

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: City Manager's Office

AGENDA DATE: October 25, 2022

PUBLIC HEARING DATE: N/A

CONTACT PERSON NAME AND PHONE NUMBER: Robert Cortinas, Chief Financial Officer (915) 212-1067

DISTRICT(S) AFFECTED: All Districts

STRATEGIC GOAL: Goal 6: Set the Standard for Sound Governance and Fiscal Management

SUBGOAL: 6.5

SUBJECT:

Discussion and action on the resolution that the City reviewed and approves the issuance of the Unlimited Tax Bonds, Series 2022 by Paseo Del Este Municipal Utility District No. 5 with the acknowledgement that the issuance of such bonds does not constitute debt issuance by the City of El Paso.

BACKGROUND/ DISCUSSION:

On December 3, 2002 the City Council of the City of **El Paso** ('City") consented to the creation of Paseo Del Este Municipal Utility Districts Nos. 1 through 9 ("Districts") in the City of **El Paso's** Extraterritorial Jurisdiction. The City's conditions for the creation of the Districts was that the City is to review and approve the Districts' bonds and notes prior to issuance and may place restrictions on the terms and provisions of each of the District's bonds and notes issued to provide service to the land and conditions on the sale of the District's bonds and notes to the extent such restrictions and conditions do not generally render the bonds and notes of the Districts unmarketable.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING: N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD:



(If Department Head Summary Form is initiated by Purchasing, client department should sign also)

RESOLUTION

WHEREAS, on December 3, 2002 the City Council of the City of El Paso ("City") consented to the creation of Paseo Del Este Municipal Utility Districts Nos. 1 through 9 ("Districts") in the City of El Paso's Extraterritorial Jurisdiction; and

WHEREAS, the City's consent to the creation of the Districts was subject to several conditions; and

WHEREAS, one of the City's conditions for the creation of the Districts was that the City is to review and approve the Districts' bonds and notes prior to issuance and may place restrictions on the terms and provisions of each of the District's bonds and notes issued to provide service to the land and conditions on the sale of the District's bonds and notes to the extent such restrictions and conditions do not generally render the bonds and notes of the Districts unmarketable; and

WHEREAS, Paseo Del Este Municipal Utility District No. Five ("M.U.D. No. 5") requested review and approval of the issuance of the Unlimited Tax Bonds, Series 2022 Bonds by M.U.D. No. 5 (the "Series 2022 Bonds"); and

WHEREAS, the City reviewed the proposed issuance of Series 2022 Bonds by M.U.D. No. 5 and desires to approve the issuance of the bonds.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

That the City reviewed and approves the issuance of the Unlimited Tax Bonds, Series 2022 Bonds in the estimated amount of \$1,250,000, by Paseo Del Este Municipal Utility District No. 5, with the acknowledgement that the issuance of such bonds does not constitute debt issuance by the City of El Paso.

APPROVED THIS _____ DAY OF _____ 2022.

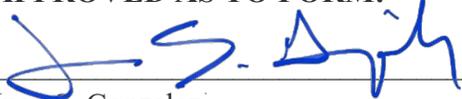
CITY OF EL PASO:

Oscar Leeser, Mayor

ATTEST:

Laura Prine,
City Clerk

APPROVED AS TO FORM:



Juan S. Gonzalez
Senior Assistant City Attorney

APPROVED AS TO CONTENT:



Robert Cortinas,
Chief Financial Officer

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 29, 2022

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX EXEMPTION" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE DISTRICT EXPECTS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX EXEMPTION – Qualified Tax – Exempt Obligations for Financial Institutions."

NEW ISSUE - Book Entry Only

\$1,250,000

PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 5

(A political subdivision of the State of Texas located within El Paso County)

UNLIMITED TAX BONDS, SERIES 2022

Dated: December 15, 2022

Due: August 15, as shown below

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 date of delivery of the Bonds (expected to be December 21, 2022), and is payable on February 15, 2024 and on each August 15 and February 15 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. 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 below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

| Due | Principal | Interest | Initial | CUSIP | Due | Principal | Interest | Initial | CUSIP |
|---------|-----------------------|----------|----------------------|-----------------------|---------|-----------------------|----------|----------------------|-----------------------|
| Aug. 15 | Amount ^(a) | Rate | Reoffering | Number ^(d) | Aug. 15 | Amount ^(a) | Rate | Reoffering | Number ^(d) |
| | | | Yield ^(b) | | | | | Yield ^(b) | |
| 2025 | \$ 30,000 | | | | 2033 | \$ 40,000 | | | |
| 2026 | 30,000 | | | | 2034 | 45,000 | | | |
| 2027 | 30,000 | | | | 2035 | 45,000 | | | |
| 2028 | 30,000 | | | | 2036 | 50,000 | | | |
| 2029 | 35,000 | | | | 2037 | 50,000 | | | |
| 2030 | 35,000 | | | | 2038 | 55,000 | | | |
| 2031 | 40,000 | | | | 2039 | 340,000 | | | |
| 2032 | 40,000 | | | | 2040 | 355,000 | | | |

(a) The Initial Purchasers (as defined herein) may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE" and "OFFICIAL BID FORM."

