), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8053 of the Texas Special District Local Laws Code, an election held within the District as described above and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Source of Payment......................... The Bonds and the Outstanding Bonds (as defined herein) are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see "TAXING PROCEDURES"). The Bonds are obligations of the District and are not obligations of the State of Texas, Caldwell County, the City of Lockhart or any other political subdivision or agency other than the District. See "THE BONDS—Source of and Security for Payment."

Use of Proceeds............................. Proceeds from the sale of the System Bonds will be used to reimburse Hartland (as hereinafter defined) for funds advanced on behalf of the District as shown herein under "THE SYSTEM—Use and Distribution of System Bond Proceeds." In addition, proceeds from the sale of the System Bonds will also be used to capitalize $135,000 of interest on the System Bonds, to pay developer interest, and to pay certain costs associated with the issuance of the System Bonds. See "THE SYSTEM—Use and Distribution of System Bond Proceeds."

Proceeds from the sale of the Road Bonds will be used to reimburse PHAU (as hereinafter defined) for funds advanced on behalf of the District as shown herein under "THE ROAD SYSTEM—Use and Distribution of Road Bond Proceeds." In addition, proceeds from the sale of the Road Bonds will also be used to capitalize $104,250 of interest on the Road Bonds, to pay developer interest, and to pay certain costs associated with the issuance of the Road Bonds. See "THE ROAD SYSTEM—Use and Distribution of Road Bond Proceeds."

Payment Record .... The District has previously issued two series of unlimited tax bonds for the purpose of acquiring and constructing water, sanitary sewer, and drainage facilities and two series of unlimited tax road bonds for the purpose of acquiring and constructing road improvements, all of which is currently outstanding as of the date hereof (the "Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds." The District has never defaulted on its debt obligations.

Qualified Tax-Exempt Obligations................................. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2026 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS—Qualified Tax-Exempt Obligations for Financial Institutions."

Municipal Bond Rating and Municipal Bond Insurance .... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, separate municipal bond insurance policies ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

General Counsel............................ Armbrust & Brown, PLLC, Austin, Texas.

Bond Counsel................................. McCall, Parkhurst & Horton L.L.P., Austin, Texas.

Disclosure Counsel........................ McCall, Parkhurst & Horton L.L.P., Austin, Texas.

Financial Advisor.......................... Masterson Advisors LLC, Austin, Texas.

Engineer .... Jones-Heroy & Associates, Inc., Austin, Texas.

Paying Agent/Registrar .... BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.................................... The District was created by Senate Bill 871, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 8053 of the Texas Special District Local Laws Code (the "Act"). The District currently contains approximately 661 acres of land. The District is located in Caldwell County, Texas (the "County") south of State Highway 142 and west of State Highway 130, approximately 4 miles southwest of the City of Lockhart, Texas (the "City"). The District lies partially within the extraterritorial jurisdiction of the City and within Lockhart Independent School District.

Status of Development................... The District is being developed primarily for single-family residential purposes as Hartland Ranch and Juniper Springs. Water, sanitary sewer and drainage facilities have been constructed to serve Hartland Ranch, Phases 1 through 4 (approximately 177 acres of land developed into 306 single-family residential lots) and Juniper Springs, Phases 9 and 10 (approximately 40 acres of land developed into 123 single-family residential lots). As of July 4, 2026, the District contained 248 single-family homes completed and occupied, 38 single-family homes completed and unoccupied, 40 single-family homes in various stages of construction, 82 vacant developed lots available for new home construction and 306 condominium units. Of the 40 single-family homes under construction, 13 single-family homes are contracted for sale to home purchasers.

A Lockhart Independent School District elementary school has been constructed on approximately 14 acres of land in the District. The elementary school is exempt from the payment of ad valorem taxation by the District.

In addition to the development described above, the District contains approximately 345 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Also, approximately 85 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses. See "THE DISTRICT—Status of Development."

Homebuilding................................ D.R. Horton is actively building homes in Hartland Ranch, which range in sales price from approximately $350,000 to $435,000. Perry Homes is actively building homes in Juniper Springs, which range in sales price from approximately $380,000 to $600,000. See "THE DISTRICT—Homebuilding."

The Developers.............................. Ranch Road Hartland, LLC, a Texas limited liability company, ("Hartland") has developed water, sewer and drainage facilities and streets to serve specific sections within the District known as Hartland Ranch.

PHAU-Lockhart 450, LLC, a Texas limited liability company, ("PHAU") has developed water, sanitary sewer and drainage and streets to serve specific sections within the District known as Juniper Springs.

Hartland and PHAU are collectively referred to herein as the "Developers." See "THE DEVELOPERS."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION

2026 Taxable Assessed Valuation	$104,085,404 (a)
Estimated Taxable Assessed Valuation as of March 27, 2026	$124,222,670 (b)
Gross Direct Debt Outstanding (after the issuance of the Bonds)	$13,645,000 (c)
Estimated Overlapping Debt	3,775,708 (d)
Gross Direct Debt and Estimated Overlapping Debt	$17,420,708
Ratios of Gross Direct Debt to:	
2026 Taxable Assessed Valuation	13.11%
Estimated Taxable Assessed Valuation as of March 27, 2026	10.98%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2026 Taxable Assessed Valuation	16.74% (d)
Estimated Taxable Assessed Valuation as of March 27, 2026	14.02% (d)
Debt Service Funds Available as of July 15, 2026:	
System and Road Debt Service Funds	$693,751
Capitalized Interest from System Bond Proceeds	135,000 (e)
Capitalized Interest from Road Bond Proceeds	104,250 (e)
Total Funds Available for Debt Service	$933,001
System Capital Project Funds Available as of July 15, 2026	$ 53,282 (f)
Road Capital Project Funds Available as of July 15, 2026	$110,679
General Operating Funds Available as of July 15, 2026	$115,528 (g)
2026 District Tax Rate:	
Debt Service	$0.70
Maintenance and Operations	0.25
Total	$0.95
Average Annual Debt Service Requirements (2027-2051)	$912,636 (h)
Maximum Annual Debt Service Requirements (2049)	$992,069 (h)
Tax Rates Required to Pay Average Annual Debt Service (2027-2051) at a 95% Collection Rate:	
Based upon 2026 Taxable Assessed Valuation	$0.93/$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of March 27, 2026	$0.78/$100 A.V.
Tax Rates Required to Pay Maximum Annual Debt Service (2049) at a 95% Collection Rate:	
Based upon 2026 Taxable Assessed Valuation	$1.01/$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of March 27, 2026	$0.85/$100 A.V.
Status of Home Construction as of July 4, 2026 (i):	
Single-Family Residential – Completed and Occupied	248
Single-Family Residential – Completed and Unoccupied	38
Single-Family Residential – Under Construction	40
Lots Available for Home Construction	82
Condominium Units	306

Area of District – 661 acres
Estimated 2026 Population – 1,480 (j)

(a) The Caldwell Central Appraisal District (the "Appraisal District") has certified $101,707,318 of taxable value as of January 1, 2026. An additional $2,378,086 of taxable value, which is subject to review and adjustment prior to certification, remains uncertified. The above total represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable appraised value within the District as of March 27, 2026. No tax will be levied on such amount. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
(c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT—Outstanding Bonds."
(d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
(e) The District will capitalize $135,000 of interest from System Bond proceeds, which is the maximum amount approved by the TCEQ, and $104,250 of interest from Road Bond proceeds. Neither the Bond Orders (defined herein) nor Texas law requires that the District maintain any particular balance in the System Debt Service Fund or the Road Debt Service Fund. See "THE SYSTEM—Use and Distribution of System Bond Proceeds" and "THE ROAD SYSTEM—Use and Distribution of Road Bond Proceeds."
(f) The District will contribute $52,501 of surplus System Capital Project Funds towards the issuance of the System Bonds. See "THE SYSTEM—Use and Distribution of System Bond Proceeds."
(g) See "RISK FACTORS—Operating Funds."
(h) See "DEBT SERVICE REQUIREMENTS."
(i) See "THE DISTRICT—Status of Development."
(j) Estimated based on 3.5 persons per occupied single-family residential home and 2 persons per condominium unit.

OFFICIAL STATEMENT

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

$2,700,000 UNLIMITED TAX BONDS SERIES 2026A	$1,390,000 UNLIMITED TAX ROAD BONDS SERIES 2026B

This Official Statement provides certain information in connection with the issuance by Caldwell County Municipal Utility District No. 2 (the "District") of its $2,700,000 Unlimited Tax Bonds, Series 2026A (the "System Bonds") and its $1,390,000 Unlimited Tax Road Bonds, Series 2026B (the "Road Bonds," and together with the System Bonds, the "Bonds").

The Bonds are issued pursuant to the Texas Constitution (Article XVI, Section 59 in the case of the System Bonds and Article III, Section 52 in the case of the Road Bonds), the Act (as defined herein), the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, elections held in the District, an order adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Order") and an order adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Order," and together with the System Bond Order, the "Bond Orders"), and, as to the System Bonds, an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Orders, and certain other information about the District, Ranch Road Hartland, LLC, a Texas limited liability company, ("Hartland"), PHAU-Lockhart 450, LLC, a Texas limited liability company, ("PHAU") (Hartland and PHAU are collectively referred to herein as the "Developers") and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefore.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be filed by the Initial Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the appropriate Bond Order of the Board authorizing the issuance and sale of the Bonds. Each Bond Order authorizes the issuance and sale of the respective series of Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

Each series of Bonds will be dated September 1, 2026 and accrue interest from the Date of Delivery (expected on or about September 23, 2026). Interest is payable on each March 1 and September 1 commencing March 1, 2027, until the earlier of maturity or prior redemption. Each series of Bonds mature on September 1 in the amounts and years shown on the inside cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds.

Authority for Issuance

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of a total of $225,000,000 principal amount in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The System Bonds are issued by the District pursuant to such authorization, an order of the TCEQ, the terms and conditions of the System Bond Order adopted by the Board, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8053 of the Texas Special District Local Laws Code, as amended (the "Act"), and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of a total of $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The Road Bonds are issued by the District pursuant to such authorization, the terms and conditions of the Road Bond Order adopted by the Board, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, the Act, and the general laws of the State of Texas regarding the issuance of bonds by political subdivisions of the State of Texas. See "—Issuance of Additional Debt" herein and "RISK FACTORS—Future Debt."

Source of and Security for Payment

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

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

Termination of Book-Entry-Only System

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

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

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

Limitation on Transfer of Bonds: Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15th) (whether or not a business day) calendar day of the month preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

Funds

In the System Bond Order, the System Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the System Bonds authorized by the System Bond Order shall be deposited, as collected, in such fund.

$135,000 of capitalized interest shall be deposited into the System Debt Service Fund upon receipt. The remaining proceeds from sale of the System Bonds, including interest earnings thereon, shall be deposited into the System Capital Projects Fund, to reimburse Hartland for the costs of acquiring or constructing District water, sanitary sewer and drainage facilities on behalf of the District, to pay interest on such reimbursements and pay the costs of issuing the System Bonds. See "THE SYSTEM—Use and Distribution of System Bond Proceeds" for a more complete description of the use of the System Bond proceeds.

In the Road Bond Order, the Road Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Road Bonds authorized by the Road Bond Order shall be deposited, as collected, in such fund.

$104,250 of capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Road Bonds, including interest earnings thereon, shall be deposited into the Road Capital Projects Fund, to reimburse PHAU for the costs of acquiring or constructing District road facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the Road Bonds. See "THE ROAD SYSTEM—Use and Distribution of Road Bond Proceeds" for a more complete description of the use of the Road Bond proceeds.