(b) 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 by the Initial Purchaser and is the sole responsibility of the Initial Purchaser.

(c) Bonds maturing on or after August 15, 20__ are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on August 15, 20__, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Redemption Provisions."

(d) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services 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.

INSURANCE. . . Application has been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Initial Purchaser. The rating fees associated with the insurance will be the responsibility of the Initial Purchaser.

The Bonds, when issued, will constitute valid and legally binding obligations of Paseo del Este Municipal Utility District No. 5 (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, El Paso County, the City of El Paso or any entity other than the District. Investment in the Bonds is subject to special considerations described herein. See "RISK FACTORS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Winstead PC, Dallas, Texas as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 21, 2022.

BIDS DUE: December 8, 2022 at 8:00 A.M., Mountain Standard Time in El Paso, Texas
BID AWARD: December 8, 2022 at 10:30 A.M., Mountain Standard Time in El Paso, Texas

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

TABLE OF CONTENTS

| | |
|-------------------------------------------------------------------------------------|----|
| MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS..... | 1 |
| OFFICIAL STATEMENT SUMMARY | 3 |
| SELECTED FINANCIAL INFORMATION..... | 6 |
| RISK FACTORS..... | 7 |
| THE BONDS..... | 12 |
| BOOK-ENTRY-ONLY SYSTEM..... | 16 |
| BOND INSURANCE..... | 17 |
| THE DISTRICT | 18 |
| MANAGEMENT | 20 |
| THE DEVELOPERS..... | 21 |
| THE SYSTEM | 22 |
| UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED..... | 25 |
| FINANCIAL STATEMENT..... | 25 |
| ESTIMATED OVERLAPPING DEBT STATEMENT..... | 26 |
| TAX DATA | 27 |
| TAX PROCEDURES..... | 29 |
| GENERAL FUND OPERATIONS..... | 33 |
| PRO-FORMA DEBT SERVICE REQUIREMENTS | 35 |
| LEGAL MATTERS | 36 |
| TAX EXEMPTION..... | 37 |
| SALE AND DISTRIBUTION OF THE BONDS | 40 |
| PREPARATION OF OFFICIAL STATEMENT..... | 40 |
| CONTINUING DISCLOSURE OF INFORMATION | 42 |
| MISCELLANEOUS..... | 44 |
| AERIAL PHOTOGRAPH | 45 |
| PHOTOGRAPHS..... | 47 |
| APPENDICES | |
| DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021..... | A |
| FORM OF BOND COUNSEL’S OPINION | B |

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

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 Gordon Davis Johnson & Shane P.C., upon payment of duplication costs.

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.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

- The Issuer* Paseo del Este Municipal Utility District No. 5 (the “District”), a political subdivision of the State of Texas, is located in El Paso County, Texas. See “THE DISTRICT.”
- The Issue* The \$1,250,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds in denominations of \$5,000 each or integral multiples thereof, maturing on August 15 in each of the years and in the amounts set forth on the cover hereof. Interest on the Bonds accrues from the date of initial delivery of the Bonds (expected to be December 21, 2022), and is payable on February 15, 2024, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.
- Redemption* The Bonds maturing on and after August 15, 202_, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on August 15, 202_, or on any date thereafter. 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.”
- Source of Payment* The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, El Paso County, the City of El Paso, Texas (the “City”) 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 sale of the Bonds will be used to reimburse the Developers (as hereinafter defined) for funds advanced on behalf of the District for the District’s pro rata share of costs relating to facilities constructed by or on behalf of Paseo del Este Municipal Utility District No. 1 (the “Master District”) being a portion of costs of certain regional water, sanitary sewer and storm drainage facilities serving the District and the other “Participant Districts” as hereafter defined, including engineering costs (the “Regional Facilities”), and the cost of certain internal water, wastewater and drainage facilities serving the District (the “Internal Facilities”). Bond proceeds will also be used to pay interest to the Developers (hereinafter defined) on funds expended for the foregoing, including engineering costs, and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM - Use and Distribution of Bond Proceeds.”
- Payment Record* The District has previously issued three series of unlimited tax bonds, of which an aggregate principal amount of \$8,030,000 currently remains outstanding prior to the issue of the Bonds (the “Outstanding Bonds”). The District has never defaulted in payments of principal of or interest on its unlimited tax debt.
- Qualified Tax-Exempt Obligations* The District expects to designate the Bonds as “qualified tax-exempt obligations for financial institutions.” See “TAX EXEMPTION - Qualified Tax-Exempt Obligations for Financial Institutions.”
- Ratings* No application for a rating on the Bonds has been made.
- Bond Insurance* Application has been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Initial Purchaser. The rating fees associated with the insurance will be the responsibility of the Initial Purchaser.
- General Counsel* Gordon Davis Johnson & Shane P.C., El Paso, Texas
- Bond Counsel* McCall, Parkhurst & Horton L.L.P., Austin, Texas.

Disclosure CounselWinstead PC, Dallas, Texas.

Financial AdvisorHilltop Securities, Inc., El Paso, Texas and Dallas, Texas.

EngineerTRE & Associates, LLC, Austin, Texas and El Paso, Texas.