No Arbitrage

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

Redemption Provisions

Optional Redemption: The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Redemption of the System Term Bonds: The System Bonds maturing on September 1 in each of the years 2049 and 2051 (the "System Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

System Term Bonds

$330,000 Bonds Due September 1, 2049		**$365,000 Bonds Due September 1, 2051**	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2048	$ 160,000	2050	$ 180,000
2049 (maturity)	170,000	2051 (maturity)	185,000

The principal amount of the System Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any System Term Bonds of the stated maturity which, at least 30 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such System Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the System Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Mandatory Redemption of the Road Term Bonds: The Road Bonds maturing on September 1, 2051 (the "Road Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

Road Term Bonds

$270,000 Bonds Due September 1, 2051	
Mandatory Redemption Date	**Principal Amount**
2049	$ 85,000
2050	90,000
2051 (maturity)	95,000

The principal amount of the Road Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Road Term Bonds of the stated maturity which, at least 30 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Road Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Road Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

The System Term Bonds and the Road Term Bonds shall be collectively referred to herein as the "Term Bonds."

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

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Orders have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of $5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC Redemption Provision

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

Registration and Transfer

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

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar having an office for payment in Dallas, Texas. Any Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds. Provision is made in the Bond Orders for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

Record Date

The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

Payment Record

The District has previously issued two series of unlimited tax bonds for the purpose of acquiring and constructing water, sanitary sewer, and drainage facilities and two series of unlimited tax road bonds for the purpose of acquiring and constructing road improvements, all of which is currently outstanding as of the date hereof (the "Outstanding Bonds"). See "FINANCIAL STATEMENT—Outstanding Bonds." The District has never defaulted on its debt obligations.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission (with respect to system utility bonds), necessary to acquire contract rights and provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have $216,050,000 authorized but unissued unlimited tax bonds for water, sanitary sewer, and drainage facilities and $140,305,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District may also issue refunding bonds. Neither Bond Order imposes any limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds. See "RISK FACTORS—Future Debt."

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or acquire contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the Commission and the voters of the District, to establish, operate, and maintain firefighting facilities, independently or with one or more conservation and reclamation districts.

Annexation by the City of Lockhart

The District is located partially within the extraterritorial jurisdiction of the City. Generally, under current Texas law, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than fifty-percent (50%) of the land in the area, a petition has been signed by more than fifty-percent (50%) of the landowners consenting to the annexation. PHAU, the District and the City are currently parties to a Consent Agreement executed by the City on January 15, 2019 (the "Consent Agreement") setting forth the terms and conditions pursuant to which the City consented to the inclusion into the District of certain lands located in the City's extraterritorial jurisdiction now being developed by PHAU as Juniper Springs. Under the Consent Agreement, as amended, the City agreed that it will not annex any of the lands in the District until the earlier of the following: (1) December 31, 2039, or (2) the completion of at least 90% of the construction of the public infrastructure necessary to serve such lands with water, wastewater, drainage facilities, road improvements, and other facilities eligible for reimbursement under the rules of TCEQ or other law, and either (i) bonds have been issued by the District to reimburse PHAU's eligible infrastructure costs related to such facilities, or (ii) the City has expressly agreed to assume the obligation to reimburse PHAU for such costs.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including the Bonds and the Outstanding Bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds and the Outstanding Bonds should dissolution occur.

Defeasance of Outstanding Bonds

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

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

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

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

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

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 without amounts deposited to defease the Bonds. Because the Bond Orders do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Specific Tax Covenants

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

Remedies in Event of Default

The Bond Orders establish specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Orders, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Orders and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Orders and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Orders do not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Orders, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On May 2, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interest, Ltd. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I, "Wasson"), ruling 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 at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time 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 performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in Tooke v. City of Mexia, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Orders covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Additional Covenants

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

Alteration of Boundaries

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

Approval of the Bonds

The TCEQ approved the issuance of the System Bonds by an order signed on July 6, 2026.

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

Amendments to the Bond Orders

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owners") 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 Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District was created by Senate Bill 871, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 8053 of the Texas Special District Local Laws Code, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, the Act and other general statutes applicable to municipal utility districts.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefor, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the TCEQ, and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. See "THE BONDS—Issuance of Additional Debt."

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; and require public water, sewer, and drainage facilities to be designed in accordance with certain City standards. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Location

The District currently contains approximately 661 acres of land. The District is located in Caldwell County, Texas, south of State Highway 142 and west of State Highway 130, approximately 4 miles southwest of the City of Lockhart, Texas. The District lies partially within the extraterritorial jurisdiction of the City and within Lockhart Independent School District.

Status of Development

The District is being developed primarily for single-family residential purposes as Hartland Ranch and Juniper Springs. Water, sanitary sewer and drainage facilities have been constructed to serve Hartland Ranch, Phases 1 through 4 (approximately 177 acres of land developed into 306 single-family residential lots) and Juniper Springs, Phases 9 and 10 (approximately 40 acres of land being developed into 123 single-family residential lots). As of July 4, 2026, the District contained 248 single-family homes completed and occupied, 38 single-family homes completed and unoccupied, 40 single-family homes in various stages of construction, 82 vacant developed lots available for new home construction and 306 condominium units. Of the 40 single-family homes under construction, 13 single-family homes are contracted for sale to home purchasers.

Status of Home Construction as of July 4, 2026:

Single-Family Residential – Completed and Occupied	248
Single-Family Residential – Completed and Unoccupied	38
Single-Family Residential – Under Construction	40
Lots Available for Home Construction	82
Condominium Units	306

A Lockhart Independent School District elementary school has been constructed on approximately 14 acres of land in the District. The elementary school is exempt from the payment of ad valorem taxation by the District. See "RISK FACTORS—Tax-Exempt Property."

In addition to the development described above, the District contains approximately 345 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Also, approximately 85 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses.

Homebuilding

D.R. Horton is actively building homes in Hartland Ranch, which range in sales price from approximately $350,000 to $435,000. Perry Homes is actively building homes in Juniper Springs, which range in sales price from approximately $380,000 to $600,000.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the Directors listed below reside within the District; however, each of the Directors owns a small parcel of land in the District subject to a Note and Deed of Trust in favor of a third party. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held in May in even numbered years. The Directors of the District are listed below:

Name	Title	Term Expires
John Casey Roy	President	May 2030
Nathaniel Klugman	Vice President	May 2028
Rene Abrego	Secretary	May 2030
Tyler Wilson	Assistant Secretary	May 2030
Avery Dishaw	Assistant Secretary	May 2028

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

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Caldwell Central Appraisal District. The District has contracted with the Caldwell County Tax Assessor/Collector to serve as the Tax Assessor/Collector for the District.

Bookkeeper

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

Engineer

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

General Counsel

The District engages Armbrust & Brown, PLLC as general counsel as general counsel for the District. Fees for services rendered by General Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Bond Counsel

The District engages McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Austin, Texas has been engaged to serve as Disclosure Counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

Auditor

The District's financial statements for the year ended September 30, 2025, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC. See APPENDIX A for a copy of the District's September 30, 2025 audited financial statements.

THE DEVELOPERS

Role of a Developer

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

Neither the Developers (as hereinafter defined) nor any of their affiliates are obligated to pay principal of or interest on the Bonds. See "RISK FACTORS—Factors Affecting Taxable Values and Tax Payments." Furthermore, neither the Developers nor any of their affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District.

Ranch Road Hartland, LLC

Ranch Road Hartland, LLC, a Texas limited liability company ("Hartland"), has developed water, sewer and drainage facilities and streets to serve specific sections within the District known as Hartland Ranch. Hartland has obtained financing for a portion of the development of Hartland Ranch through the Public Finance Authority of Wisconsin (the "PFA"). The PFA issued $8,300,000 Special Revenue Bonds, Series 2023A-1 (the "PFA Bonds"), which are secured in part by the sale and assignment of Hartland's right to receive proceeds from the Bonds and the future sale of unlimited tax bonds issued by the District. According to Hartland, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. See "RISK FACTORS—Governmental Approval." Hartland has also obtained financing from private equity partners and private lenders.

In Hartland Ranch, 306 condominium units have been constructed, and 254 houses have been, or are being, constructed on 275 of the 306 single-family residential lots, collectively. Hartland does not own any additional developable land in the District for future development.

Development Financing: Development of a portion of Hartland Ranch is provided through a $2,000,000 loan with the Daniel Pouladian Trust dated September 29, 2021, maturing September 28, 2027 with a current balance of approximately $1,000,000 as of July 15, 2026. The loan is collateralized by a lien on the land owned by Hartland. According to Hartland, it is in compliance with all material terms of the loan agreement.

PHAU-Lockhart 450, LLC

PHAU-Lockhart 450, LLC, a Texas limited liability company ("PHAU"), has developed water, sanitary sewer and drainage facilities and streets to serve specific sections within the District known as Juniper Springs. PHAU is financing the development of Juniper Springs with funds provided by its parent company, Perry Homes ("Perry"), a Houston based private homebuilding company since 1967. Perry has built more than 65,000 homes in over 120 communities within Texas and Florida.

In Juniper Springs, houses have been or are being constructed on 72 of the 123 single-family residential lots. PHAU continues to own approximately 345 acres of undeveloped but developable land in the District for future development.

Hartland and PHAU are collectively referred to herein as the "Developers."

None of the Developers are responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or to the owners of the Bonds, or to continue development of land within the District, and may sell or otherwise dispose of their respective property within the District, or any other assets, at any time.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

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

Source of Water Supply: Maxwell Special Utility District ("Maxwell SUD") provides retail water service to all residents within that portion of the District being developed as Hartland Ranch pursuant to Non-Standard Retail Service Agreement entered into by Maxwell SUD and Ranch Road Hartland, LLC dated January 2, 2022, as subsequently amended (the "Hartland Water Agreement"). The Hartland Water Agreement was partially assigned to the District pursuant to a Limited Purpose Assignment dated April 2, 2024. The Hartland Water Assignment sets forth the terms and conditions pursuant to which Maxwell SUD agreed to provide up to 299 equivalent single-family connections ("ESFCs") of retail water service to customers within Hartland Ranch.

Maxwell SUD has agreed to provide retail water service to that portion of the District being developed as Juniper Springs pursuant to a Non-Standard Water and Wastewater Service Agreement executed by the District, PHAU-Lockhart 450, LLC, and Maxwell SUD (the "Juniper Springs Service Agreement"). The Juniper Springs Service Agreement sets forth the terms and conditions pursuant to which Maxwell SUD has agreed to provide 1,500 ESFCs of retail water service to that portion of the District being developed as Juniper Springs. Maxwell SUD and the District have amended the Juniper Springs Service Agreement to remove Maxwell SUD's obligation to provide retail wastewater service in Juniper Springs. See "—*Source of Wastewater Treatment*" below.

Maxwell SUD owns and operates groundwater production facilities and is a member of the Canyon Regional Water Authority ("CRWA"). CRWA provides water to Maxwell SUD pursuant to the Amended and Restated Contract, entered into in connection with the acquisition and construction of the Hays/Caldwell Counties Area Project. CRWA and the Guadalupe Blanco River Authority ("GBRA") entered into a water purchase contract dated as of June 16, 1999, as amended, which provides for the purchase of water by CRWA. The annual commitment under the contract is 2,908 acre feet of water per year for use to supply Maxwell SUD and participating members. The contract expires on December 31, 2039, subject to renewal or extension on such terms as may be agreed upon by GBRA and CRWA.

Source of Wastewater Treatment: Wastewater treatment and disposal services for the Hartland Ranch development is provided by cluster onsite septic systems operated by the District. Each septic system is capable of handling maximum flows of 4,800 gallons per day of wastewater. Hartland Ranch Phase 1 through 4 have a total of thirty-one septic systems capable of serving 302 ESFCs. The County approved the construction plans for the septic systems. In addition, four lots in Hartland Ranch Phase 2 are served by a private septic system. The District provides retail wastewater service to customers within Hartland Ranch.

PHAU-Lockhart 450, LLC is currently funding construction of a wastewater treatment plant and collection system facilities for subsequent conveyance to the District for service to Juniper Springs. The wastewater treatment plant is expected to be complete in September 2026. Wastewater treatment and disposal services for the Juniper Springs development are currently being pumped and hauled by a licensed service provider until completion of the wastewater treatment plant.

100-Year Flood Plain and Storm Drainage Information: " Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District's Engineer, approximately 60 acres of undevelopable land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Use and Distribution of System Bond Proceeds

The estimated use and distribution of System Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS		
• Hartland Ranch Phase 1 - Water & Drainage	$	1,905,445
• Hartland Ranch Phase 1 - Wastewater		56,500
• Less: Surplus Funds (a)		(52,501)
Total Construction Related Costs	**$**	**1,909,444**
NON-CONSTRUCTION COSTS		
• Bond Discount (b)	$	81,000
• Capitalized Interest (b)		135,000
• Developer Interest (Estimated)		360,017
Total Non-Construction Costs	**$**	**576,017**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	163,089
• Bond Application Report Costs		42,000
• State Regulatory Fees		9,450
Total Issuance Costs and Fees	**$**	**214,539**
TOTAL BOND ISSUE REQUIREMENT	**$**	**2,700,000**

(a) The District will contribute $52,501 of surplus System Capital Project Funds towards the issuance of the System Bonds.
(b) The TCEQ approved a maximum Bond Discount of 3.00% and $135,000 of capitalized interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

THE ROAD SYSTEM

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

Use and Distribution of Road Bond Proceeds

The estimated use and distribution of Road Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS	
• Juniper Springs Phases 9, 10 & 16 - Road	$ 1,046,000
Total Construction Related Costs	**$ 1,046,000**
NON-CONSTRUCTION COSTS	
• Bond Discount	$ 41,700
• Capitalized Interest (a)	104,250
• Developer Interest (Estimated)	83,122
Total Non-Construction Costs	**$ 229,072**
ISSUANCE COSTS AND FEES	
• Issuance Costs and Professional Fees	$ 106,038
• Bond Engineering Report Costs	7,500
• State Regulatory Fees	1,390
Total Issuance Costs and Fees	**$ 114,928**
TOTAL BOND ISSUE REQUIREMENT	**$ 1,390,000**

(a) The District will capitalize $104,250 of interest from Road Bond proceeds to pay debt service on the Road Bonds.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
11/05/2019	Water, Sanitary Sewer and Drainage	$225,000,000	$8,950,000 (a)	$216,050,000
11/05/2019	Road Facilities	$145,000,000	$4,695,000 (b)	$140,305,000

(a) Includes the System Bonds.
(b) Includes the Road Bonds.

FINANCIAL STATEMENT

2026 Taxable Assessed Valuation	$104,085,404 (a)
Estimated Taxable Assessed Valuation as of March 27, 2026	$124,222,670 (b)

District Debt:	
Outstanding Bonds (as of July 1, 2026)	$ 9,555,000 (c)
The System Bonds	2,700,000
The Road Bonds	1,390,000
Gross Direct Debt Outstanding (after issuance of the Bonds)	$13,645,000

Ratios of Gross Direct Debt to:	
2026 Taxable Assessed Valuation	13.11%
Estimated Taxable Assessed Valuation as of March 27, 2026	10.98%

Area of District – 661 acres
Estimated 2026 Population – 1,480 (d)

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(a) The Appraisal District has certified $101,707,318 of taxable value as of January 1, 2026. An additional $2,378,086 of taxable value, which is subject to review and adjustment prior to certification, remains uncertified. The above total represents the certified value plus the uncertified value. See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable appraised value within the District as of March 27, 2026. No tax will be levied on such amount. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. See "TAXING PROCEDURES."
(c) Includes the Outstanding Bonds. See "—Outstanding Bonds" below.
(d) Estimated based on 3.5 persons per occupied single-family residential home and 2 persons per condominium unit.

Cash and Investment Balances (unaudited as of July 15, 2026)

General Operating Fund	Cash and Temporary Investments	$115,528
System and Road Debt Service Funds	Cash and Temporary Investments	$693,751 (a)
System Capital Project Fund	Cash and Temporary Investments	$ 53,282
Road Capital Project Fund	Cash and Temporary Investments	$110,679

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(a) Does not include $135,000 of capitalized interest which will be deposited into such Debt Service Fund from System Bond proceeds, which is the maximum amount approved by the TCEQ, or $104,250 of capitalized interest which will be deposited into such Debt Service Fund from Road Bond proceeds. Neither the Bond Orders nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

Outstanding Bonds (as of July 1, 2026)

Series		Original Principal Amount	Outstanding Bonds (as of 7/1/2026)
2024A		$ 3,150,000	$ 3,150,000
2024B	(a)	2,305,000	2,305,000
2025A		3,100,000	3,100,000
2025B	(a)	1,000,000	1,000,000
Total		$ 9,555,000	$ 9,555,000

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(a) Unlimited tax road bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds (a)	As of	Overlapping Percent	Overlapping Amount
Caldwell County	$ 64,820,000	6/30/2026	0.89%	$ 576,898
Lockhart Independent School District	206,374,856	6/30/2026	1.55%	3,198,810
Total Estimated Overlapping Debt				$ 3,775,708
The District	13,645,000	(b)	100.00%	13,645,000
Total Direct and Estimated Overlapping Debt				$ 17,420,708

Ratios of Total Direct and Estimated Overlapping Debt to:

2026 Taxable Assessed Valuation	16.74%
Estimated Taxable Assessed Valuation as of March 27, 2026	14.02%

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

Overlapping Tax Rates for 2025

	2025 Tax Rate per $100 of Taxable Assessed Valuation
Caldwell County	$ 0.43900
Caldwell County Farm to Market Road	0.00010
Lockhart Independent School District	0.93960
Plum Creek Conservation District	0.01370
Plum Creek Underground Water District	0.01700
Total Overlapping Tax Rate	$ 1.40940
The District (a)	0.95000
Total Tax Rate	$ 2.35940

(a) Represents the District's 2026 tax rate. See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of May 31, 2026 Amount	Percent
2022 (a)	$ 1,401,540	$ 0.95	$ 13,315	$ 13,315	100.00%
2023	8,224,270	0.95	78,131	78,131	100.00%
2024	25,467,847	0.95	241,945	241,945	100.00%
2025	59,271,040	0.95	563,075	558,957	99.27%
2026	104,085,404	0.95	988,811	(b)	(b)

(a) Initial year of tax levy.
(b) In process of collection. Taxes for 2026 are due by January 31, 2027.

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

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.70	$ 0.70	$ -	$ -	$ -
Maintenance and Operations	0.25	0.25	0.95	0.95	0.95
Total	$ 0.95	$ 0.95	$ 0.95	$ 0.95	$ 0.95

Tax Rate Limitations

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

Debt Service Tax

The Board covenants in each Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2026 tax year, the Board levied a debt service tax in the amount of $0.70 per $100 assessed valuation. See "—Tax Rate Distribution" above.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 5, 2019, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation. For the 2026 tax year, the Board levied a maintenance tax in the amount of $0.25 per $100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. See "—Tax Rate Distribution" above.

Tax Exemptions

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

Additional Penalties

The District has contracted with Caldwell County to collect delinquent taxes. Caldwell County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code. See "TAXING PROCEDURES—Levy and Collection of Taxes."

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2025 Certified Taxable Assessed Valuation of $59,271,040. This represents ownership as of January 1, 2025. An accurate principal taxpayer list related to the Estimated Taxable Assessed Valuation as of March 27, 2026 is not available as of the date hereof.

Taxpayer	Type of Property	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Continental Homes of Texas LP (a)	Land and Improvements	$ 5,289,384	8.92%
PHAU - Lockhart 450 LLC (b)	Land and Improvements	1,943,530	3.28%
Ranch Road Hartland LLC (b)	Land and Improvements	1,021,230	1.72%
Individual	House and Lot	438,610	0.74%
Individual	House and Lot	437,360	0.74%
Individual	House and Lot	436,880	0.74%
Individual	House and Lot	433,420	0.73%
Individual	House and Lot	431,700	0.73%
Individual	House and Lot	431,480	0.73%
Individual	House and Lot	430,520	0.73%
Total		$ 11,294,114	19.06%

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(a) The current active homebuilder within the District.
(b) See "THE DEVELOPERS."

Summary of Assessed Valuation

The following summary of the 2026, 2025 and 2024 Taxable Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2026, 2025 and 2024 tax rolls of the District. Accurate breakdowns related to the uncertified portion of the 2026 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of March 27, 2026 are not available as of the date hereof.

	2026	2025	2024
Land	$ 22,537,970	$ 16,035,431	$ 11,908,829
Improvements	81,914,104	50,513,967	20,721,605
Personal Property	17,518,289	810,480	-
Exemptions and Deferments	(20,263,045)	(8,088,838)	(7,162,587)
Certified Value	$ 101,707,318	$ 59,271,040	$ 25,467,847
Uncertified Value	2,378,086	-	-
Total	$ 104,085,404	$ 59,271,040	$ 25,467,847

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2026 Taxable Assessed Valuation of $104,085,404 ($101,707,318 of certified value and $2,378,086 of uncertified value), and the Estimated Taxable Assessed Valuation as of March 27, 2026 of $124,222,670, no use of available funds, and utilize tax rates necessary to pay the District's average annual debt service requirements on the Outstanding Bonds and the Bonds. See "DEBT SERVICE REQUIREMENTS" and "RISK FACTORS—Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2051)	$ 912,636
$0.93 tax rate on the 2026 Taxable Assessed Valuation of $104,085,404 at a 95% collection rate produces	$ 919,595
$0.78 tax rate on the Estimated Taxable Assessed Valuation as of March 27, 2026 of $124,222,670 at a 95% collection rate produces	$ 920,490
Maximum Annual Debt Service Requirement (2049)	$ 992,069
$1.01 tax rate on the 2026 Taxable Assessed Valuation of $104,085,404 at a 95% collection rate produces	$ 998,699
$0.85 tax rate on the Estimated Taxable Assessed Valuation as of March 27, 2026 of $124,222,670 at a 95% collection rate produces	$1,003,098

No representation or suggestion is made that the uncertified portion ($2,378,086) of the 2026 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of March 27, 2026 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending on the disability rating of the veteran claiming the exemption and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than $5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Caldwell County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Caldwell County, the District, and the City (after annexation of the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the Participants, adopting its tax rate for the tax year. A taxing unit, such as the Participants, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For tax year 2026, the District is classified as a "Developing District."

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2025"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

GENERAL FUND OPERATIONS

General

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

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal year ended September 30, 2023 through 2025 and an unaudited summary for the eight-month period ending May 31, 2026 as provided by the Bookkeeper. Reference is made to "APPENDIX A" for further and complete information for the fiscal year ended September 30, 2025.

	10/1/2025 to 5/31/2026 (a)	Fiscal Year Ended September 30		
		2025	2024	2023 (b)
REVENUES:				
Property Taxes	$ 174,367	$ 291,988	$ 72,419	$ 13,315
Service Account Revenues	130,840	162,473	109,613	3,265
Connection/Inspection Fees	7,574	-	17,424	21,296
Pond Management Fee	8,700	27,300	23,400	-
Interest and Other	4,007	5,572	650	157
TOTAL REVENUES	$ 325,488	$ 487,333	$ 223,506	$ 38,033
EXPENDITURES:				
Management/Operations	$ 32,247	$ 53,856	$ 14,035	$ 1,933
Repairs/Maintenance	77,612	148,337	47,476	2,960
Connection/Inspection Fees	6,690	9,030	25,030	3,225
Director Fees	6,423	6,899	4,291	2,422
Legal Fees	39,334	25,430	30,565	19,583
Bookkeeping Fees	16,275	16,276	13,154	4,050
Engineering Fees	113,772	55,980	40,904	20,224
Financial Advisor Fees	-	3,000	-	-
Audit Fees	12,500	9,000	8,000	-
Insurance	2,766	2,703	2,730	1,388
Tax Appraisal/Collections Fees	2,569	7,082	2,164	378
Website Maintenance	560	-	460	460
Bank Fees	3,007	-	4,304	3,306
Miscellaneous Expenditures	22,233	4,961	-	-
Capital Outlay	-	-	27,012	-
TOTAL EXPENDITURES	$ 335,988	$ 342,554	$ 220,125	$ 59,929
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ (10,500)	$ 144,779	$ 3,381	$ (21,896)
OTHER FINANCING SOURCES:				
Developer Advances	$ -	$ 50,000	$ -	$ 28,000
NET CHANGE IN FUND BALANCE	$ (10,500)	$ 194,779	$ 3,381	$ 6,104
FUND BALANCE:				
Beginning of Year	204,650	9,871	6,490	386
End of Year	$ 194,150	$ 204,650	$ 9,871	$ 6,490

(a) Unaudited, prepared by the Bookkeeper.
(b) The District's first audited financial statements.

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that $135,000 of interest will be capitalized from System Bond proceeds to pay debt service on the System Bonds and $104,250 of interest will be capitalized from Road Bond proceeds to pay debt service on the Road Bonds. See "THE SYSTEM—Use and Distribution of System Bond Proceeds" and "THE ROAD SYSTEM—Use and Distribution of Road Bond Proceeds."

Year	Outstanding Bonds Debt Service Requirements		Plus: The System Bonds Principal	Plus: The System Bonds Interest	Plus: The Road Bonds Principal	Plus: The Road Bonds Interest	Total Debt Service Requirements
2026	$ 346,241	(a)	$ -	$ -	$ -	$ -	$ 346,241
2027	659,381		-	129,414	-	66,673	855,468
2028	660,081		60,000	137,838	30,000	71,013	958,931
2029	654,794		65,000	133,638	35,000	68,913	957,344
2030	653,844		65,000	129,088	35,000	66,463	949,394
2031	648,650		70,000	124,538	35,000	64,013	942,200
2032	649,831		75,000	119,638	40,000	61,563	946,031
2033	650,256		75,000	114,388	40,000	58,763	938,406
2034	645,675		80,000	109,138	40,000	55,963	930,775
2035	651,269		85,000	103,538	45,000	53,163	937,969
2036	652,694		90,000	98,756	45,000	50,744	937,194
2037	653,344		95,000	94,706	50,000	48,719	941,769
2038	663,269		100,000	90,431	50,000	46,469	950,169
2039	667,144		105,000	85,931	55,000	44,219	957,294
2040	665,006		110,000	81,206	55,000	41,744	952,956
2041	667,069		115,000	76,256	60,000	39,269	957,594
2042	673,094		120,000	71,081	60,000	36,569	960,744
2043	677,881		125,000	65,531	65,000	33,794	967,206
2044	676,131		130,000	59,750	70,000	30,788	966,669
2045	683,494		140,000	53,738	70,000	27,550	974,781
2046	684,294		145,000	47,263	75,000	24,225	975,781
2047	693,969		155,000	40,375	80,000	20,663	990,006
2048	686,981		160,000	33,013	85,000	16,863	981,856
2049	698,831		170,000	25,413	85,000	12,825	992,069
2050	303,863		180,000	17,338	90,000	8,788	599,988
2051	-		185,000	8,788	95,000	4,513	293,300
Total	$ 15,967,084		$ 2,700,000	$ 2,050,789	$ 1,390,000	$ 1,054,260	$ 23,162,134

(a) Excludes the District's March 1, 2026 debt service payment of $193,655.

Average Annual Debt Service Requirements (2027-2051).. $912,636
Maximum Annual Debt Service Requirements (2049).. $992,069

RISK FACTORS

General

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

Undeveloped Acreage and Vacant Lots

There are approximately 345 developable acres that have not been provided with water distribution, wastewater collection, and storm drainage facilities and 82 vacant developed lots as of July 4, 2026. The District makes no representation as to when or if the undeveloped land will be developed or if construction of homes on vacant lots will occur. See "THE DISTRICT—Status of Development."

Operating Funds

The District levied a 2026 maintenance tax of $0.25 per $100 of assessed valuation. The District's general fund balance as of July 15, 2026, was $115,528. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) developer advances. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "GENERAL FUND OPERATIONS—Operating Statement."

Developers Obligation to the District

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact existing values.

Credit Markets and Liquidity in the Financial Markets

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

Competition

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

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2026 Taxable Assessed Valuation of the District is $104,085,404 ($101,707,318 of certified value and $2,378,086 of uncertified value) (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the maximum annual debt service requirement is $992,069 (2049) and the average annual debt service requirement is $912,636 (2027-2051, inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $1.01 per $100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $992,069 and a tax rate of $0.93 per $100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $912,636 (see "DEBT SERVICE REQUIREMENTS"). The Estimated Taxable Assessed Valuation as of March 27, 2026 within the District is $124,222,670. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of March 27, 2026 and a 95% collection rate, tax rates of $0.85 and $0.78 per $100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Taxable Assessed Valuation, and the Estimated Taxable Assessed Valuation as of March 27, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX DATA—Tax Adequacy for Debt Service" and "TAXING PROCEDURES."

Tax-Exempt Property

Juniper Springs, Phase 8, is anticipated to include 117 detached multi-family homes on approximately 22 acres that will be owned by Lockhart Independent School District ("Lockhart ISD") as rental properties for the purpose of providing workforce housing to teachers and staff through a public-private partnership with Upward Communities. It is anticipated that Lockhart ISD will continue to own all of the homes constructed in Juniper Springs, Phase 8, and will reimburse PHAU for the water, sanitary sewer and drainage facilities and streets to serve Juniper Springs, Phase 8. All 117 homes within Phase 8 anticipated to be owned by Lockhart ISD will be exempt from taxation by the District.

Future Debt

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of $225,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. After issuance of the Bonds, the District will have $216,050,000 authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities and $140,305,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District reserves in the System Bond Order the right to issue the remaining $216,050,000 authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities. The District reserves in the Road Bond Order the right to issue the remaining $140,305,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District may also issue refunding bonds. See "THE BONDS—Issuance of Additional Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by TCEQ. Any additional bonds issued by the District may dilute the security for the Bonds.

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from the proceeds of the Bonds, the Developers will have expended approximately $22,400,000 (as of July 1, 2026) for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission. According to the Engineer, the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Orders, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Orders. Except for mandamus, the Bond Orders do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Based on recent Texas court decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

Each Bond Order contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in said Bond Order on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

The District has no agreement with the Initial Purchaser (hereinafter defined) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds or that if a secondary market were to be made that such a secondary market would not be disrupted by certain events. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Governmental Approval

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has the foregoing authority passed upon the adequacy or accuracy of the information contained in this Official Statement.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Environmental Regulations

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency ("EPA") and the TCEQ may impact new industrial, commercial, and residential development in the Austin-Round Rock area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin-Round Rock Area"). The Federal Clean Air Act ("CAA") requires the EPA to adopt and periodically revise national ambient air quality standards ("NAAQS") for each of the six regulated air pollutants that may reasonably be anticipated to endanger public health or welfare: ground-level ozone, lead, carbon monoxide, sulfur dioxide, nitrogen dioxide, and particulate matter.

When a pollutant concentration in an area exceeds the NAAQS for a given pollutant, the area can be designated as "nonattainment" by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so-called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. The Austin-Round Rock Area was designated "attainment" on April 30, 2004, which became effective on June 15, 2004. In 2008, the EPA lowered the ozone standard from 80 ppb to 75 ppb (the "2008 Standard"). The Austin-Round Rock Area was designated as "attainment/unclassifiable" under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard from 75 ppb to 70 ppb (the "2015 Ozone Standard"). On November 16, 2017, the EPA designated the Austin-Round Rock Area as "attainment/unclassifiable" under the 2015 Ozone Standard, which became effective on January 18, 2018.

Although the Austin-Round Rock Area is currently designated an attainment/unclassifiable area, the Austin-Round Rock Area has been and continues to be near the non-attainment thresholds for the ozone standard. Accordingly, it is possible that the Austin-Round Rock Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. Specifically, should the Austin-Round Rock Area fail to achieve attainment/unclassifiable designation under EPA NAAQS, or should the Austin-Round Rock Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin-Round Rock Area may be subjected to serious repercussions pursuant to the CAA, including stricter emissions control requirements, mandatory sanctions, and a required Federal Implementation Plan ("FIP:") improved by the EPA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin-Round Rock Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA's implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin-Round Rock Area in the future is uncertain.

In the past, the Austin-Round Rock Area has entered into agreements with TCEQ to undertake voluntary actions to help avoid a nonattainment designation. The Austin-Round Rock Area is currently participating in the Capital Area Council of Government ("CAPCOG") Ozone Advance Program ("OAP") as part of a voluntary regional 2019 – 2023 air quality plan focused on reducing ozone to keep the Austin-Round Rock Area in attainment with federal air quality standards. On February 7, 2024, the EPA announced a final rule to revise the primary annual PM2.5 (particulate matter) standard from its current level of 12.0 Φg/m3 to 9.0 Φg/m3. The EPA will likely designate non-attainment areas in 2026. The non-attainment areas will have to come into compliance by 2032.

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, "waters of the United States" includes only geographical features that are described in ordinary parlance as "streams, oceans, rivers, and lakes" and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of "waters of the United States" under the CWA to conform with the Supreme Court's decision.

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

Potential of Natural Disaster

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

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

Changes in Tax Legislation

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.

Drought Conditions

Central Texas, like other areas of the State, has experienced drought conditions in recent years. The Maxwell SUD (defined herein) provides water to the District residents in amounts sufficient to service the residents of the District, however, as drought conditions emerge, water usage, District revenues and rates could be impacted.

Storm Water

In 2018, the National Weather Service completed a rainfall study known as Atlas 14. Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM—Water, Sanitary Sewer and Drainage Facilities—*100-Year Flood Plain and Storm Drainage Information*."

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into separate agreements with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of separate municipal bond insurance policies (each a "Policy" and collectively, the "Policies"). At the time of entering into the agreements, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

The obligations of the Insurers are contractual obligations and in an event of default by the Insurers, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurers and no assurance or representation regarding the financial strength or projected financial strength of the Insurers is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurers, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurers and the Policy, which includes further instructions for obtaining current financial information concerning the Insurers.

LEGAL MATTERS

Legal Proceedings

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

The 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS—Legal Proceedings" (insofar as such section relates to the legal opinion of Bond Counsel), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except "—Compliance with Prior Undertakings") solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish each Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the applicable series of Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking such Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of such Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of such Bonds; or affecting the validity of such Bonds or the title of the present officers of the District.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") for Federal income tax purposes interest on the Bonds (1) 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 under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bonds, 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 and 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 redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 disuse 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 or Original Issue Discount Bonds should consult their own tax advisors with respect to the determination of 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.

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 55(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligation, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the "System Bonds Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.00% of the principal amount thereof which resulted in a net effective interest rate of 5.017155% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by Robert W. Baird & Co., Inc. (the "Road Bonds Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.00% of the principal amount thereof which resulted in a net effective interest rate of 5.022720% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The System Bonds Initial Purchaser and the Road Bonds Initial Purchaser shall be referred to herein collectively as the "Initial Purchaser."

Prices and Marketability

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

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in either series of Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market. Additionally, there are no assurances that if a secondary market for either series of Bonds were to develop, that it will not be disrupted by events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy for each series of the Bonds, ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue separate municipal bond insurance policies for the Bonds (each a "Policy" and collectively the "Policies"). The Policies guarantee the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT," "THE SYSTEM" and "THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The District's financial statements for the year ended September 30, 2025, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC. See APPENDIX A for a copy of the District's September 30, 2025 audited financial statements.

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "FINANCIAL STATEMENT," "TAX DATA," "DEBT SERVICE REQUIREMENTS" and "APPENDIX A" (Financial Statement of the District and Certain Supplemental Schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report of such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Orders or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

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

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term "Financial Obligation" is defined in the Bond Orders to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Orders further provides that the District intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

Availability of Information from MSRB

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and beneficial owners of the Bonds. The District may amend or repeal the agreement in the applicable Bond Order if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent each Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described under "—Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Since its first issuance of bonds in 2024, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

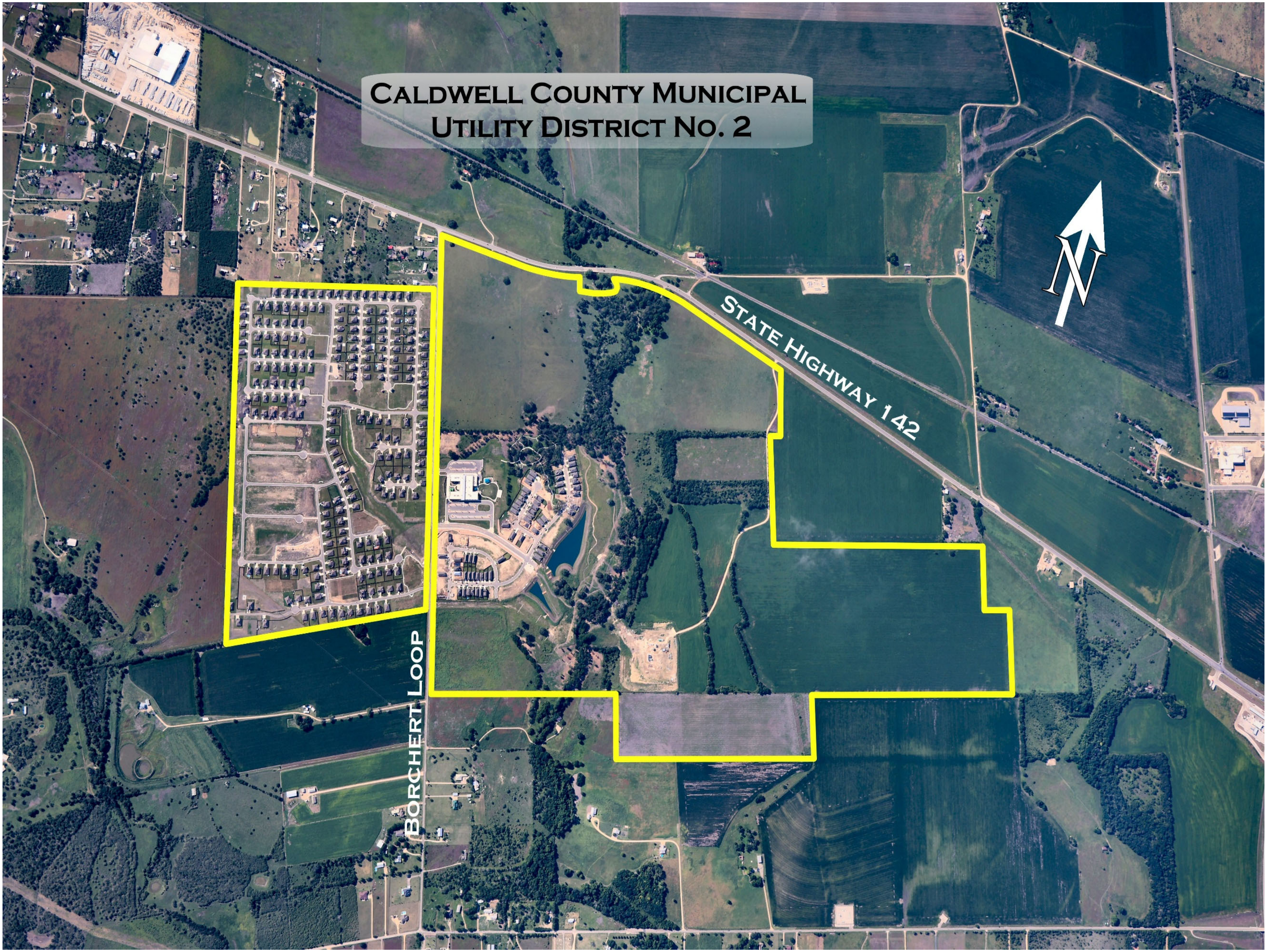
This Official Statement was approved by the Board of Directors of Caldwell County Municipal Utility District No. 2, as of the date shown on the cover page.

/s/ John Casey Roy
President, Board of Directors
Caldwell County Municipal Utility District No. 2

ATTEST:

/s/ Rene Abrego
Secretary, Board of Directors
Caldwell County Municipal Utility District No. 2

AERIAL PHOTOGRAPH
(As of June 2026)



Caldwell County Municipal
Utility District No. 2
State Highway 142
Borchert Loop
N

PHOTOGRAPHS OF THE DISTRICT
(As of June 2026)


465


Sold
D·R·HORTON


Sold


PERRY
SOLD
NO PARKING

APPENDIX A
Audited Financial Statements for the Fiscal Year Ended September 30, 2025

CALDWELL COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2

Financial Statements and
Supplementary Information as of and for the
Year Ended September 30, 2025 and
Independent Auditor's Report

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF CALDWELL

I, ____ of the
(Name of Duly Authorized District Representative)

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **27th day of January, 2026**, its annual audit report for the fiscal year ended **September 30, 2025** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Ave., Suite 1300
Austin, Texas 78701
(Address of District's Office)

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

Date: ______________________ , _______ By: ______________________________________
(Signature of Representative)

____
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this ______ day of __________________________ , __________.

(SEAL)

____
(Signature of Notary)

My Commission Expires On: ___________________________ , _________.
Notary Public in the State of Texas

Form TCEQ-0723 (Revised 07/2012)

INDEPENDENT AUDITOR’S REPORT

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Caldwell County Municipal Utility District No. 2 (the "District") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Houston | Austin | Dallas
13100 Wortham Center Drive, Suite 235, Houston, Texas 77065-5610 713-462-0341

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

McCall Gibson Swedlund Barfoot Ellis PLLC

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

January 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Caldwell County Municipal Utility District No. 2 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2025. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund*: At the end of the current fiscal year, the unassigned and assigned fund balances totaled $204,650, an increase of $194,779 from the previous fiscal year. General Fund revenues were $487,333 and other financing sources were $50,000 in the current fiscal year while expenditures were $342,554.

- *Debt Service Fund*: Fund balance restricted for debt service increased to $192,357 in the current fiscal year. The Debt Service Fund received $380,484 from the proceeds of its Series 2024A and 2024B bond issues and paid $197,993 of bond interest during the current fiscal year.

- *Capital Projects Fund*: Fund balance restricted for capital projects increased to $111,817 in the current fiscal year. During the current fiscal year, the District issued $3,150,000 of Series 2024A Unlimited Tax Bonds and $2,305,000 Series 2024B Unlimited Tax Road Bonds to purchase $4,021,820 of infrastructure, reimburse developer interest of $285,651 and operating advances of $116,500, and fund $492,143 of bond-related expenditures during the current fiscal year.

- *Governmental Activities*: On a government-wide basis for governmental activities, the District had expenses net of revenues of $2,288,444 during the current fiscal year. Net position decreased from a deficit balance of $81,259 at September 30, 2024 to a deficit balance of $2,369,703 at September 30, 2025.

OVERVIEW OF THE DISTRICT

The District was created on May 22, 2019 pursuant to Acts of the 86th Legislature, Senate Bill No. 871, and codified by Chapter 8053 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code.

The District is located on approximately 505 acres of land in Caldwell County near the intersection of State Highway 142 and TX-130 Toll Road, east of the City of Lockhart, Texas.

USING THIS ANNUAL REPORT

This annual report consists of the following:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change
	2025	2024	Increase (Decrease)
Current and other assets	$ 571,108	$ 120,280	$ 450,828
Capital and non-current assets	2,597,834	25,370	2,572,464
Total Assets	$ 3,168,942	$ 145,650	$ 3,023,292
Current liabilities	$ 202,605	$ 110,409	$ 92,196
Long-term liabilities	5,336,040	116,500	5,219,540
Total Liabilities	$ 5,538,645	$ 226,909	$ 5,311,736
Net investment in capital assets	(2,696,389)	-	(2,696,389)
Restricted for debt service	172,036	-	172,036
Unrestricted	154,650	(81,259)	235,909
Total Net Position	$ (2,369,703)	$ (81,259)	$ (2,288,444)

The District's net position decreased by $2,288,444 to a deficit balance of $2,369,703 from the previous year's deficit balance of $81,259.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued) -

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change
	2025	2024	Increase (Decrease)
Property taxes, including penalties	$ 291,988	$ 72,419	$ 219,569
Service and connection/inspection fees	162,473	127,037	35,436
Interest and other revenue	50,892	24,050	26,842
Total Revenues	$ 505,353	$ 223,506	$ 281,847
Professional fees	$ 109,686	$ 92,623	$ 17,063
Recurring operating	236,368	100,490	135,878
Developer interest	285,651	-	285,651
Conveyance of Assets	1,410,369	-	1,410,369
Debt service	710,857	-	710,857
Depreciation/amortization	40,866	1,642	39,224
Total Expenses	$ 2,793,797	$ 194,755	$ 2,599,042
Change in Net Position	$ (2,288,444)	$ 28,751	$ (2,317,195)
Beginning Net Position	(81,259)	(110,010)	28,751
Ending Net Position	$ (2,369,703)	$ (81,259)	$ (2,288,444)

Revenues were $505,353 for the fiscal year ended September 30, 2025 while expenses were $2,793,797. Net position decreased $2,288,444 for the fiscal year ended September 30, 2025.

Property tax revenues in the current fiscal year totaled $291,988. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2024 tax year (September 30, 2025 fiscal year) were based upon a current assessed value of $25,981,177 and a tax rate of $0.95 per $100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements of the District. The District's primary revenue sources during fiscal years 2024 were property taxes, service revenues, and connection/inspection fees.

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2025	2024	2023
Cash and cash equivalents	$ 442,980	$ 58,314	$ 33,633
Accounts receivable and prepaids	186,732	61,966	1,365
Total Assets	$ 629,712	$ 120,280	$ 34,998
Liabilities	$ 120,888	$ 110,409	$ 28,508
Total Liabilities	$ 120,888	$ 110,409	$ 28,508
Nonspendable	$ -	$ 43,017	$ -
Restricted	304,174	-	-
Assigned and unassigned	204,650	(33,146)	6,490
Total Fund Balance	$ 508,824	$ 9,871	$ 6,490
Total Liabilities and Fund Balance	$ 629,712	$ 120,280	$ 34,998

As of September 30, 2025, the District's governmental funds reflected fund balances totaling $508,824. For the year ended September 30, 2025, General Fund fund balance increased by $194,779.

Fund balance restricted for debt service increased to $192,357 in the current fiscal year. The Debt Service Fund received $380,484 from the proceeds of its Series 2024A and 2024B bond issues and paid $197,993 of bond interest during the current fiscal year.

Fund balance restricted for capital projects increased to $111,817 in the current fiscal year. During the current fiscal year, the District issued $3,150,000 of Series 2024A Unlimited Tax Bonds and $2,305,000 of Series 2024B Unlimited Tax Road Bonds to purchase $4,021,820 of infrastructure, reimburse developer interest of $285,651 and operating advances of $116,500, and fund $492,143 of bond-related expenditures during the current fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 10, 2024 for the 2025 fiscal year. The budget included projected revenues of $426,790 and other financing sources of $25,000 as compared to expenditures of $203,288. When comparing actual results to budgeted, the District had a negative variance of $53,723. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information.*

CAPITAL ASSETS

The District's governmental activities have invested $2,597,834 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2025	9/30/2024
Capital Assets:		
Land	$ 632,257	$ -
Water/Wastewater/Drainage	2,006,206	27,012
Less: Accumulated Depreciation	(40,629)	(1,642)
Total Net Capital Assets	$ 2,597,834	$ 25,370

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG-TERM DEBT

As of September 30, 2025, the District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2024A	$ 3,150,000
Series 2024B	2,305,000
Total	$ 5,455,000

As of September 30, 2025, the District owes approximately $5.5 million to bond holders. As of September 30, 2025, the ratio of the District's long term debt to the total 2024 taxable assessed valuation ($25,981,177) is 21.0%. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The net property tax assessed value for the 2025 tax year (September 30, 2026 fiscal year) is approximately $70 million. The fiscal year 2026 tax rate is $0.95 on each $100 of taxable value. Approximately 26% of the tax rate will fund general operating expenses and 74% will fund debt service obligations.

The adopted budget for fiscal year 2026 projects a decrease of $52,112 to the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Ave., Suite 1300, Austin, TX 78701.

FINANCIAL STATEMENTS

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
ASSETS						
Cash and cash equivalents:						
Cash	$ 14,810	$ -	$ -	$ 14,810	$ -	$ 14,810
Cash equivalents	120,496	195,857	111,817	428,170	-	428,170
Receivables -						
Service accounts, net of allowance for doubtful accounts of $-0-	18,357	-	-	18,357	-	18,357
Interfund	58,604	-	-	58,604	(58,604)	-
Intergovernmental	54,667	-	-	54,667	-	54,667
Prepaid costs	-	-	55,104	55,104	-	55,104
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	632,257	632,257
Water/wastewater/drainage facilities	-	-	-	-	1,965,577	1,965,577
TOTAL ASSETS	$ 266,934	$ 195,857	$ 166,921	$ 629,712	2,539,230	3,168,942
LIABILITIES						
Accounts payable	$ 37,884	$ -	$ -	$ 37,884	$ -	$ 37,884
Accrued bond interest payable	-	-	-	-	20,321	20,321
Deposits	24,400	-	-	24,400	-	24,400
Interfund payable	-	3,500	55,104	58,604	(58,604)	-
Long-term liabilities -						
Due to developer	-	-	-	-	50,000	50,000
Bonds payable:						
Due within one year	-	-	-	-	120,000	120,000
Due after one year	-	-	-	-	5,286,040	5,286,040
TOTAL LIABILITIES	$ 62,284	3,500	55,104	120,888	$ 5,417,757	$ 5,538,645
FUND BALANCES / NET POSITION						
Fund balances -						
Restricted for:						
Debt service	$ -	$ 192,357	$ -	$ 192,357	$ (192,357)	$ -
Authorized construction	-	-	111,817	111,817	(111,817)	-
Assigned for budget deficit	52,112	-	-	52,112	(52,112)	-
Unassigned	152,538	-	-	152,538	(152,538)	-
TOTAL FUND BALANCES	$ 204,650	$ 192,357	$ 111,817	$ 508,824	$ (508,824)	$ -
TOTAL LIABILITIES AND FUND BALANCES	$ 266,934	$ 195,857	$ 166,921	$ 629,712		
Net position:						
Net investment in capital assets					(2,696,389)	(2,696,389)
Restricted for debt service					172,036	172,036
Unrestricted					154,650	154,650
TOTAL NET POSITION					$ (2,369,703)	$ (2,369,703)

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties	$ 291,988	$ -	$ -	$ 291,988	$ -	$ 291,988
Service account revenues, including penalties	162,473	-	-	162,473	-	162,473
Pond management fee	27,300	-	-	27,300	-	27,300
Interest and Other	5,572	13,766	4,254	23,592	-	23,592
TOTAL REVENUES	$ 487,333	$ 13,766	$ 4,254	$ 505,353	$ -	$ 505,353
EXPENDITURES / EXPENSES:						
Current:						
Management/operations	$ 53,856	-	-	53,856	$ -	$ 53,856
Repairs/maintenance	148,337	-	-	148,337	-	148,337
Connection/inspection fees	9,030	-	-	9,030	-	9,030
Director fees, including payroll taxes	6,899	-	-	6,899	-	6,899
Legal fees	25,430	-	-	25,430	-	25,430
Bookkeeping fees	16,276	-	-	16,276	-	16,276
Audit fees	9,000	-	-	9,000	-	9,000
Engineering fees	55,980	-	-	55,980	-	55,980
Financial advisor fees	3,000	-	-	3,000	-	3,000
Insurance	2,703	-	-	2,703	-	2,703
Tax appraisal/collection fees	7,082	-	-	7,082	-	7,082
Miscellaneous expenditures	4,961	3,500	-	8,461	-	8,461
Developer interest	-	-	285,651	285,651	-	285,651
Change in operating advances	-	-	116,500	116,500	(116,500)	-
Debt service:						
Interest	-	197,993	-	197,993	20,321	218,314
Fiscal agent fees	-	400	-	400	-	400
Bond issuance costs	-	-	492,143	492,143	-	492,143
Capital outlay	-	-	4,021,820	4,021,820	(2,611,451)	1,410,369
Depreciation	-	-	-	-	38,987	38,987
Amortization	-	-	-	-	1,879	1,879
TOTAL EXPENDITURES / EXPENSES	$ 342,554	$ 201,893	$ 4,916,114	$ 5,460,561	$ (2,666,764)	$ 2,793,797
Excess (deficiency) of revenues over (under) expenditures / expenses	$ 144,779	$ (188,127)	$ (4,911,860)	$ (4,955,208)	$ 2,666,764	$ (2,288,444)
OTHER FINANCING SOURCES -						
Issuance of bonds	$ -	$ 380,484	$ 5,074,516	$ 5,455,000	$ (5,455,000)	$ -
Bond discount	-	-	(106,001)	(106,001)	106,001	-
Bond premium	-	-	55,162	55,162	(55,162)	-
Developer advances	50,000	-	-	50,000	(50,000)	-
TOTAL OTHER FINANCING SOURCES	$ 50,000	$ 380,484	$ 5,023,677	$ 5,454,161	$ (5,454,161)	$ -
NET CHANGE IN FUND BALANCES	$ 194,779	$ 192,357	$ 111,817	$ 498,953	$ (498,953)	$ -
CHANGE IN NET POSITION					(2,288,444)	(2,288,444)
FUND BALANCES / NET POSITION:						
Beginning of the year	9,871	-	-	9,871	(91,130)	(81,259)
End of the year	$ 204,650	$ 192,357	$ 111,817	$ 508,824	$ (2,878,527)	$ (2,369,703)

The accompanying notes are an integral part of this statement.

NOTES TO THE
FINANCIAL STATEMENTS

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The District was created on May 22, 2019 pursuant to Acts of the 86th Legislature, Senate Bill No. 871, and codified by Chapter 8053 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by the GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District's reporting entity. The Board held its first meeting on July 30, 2019, and the District was confirmed at an election held on November 5, 2019.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

- **Government-Wide Financial Statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure.

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

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

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

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

- **Debt Service Fund** - The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.

- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

Basis of Accounting

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

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Budgets and Budgetary Accounting **–** A budget was adopted on September 10, 2024, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current fiscal year.

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

Pensions **-** The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes.

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

Ad Valorem Property Taxes **-** Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes within the General Fund and Debt Service Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Accounts Receivable **-** The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management’s evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had no an allowance for uncollectible accounts at September 30, 2025.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Capital Assets - Capital assets, which include land and utilities infrastructure, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at their estimated acquisition value at the time received. In accordance with GASB Statement No. 89, interest incurred during construction of capital facilities is not capitalized.

In accordance with the Non-Standard Retail Water Service Agreement (see Note 10), water facilities are conveyed to Maxwell Special Utility District upon completion. The District is entitled to significant residual interest in the assets conveyed and records these conveyed assets as District assets and depreciates them over their estimated useful lives in accordance with GASB Statement No. 94.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Common and Recreation Areas	5 - 30
Water, Wastewater and Drainage Facilities	10 - 50

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund financial statements.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- Nonspendable **-** Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. The District had no such amounts.

- Restricted **-** Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

- Committed **-** Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.

- Assigned **-** For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District has assigned $52,112 for a budgeted fiscal year 2025-2026 deficit.

- Unassigned **-** Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Fund Balance Sheet on page FS-1.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

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

Fund Balances - Governmental Funds		$ 508,824
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	$ 2,638,463	
Less: Accumulated depreciation	(40,629)	2,597,834
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds -		
Bonds payable	$ (5,455,000)	
Bond discounts/premiums, net of accumulated amortization	48,960	
Due to developer	(50,000)	
Accrued interest payable	(20,321)	(5,476,361)
Net Position - Governmental Activities		$ (2,369,703)

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

Net Change in Fund Balances - Governmental Funds	$ 498,953
Amounts reported for governmental activities in the Statement of Activities are different because -	
Governmental funds report -	
Repay developer advances	116,500
Interest expenditures in year paid	(20,321)
Developer advances in year received	(50,000)
Bond sales and related bond discount/ premium as other financing sources/(uses)	(5,404,161)
Capital outlay in year paid	2,611,451
Governmental funds do not report -	
Depreciation/amortization	(40,866)
Change in Net Position - Governmental Activities	$ (2,288,444)

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At September 30, 2025, the carrying amount of the District's cash was $14,810 and the bank balance was $58,807. The bank balance was covered by federal depository insurance.

Cash Equivalents and Investments -

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

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

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

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

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments (continued) -

At September 30, 2025, the District held the following investments:

		Governmental Funds			Investment Rating	
		General	Debt Service	Capital Projects		
Investment	Fair Value at 9/30/2025	Unrestricted	Restricted (1)	Restricted (2)	Rating	Rating Agency
TexPool	$ 428,170	$ 120,496	$ 195,857	$ 111,817	AAAm	Standard & Poors
	$ 428,170	$ 120,496	$ 195,857	$ 111,817		

(1) Restricted for payment of debt service and cost of assessing and collecting taxes.

(2) Restricted for purchase of capital assets.

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

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2025, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2025, the District's bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Caldwell County Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Caldwell County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 10, 2024. The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2024 tax roll. The tax rate, based on total taxable assessed valuation of $25,981,177 was $0.95 on each $100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of $1.00 was established by the voters at an election held on November 5, 2019.

Property taxes were fully collected at September 30, 2025. The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/30/2024	Additions	Deletions	Balance 9/30/2025
Capital assets not being depreciated- Land and easements	$ -	$ 632,257	$ -	$ 632,257
Capital assets being depreciated:				
Water/wastewater/drainage system	27,012	1,979,194	-	2,006,206
Total capital assets being depreciated	27,012	1,979,194	-	2,006,206
Less accumulated depreciation for:				
Water/wastewater/drainage system	(1,642)	(38,987)	-	(40,629)
Total accumulated depreciation	(1,642)	(38,987)	-	(40,629)
Total capital assets being depreciated, net of accumulated depreciation	25,370	1,940,207	-	1,965,577
Total capital assets, net	$ 25,370	$ 2,572,464	$ -	$ 2,597,834

6. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2025:

	Interfund Receivable	Interfund Payable
General Fund:		
Debt Service Fund	$ 3,500	$ -
Capital Projects Fund	55,104	-
Debt Service Fund -		
General Fund	-	3,500
Capital Projects Fund -		
General Fund	-	55,104
	$ 58,604	$ 58,604

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2025:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2024	$ -
Bonds issued	5,455,000
Bonds retired	-
Bond premium/discount, net	(48,960)
Bonds payable at September 30, 2025	$ 5,406,040

Bonds payable at September 30, 2025, were comprised of the following individual issues:

Unlimited Tax Bonds:

$3,150,000 – 2024A Unlimited Tax Bonds payable serially through the year 2049 at interest rates which range from 4.25% to 6.75%. Bonds maturing on or after September 1, 2031 are callable prior to maturity beginning September 1, 2030, or any date thereafter. Bonds maturing September 1, 2043 and 2049 are term bonds and are subject to mandatory sinking fund redemption.

Unlimited Tax Road Bonds:

$2,305,000 – 2024B Unlimited Tax Road Bonds payable serially through the year 2049 at interest rates which range from 4.375% to 6.75%. Bonds maturing on or after September 1, 2031 are callable prior to maturity beginning September 1, 2030, or any date thereafter. Bonds maturing September 1, 2041 and 2049 are term bonds and are subject to mandatory sinking fund redemption.

On November 20, 2024, the District issued Unlimited Tax Bonds, Series 2024A, of $3,150,000 with interest rates ranging from 4.25% to 6.75%. The net proceeds of $3,055,982 (after payment of underwriter fees and other bond related costs) were used to finance developer funded infrastructure improvement costs, fund future interest payments and pay subsequent bond issue costs.

On November 20, 2024, the District issued Unlimited Tax Road Bonds, Series 2024B, of $2,305,000 with interest rates ranging from 4.375% to 6.75%. The net proceeds of $2,236,057 (after payment of underwriter fees and other bond related costs) were used to finance developer funded road improvement costs, fund future interest payments and pay subsequent bond issue costs.

7. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2025, including interest, are as follows:

	Annual Requirements for All Series		
Year Ended September 30,	Principal	Interest	Total
2026	$ 120,000	$ 253,654	$ 373,654
2027	130,000	245,556	375,556
2028	135,000	236,782	371,782
2029	140,000	227,668	367,668
2030	150,000	218,218	368,218
2031-2035	865,000	978,466	1,843,466
2036-2040	1,105,000	771,065	1,876,065
2041-2045	1,405,000	503,958	1,908,958
2046-2049	1,405,000	159,396	1,564,396
	$ 5,455,000	$ 3,594,763	$ 9,049,763

Bonds authorized but not issued as of September 30, 2025, are as follows:

Type	Amount
Unlimited Tax Bonds	$ 221,850,000
Road Bonds	$ 142,695,000

$192,357 is available in the Debt Service Fund to service the bonded debt.

The existing outstanding bonds of the District are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

8. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality. On November 5, 2019, a bond election held within the District approved authorization to issue $225,000,000 of bonds to fund costs for water, wastewater and drainage system facilities and $145,000,000 of road improvements. As of September 30, 2025, the District has issued $3,150,000 of unlimited tax bonds and $2,305,000 of unlimited tax road bonds to reimburse the developer for District facility construction or road improvements. At September 30, 2025, the District has $50,000 outstanding in developer advances which were used to fund operating activities of the District.

9. RISK MANAGEMENT

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

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

10. RETAIL WATER AND WASTEWATER SUPPLY CONTRACTS

Effective January 27, 2022, the District, a developer (Ranch Road Hartland, LLC) and Maxwell Special Utility District ("Maxwell SUD") entered into a Non-Standard Retail Water Service Agreement (the "Water Service Agreement"). Pursuant to the Water Service Agreement, the District and the developer will design, finance and construct all infrastructure and facilities required to serve the Hartland Ranch Subdivision within the District. Upon construction completion, the water facilities will be conveyed to Maxwell SUD who agrees to accept ownership and operation of the District's water facilities and, thereafter, Maxwell SUD will provide retail water service to residents within the Hartland Ranch Subdivision. Residents of the Hartland Ranch Subdivision will be served by a cluster septic system constructed by the developer and conveyed to the District for ownership and operation. The District will be the retail provider of wastewater service to residents within the Hartland Ranch Subdivision. The term of the Water Service Agreement is 20 years.

Effective August 24, 2022, the District, a developer (Phau-Lockhart 450, LLC) and Maxwell SUD entered into a Non-Standard Retail Water and Wastewater Service Agreement (the "Water and Wastewater Service Agreement"). Pursuant to the Water and Wastewater Service Agreement, as amended, the District and the developer will design, finance and construct all infrastructure and facilities required to serve the Juniper Springs Subdivision within the District. Upon construction completion, the water facilities will be conveyed to Maxwell SUD who agrees to accept ownership and operation of the District's water facilities and, thereafter, Maxwell SUD will provide retail water service to residents within the Juniper Springs Subdivision. The District will be the retail provider of wastewater service to residents within the Juniper Springs Subdivision. The term of the Water and Wastewater Service Agreement is 40 years.

11. SUBSEQUENT EVENT

On October 30, 2025, the District issued $3,100,000 of Series 2025A Unlimited Tax Bonds and $1,000,000 of Series 2025B Unlimited Tax Road Bonds with interest rates ranging from 4.00% to 6.50% and principal maturities through September 2050. Proceeds of the bonds were used to reimburse the developer within the District for certain utility infrastructure and road facilities and to fund future interest payments on the bonds and pay bond issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025

	Actual	Original and Final Budget	Variance Positive (Negative)
REVENUES:			
Property taxes, including penalties	$ 291,988	$ 247,690	$ 44,298
Service account revenues, including penalties	162,473	164,700	(2,227)
Pond management fee	27,300	14,400	12,900
Interest and Other	5,572	-	5,572
TOTAL REVENUES	$ 487,333	$ 426,790	$ 60,543
EXPENDITURES:			
Current:			
Management/operations	$ 53,856	$ 38,376	$ (15,480)
Repairs/maintenance	148,337	36,000	(112,337)
Connection/inspection fees	9,030	4,800	(4,230)
Director fees, including payroll taxes	6,899	6,661	(238)
Legal fees	25,430	36,000	10,570
Bookkeeping fees	16,276	19,450	3,174
Audit fees	9,000	10,000	1,000
Engineering fees	55,980	36,000	(19,980)
Financial advisor fees	3,000	3,000	-
Insurance	2,703	4,000	1,297
Tax appraisal/collection fees	7,082	4,000	(3,082)
Miscellaneous expenditures	4,961	5,001	40
TOTAL EXPENDITURES	$ 342,554	$ 203,288	$ (139,266)
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$ 144,779	$ 223,502	$ (78,723)
OTHER FINANCING SOURCES -			
Developer advances	$ 50,000	$ 25,000	$ 25,000
TOTAL OTHER FINANCING SOURCES	$ 50,000	$ 25,000	$ 25,000
NET CHANGE IN FUND BALANCE	$ 194,779	$ 248,502	$ (53,723)
FUND BALANCE:			
Beginning of the year	9,871		
End of the year	$ 204,650		

TEXAS SUPPLEMENTARY INFORMATION

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2025

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

[ ] Retail Water	[ ] Wholesale Water	[X] Drainage
[X] Retail Wastewater	[ ] Wholesale Wastewater	[ ] Irrigation
[ ] Parks/Recreation	[ ] Fire Protection	[ ] Security
[ ] Solid Waste/Garbage	[ ] Flood Control	[ ] Roads

[ ] Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

[ ] Other (specify):____________________________________

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	(1)	(1)	(1)	(1)	(1)
WASTEWATER:	$ 75.00		Y		
SURCHARGE:					

District employs winter averaging for wastewater usage? Yes [ ] No [X]

Total charges per 10,000 gallons usage: Water (1) Wastewater $ 75.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			1.0	
< 3/4"			1.0	
1"			2.5	
1 1/2"			5.0	
2"			8.0	
3"			15.0	
4"			25.0	
6"			50.0	
8"			80.0	
10"			115.0	
Total Water	(1)	(1)		(1)
Total Wastewater	208	208	1.0	208

(1) Maxwell Special Utility District provides retail water service to all District residents.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-1. SERVICES AND RATES (continued)
SEPTEMBER 30, 2025

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

Gallons pumped into system:	(1)	**Water Accountability Ratio** (Gallons billed / Gallons Pumped)
Gallons billed to customers:	(1)	N/A

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

Does the District assess standby fees? Yes ☐ No ☒

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

5. Location of District

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

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

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

City(ies) in which district is located: N/A

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: City of Lockhart, TX

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? ____________________

(1) Maxwell Special Utility District provides retail water service to all District residents.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2025

Personnel Expenditures (including benefits)	$ -
Professional Fees:	
Auditing	9,000
Legal	25,430
Engineering	55,980
Financial Advisor	3,000
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	16,276
Management/operations	53,856
Appraisal District/Tax Collector	7,082
Other Contracted Services	9,030
Utilities	-
Repairs and Maintenance	148,337
Chemicals	-
Administrative Expenditures:	
Directors’ Fees	6,899
Office Supplies	-
Website Maintenance	-
Insurance	2,703
Miscellaneous expenditures	4,961
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	$ 342,554

Number of persons employed by the District: - Full-Time - Part-Time

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2025

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	$ 119,178	$ -
TexPool	XXX0002	Varies	Daily	1,318	-
Total				$ 120,496	$ -
Debt Service Fund:					
TexPool	XXX0003	Varies	Daily	$ 526	$ -
TexPool	XXX0007	Varies	Daily	112,430	-
TexPool	XXX0008	Varies	Daily	82,901	-
Total				$ 195,857	$ -
Capital Projects Fund:					
TexPool	XXX0005	Varies	Daily	$ 17,987	$ -
TexPool	XXX0006	Varies	Daily	93,830	-
Total				$ 111,817	$ -
Total - All Funds				$ 428,170	$ -

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2025

		Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year		$ -	$ -
2024 Original Tax Levy, less abatements		248,610	-
Adjustments		15,620	-
Total to be accounted for		$ 264,230	$ -
Tax collections:			
Current year		$ 264,230	$ -
Prior years		-	-
Rollbacks		-	-
Total collections		$ 264,230	$ -
Taxes Receivable, End of Year		$ -	$ -
Taxes Receivable, By Years			
2023 and before		$ -	$ -
2024		-	-
Taxes Receivable, End of Year		$ -	$ -

Property Valuations:	**2024** (a)	2023 (a)	2022 (a)
Land and improvements	**$ 25,981,177**	$ 7,533,430	$ 1,401,540
Total Property Valuations	**$ 25,981,177**	$ 7,533,430	$ 1,401,540
Tax Rates per $100 Valuation:			
Debt Service tax rates	**$ -**	$ -	$ -
Maintenance tax rates	**0.95**	0.95	0.95
Total Tax Rates per $100 Valuation:	**$ 0.95**	$ 0.95	$ 0.95
Original Tax Levy	**$ 248,610**	$ 72,224	13,315
Percent of Taxes Collected to Taxes Levied *	**100.0%**	100.0%	100.0%
Maximum Tax Rate Approved by Voters:	**1.00**	11/5/2019	

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

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

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2025

	Unlimited Tax Bonds Series 2024A			Unlimited Tax Road Bonds Series 2024B			Total - All Issues		
Fiscal Year Ending	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2026	$ 70,000	$ 146,236	$ 216,236	$ 50,000	$ 107,418	$ 157,418	$ 120,000	$ 253,654	$ 373,654
2027	75,000	141,512	216,512	55,000	104,044	159,044	130,000	245,556	375,556
2028	80,000	136,450	216,450	55,000	100,332	155,332	135,000	236,782	371,782
2029	80,000	131,050	211,050	60,000	96,618	156,618	140,000	227,668	367,668
2030	85,000	125,650	210,650	65,000	92,568	157,568	150,000	218,218	368,218
2031	90,000	120,124	210,124	65,000	89,724	154,724	155,000	209,848	364,848
2032	95,000	116,300	211,300	70,000	86,882	156,882	165,000	203,182	368,182
2033	100,000	112,262	212,262	75,000	83,818	158,818	175,000	196,080	371,080
2034	105,000	108,012	213,012	75,000	80,538	155,538	180,000	188,550	368,550
2035	110,000	103,550	213,550	80,000	77,256	157,256	190,000	180,806	370,806
2036	115,000	98,875	213,875	85,000	73,756	158,756	200,000	172,631	372,631
2037	120,000	93,845	213,845	90,000	70,038	160,038	210,000	163,883	373,883
2038	125,000	88,595	213,595	95,000	66,100	161,100	220,000	154,695	374,695
2039	135,000	83,125	218,125	100,000	61,945	161,945	235,000	145,070	380,070
2040	140,000	77,218	217,218	100,000	57,568	157,568	240,000	134,786	374,786
2041	145,000	71,095	216,095	105,000	53,195	158,195	250,000	124,290	374,290
2042	155,000	64,750	219,750	115,000	48,600	163,600	270,000	113,350	383,350
2043	160,000	57,968	217,968	120,000	43,425	163,425	280,000	101,393	381,393
2044	170,000	50,968	220,968	125,000	38,025	163,025	295,000	88,993	383,993
2045	180,000	43,532	223,532	130,000	32,400	162,400	310,000	75,932	385,932
2046	190,000	35,656	225,656	135,000	26,550	161,550	325,000	62,206	387,206
2047	200,000	27,345	227,345	145,000	20,475	165,475	345,000	47,820	392,820
2048	205,000	18,595	223,595	150,000	13,950	163,950	355,000	32,545	387,545
2049	220,000	9,625	229,625	160,000	7,200	167,200	380,000	16,825	396,825
	$ 3,150,000	$ 2,062,338	$ 5,212,338	$ 2,305,000	$ 1,532,425	$ 3,837,425	$ 5,455,000	$ 3,594,763	$ 9,049,763

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2025

	Bond Issue SR2024A	Bond Issue SR2024B	Total
Interest Rate	4.25% - 6.75%	4.375% - 6.750%	
Dates Interest Payable	3/01 ; 9/01	3/01 ; 9/01	
Maturity Dates	9/1/2049	9/1/2049	
Bonds Outstanding at Beginning of Current Fiscal Year	$ -	$ -	$ -
Bonds Sold During the Current Fiscal Year	3,150,000	2,305,000	5,455,000
Retirements During the Current Fiscal Year:			
Principal	-	-	-
Refunded	-	-	-
Bonds Outstanding at End of Current Fiscal Year	$ 3,150,000	$ 2,305,000	$ 5,455,000
Interest Paid During the Current Fiscal Year	$ 114,147	$ 83,846	$ 197,993

Paying Agent's Name and Address:

Bond Authority:	Unlimited Tax Bonds*	Road Bonds*
Amount Authorized by Voters	$ 225,000,000	$ 145,000,000
Amount Issued	(3,150,000)	(2,305,000)
Remaining To Be Issued	$ 221,850,000	$ 142,695,000

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2025:	$ 195,857
Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt:	$ 377,073

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2025

	Amounts					Percent of Fund Total Revenues				
	2025	2024	2023	2022*	2021 *	**2025**	2024	2023	2022*	2021 *
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES:										
Property taxes, including penalties	**$ 291,988**	$ 72,419	$ 13,315	$ -	$ -	**54.3%**	32.4%	20.2%	-	N/A
Service account revenues, including penalties	**162,473**	109,613	3,265	-	-	**30.2%**	49.0%	4.9%	-	N/A
Connection/inspection fees	**-**	17,424	21,296	-	-	-	7.8%	32.3%	-	N/A
Pond management fee	**27,300**	23,400	-	-	-	**5.1%**	10.5%	-	-	N/A
Interest and Other	**5,572**	650	157	-	-	**1.0%**	0.3%	0.2%	-	N/A
Developer advances	**50,000**	-	28,000	62,500	-	**9.3%**	0.0%	42.4%	100.0%	N/A
TOTAL GENERAL FUND REVENUES AND OTHER FINANCING SOURCES	**$ 537,333**	$ 223,506	$ 66,033	$ 62,500	$ -	**100.0%**	100.0%	100.0%	100.0%	N/A
GENERAL FUND EXPENDITURES:										
Management/operations	**$ 53,856**	$ 14,035	$ 1,933	$ -	$ -	**10.0%**	6.3%	2.9%	-	N/A
Repairs/maintenance	**148,337**	47,476	2,960	-	-	**27.6%**	21.2%	4.5%	-	N/A
Connection/inspection fees	**9,030**	25,030	3,225	-	-	**1.7%**	11.2%	4.9%	-	N/A
Director fees, including payroll taxes	**6,899**	4,291	2,422	2,907	-	**1.3%**	1.9%	3.7%	4.7%	N/A
Legal fees	**25,430**	30,565	19,583	30,582	4,845	**4.7%**	13.7%	29.7%	48.9%	N/A
Bookkeeping fees	**16,276**	13,154	4,050	4,750	3,000	**3.0%**	5.9%	6.1%	7.6%	N/A
Financial advisor fees	**3,000**	-	-	-	-	**0.6%**	-	-	-	-
Audit fees	**9,000**	8,000	-	-	-	**1.7%**	3.6%	-	-	N/A
Engineering fees	**55,980**	40,904	20,224	2,401	-	**10.4%**	18.3%	30.6%	3.8%	N/A
Insurance	**2,703**	2,730	1,388	1,388	-	**0.5%**	1.2%	2.1%	2.2%	N/A
Tax appraisal/collection fees	**7,082**	2,164	378	-	-	**1.3%**	1.0%	0.6%	-	N/A
Website maintenance	**-**	460	460	50	-	-	0.2%	0.7%	0.1%	N/A
Miscellaneous expenditures	**4,961**	4,304	3,306	2,774	-	**0.9%**	1.9%	5.0%	3.8%	N/A
Capital outlay	**-**	27,012	-	-	-	-	12.1%	-	0.7%	N/A
TOTAL GENERAL FUND EXPENDITURES	**$ 342,554**	$ 220,125	$ 59,929	$ 44,852	$ 7,845	**63.8%**	98.5%	90.8%	71.8%	N/A
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	**$ 194,779**	$ 3,381	$ 6,104	$ 17,648	$ (7,845)	**36.2%**	1.5%	9.2%	28.2%	N/A
DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:										
Interest	**$ 13,766**	**$ -**	**$ -**	**$ -**	**$ -**	3.5%	N/A	N/A	N/A	N/A
Issuance of bonds	**380,484**	-	-	-	-	96.5%	N/A	N/A	N/A	N/A
TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES	**394,250**	-	-	-	-	100.0%	N/A	N/A	N/A	N/A
DEBT SERVICE FUND EXPENDITURES:										
Bond interest	**$ 197,993**	**$ -**	**$ -**	**$ -**	**$ -**	50.2%	N/A	N/A	N/A	N/A
Other expenditures	**3,900**	-	-	-	-	1.0%	N/A	N/A	N/A	N/A
TOTAL DEBT SERVICE FUND EXPENDITURES	**$ 201,893**	**$ -**	**$ -**	**$ -**	**$ -**	51.2%	N/A	N/A	N/A	N/A
EXCESS OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	**$ 192,357**	**$ -**	**$ -**	**$ -**	**$ -**	48.8%	N/A	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	208	161	88	-	-					

(1) Maxwell Special Utility District provides retail water service to all District residents.

* - Unaudited

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2025

Complete District Mailing Address:	100 Congress Ave., Suite 1300 Austin, TX 78701
District Business Telephone Number:	(512) 328 - 2008
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 21, 2024
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	$7,200

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2025	Expense Reimbursements 9/30/2025	Title at Year End
Board Members:				
JOHN CASEY ROY	(Elected) 5/7/2022 - 5/2/2026	$ 1,105	$ -	President
NATHANIEL KLUGMAN	(Appointed) 5/4/2024 - 5/6/2028	$ 1,547	$ -	Vice-President
RENE ABREGO	(Elected) 5/7/2022 - 5/2/2026	$ 884	$ -	Secretary
STEVE WILSON	(Elected) 5/7/2022 - 5/2/2026	$ 1,547	$ -	Assistant Secretary
TYLER WILSON	(Appointed) 5/4/2024 - 5/6/2028	$ 1,326	$ -	Assistant Secretary
Consultants:				
McLean & Howard LLP	7/30/2019	$ 26,944	$ -	Attorney
		$ 114,550	$ -	Bond Related Services
Municipal Operations and Consulting LLC	5/4/2023	$ 175,841	$ -	Operator
Jones-Heroy & Associates, Inc.	7/30/2019	$ 54,290	$ -	Engineer
Specialized Public Finance, Inc.	7/30/2019	$ 130,945	$ -	Financial Advisor
Bott & Douthitt, PLLC	7/30/2019	$ 16,740	$ -	District Accountant
McCall, Parkhurst & Horton LLP		$ 34,000	$ -	Bond Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	9/7/2023	$ 9,000	$ -	Auditor
		$ 31,000	$ -	Bond Related Services
Caldwell County Tax Assessor-Collector	8/24/2022	$ 1,644	$ -	Tax Collector

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

OTHER SUPPLEMENTARY INFORMATION

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2025

Taxpayer	Type of Property	Tax Roll Year **2025**	Tax Roll Year 2024	Tax Roll Year 2023
Continental Homes of Texas LP	N/A	**$ 5,289,384**	$ 6,251,910	$ 2,450,270
Phau-Lockhart 450 LLC	N/A	**1,943,530**	-	103,940
Ranch Road Hartland LLC	N/A	**1,021,230**	1,282,490	4,979,220
Homeowner	N/A	**438,610**	441,620	-
Homeowner	N/A	**437,360**	433,570	-
Homeowner	N/A	**436,880**	433,570	-
Homeowner	N/A	**433,420**	433,570	-
Homeowner	N/A	**431,700**	433,560	-
Homeowner	N/A	**431,480**	422,720	-
Homeowner	N/A	**430,520**	422,360	-
Homeowner	N/A		419,650	**-**
Total		**$ 11,294,114**	$ 10,975,020	$ 7,533,430
Percent of Assessed Valuation		**16.1%**	42.2%	100.0%

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2025

	Tax Roll Year					
	2025		2024		2023	
Type of Property	**Amount**	**%**	Amount	%	Amount	%
Single Family Residential	**$ 48,841,608**	**69.7%**	$ 17,490,924	67.4%	$ -	-
Vacant Platted Lots/Tracts	**73,260**	**0.1%**	65,830	0.3%	5,016,340	66.6%
Qualified Open-Space Land	**4,315,220**	**6.2%**	5,754,070	22.1%	6,100,260	80.9%
Improvements on Qualified Open-Space	**4,130**	**0.1%**	4,130	-	4,130	0.1%
Rural Land	**2,826,890**	**4.0%**	1,250,570	4.8%	1,504,120	20.0%
Pipeline Company	**11,571,954**	**16.5%**	-	-	-	-
Industrial and Manufacturing	**387,040**	**0.6%**	-	-	-	-
Residential Inventory	**10,104,440**	**14.4%**	8,194,390	31.5%	940,800	12.5%
Totally Exempt Property	**383,850**	**0.5%**	383,850	1.5%	-	-
Adjustments & Exemptions	**(8,492,206)**	**-12.1%**	(7,162,587)	-27.6%	(6,032,220)	-80.1%
Total	**$ 70,016,186**	**100.0%**	$ 25,981,177	100.0%	$ 7,533,430	100.0%

APPENDIX B
Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)