Risk FactorsThe purchase and ownership of the Bonds are subject to special risk factors, including certain risk factors related to the current pandemic associated with COVID-19, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “RISK FACTORS.”

THE DISTRICT

DescriptionThe District was created by division of Paseo del Este Municipal Utility District (the “Original District”) pursuant to a division order adopted by the Original District on May 15, 2003, and operates pursuant to Chapter 443, Acts of the Texas Legislature, Regular Session, 1997 (the “Act”) and Chapters 49 and 54, Texas Water Code. Prior to division, Paseo del Este Municipal Utility District was created as a Conservation and Reclamation District on May 29, 1997 by the Act. The District presently contains approximately 457 acres of land (approximately 218.561 developable acres) located in the southeast portion of El Paso County approximately 15 miles east of the central area of the City. The District is located approximately one mile east of the intersection of Loop 375 and Paseo del Este Boulevard. The District lies totally within the exclusive extraterritorial jurisdiction of the City. See “AERIAL PHOTOGRAPH” herein.

Master District ContractThe District and nine other districts in the Paseo del Este development in eastern El Paso County known as Paseo del Este Municipal Utility District Nos. 2, 3, 4, 6, 7, 8, 9, 10 and 11 (those ten districts and the Master District being collectively referred to as the “Participant Districts” and individually as “Participant District No. –”) have each entered into a “Master District Contract” with the Master District to coordinate the development of the water, sanitary sewer and drainage facilities to serve the area within all eleven Participant Districts. Under the Master District Contract, the Master District will acquire, construct, own and operate the Regional Facilities to serve the area within all eleven Participant Districts; each Participant District will acquire, construct and own its Internal Facilities serving only area within it and lease the Internal Facilities to the Master District for operation; and the Master District will provide retail water and wastewater service to all retail customers in all of the Participant Districts.

Status of DevelopmentThe Participant Districts are being developed primarily for single family residential, commercial and industrial purposes, and are within the Paseo del Este development (“Paseo del Este”). Paseo del Este is being developed primarily by Hunt Communities Group, Inc. (“Hunt”) and certain affiliates thereof, and B&G/Sunrise Joint Venture (“B&G”) and is planned to include approximately 4,300 acres of land. The land in Paseo del Este was purchased from the Texas General Land Office by Hunt and affiliates thereof and B&G in varying positions in a series of transactions between 1998 and 2020. As of August 31, 2022 approximately 8,990 single family residential lots have been developed within Paseo del Este, and approximately 7,984 homes are completed or are in various stages of construction in Paseo del Este, including approximately 891 lots and 878 homes within the District.

The development within the District includes Mission Ridge Unit 4, The Pueblos at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 2 and Painted Sky at Mission Ridge Unit 2, which are single family residential subdivisions containing approximately 887 single family lots and encompassing approximately 246.69 acres. The subdivision named The Pueblos at Mission Ridge Unit 1, while primarily a residential development, also included 10.7 acres of commercial development. The subdivision named Desert Canyon at Mission Ridge Unit 2 also included a 1.6 acre commercial corner that now includes an El Paso County Fire Department facility. In 2019, a development named the Mission Ridge Town Center Unit 2 was platted with an 11.6 acre commercial parcel and an 11 acre multi-family parcel. Mission Ridge Towne Center Unit 1 is a commercial development within the District containing approximately 14.405 acres. Development within the District also includes a portion of the Paseo del Este Boulevard and Mission Ridge Boulevard, both 120 foot arterials that run through the District. Hunt Mission Ridge, LLC is the developer of all of the above mentioned subdivisions.

In addition to the development described above, the District contains approximately 43 acres of developable land that are not provided with underground water, sanitary sewer and drainage facilities. See “RISK FACTORS – Undeveloped Acreage” and “THE DISTRICT – Status of Development.”

The Developers.....Major water, sewer and drainage facilities and streets to serve land within the District are being developed by Hunt and B&G. The activities of Hunt and its affiliates include investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory. Water, sewer and drainage facilities to serve specific sections within the District have been acquired or constructed by Hunt Mission Ridge, LLC, an affiliate of Hunt. Hunt, B&G and Hunt Mission Ridge, LLC are collectively referred to herein as the “Developers.” As discussed under the “THE DISTRICT - Status of Development,” most of the currently developable land within the District is owned by Hunt. See “THE DEVELOPERS.

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SELECTED FINANCIAL INFORMATION

| | |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Tax Year 2022 Certified Assessed Valuation | \$ 199,294,158 ^(a) |
| District Debt: | |
| Gross Debt Outstanding (after the issuance of the Bonds) | \$ 9,280,000 |
| Estimated Overlapping Debt | \$ 10,355,137 ^(b) |
| Gross Debt and Estimated Overlapping Debt | \$ 19,635,136.83 |
| Ratio of Gross Debt to Tax Year 2022 Certified Assessed Valuation | 4.66% |
| Ratio of Gross Debt and Estimated Overlapping Debt to Tax Year 2022 Certified Assessed Valuation | 9.85% |
| Debt Service Funds Available, as of September 8, 2022 | \$ 345,584 ^(c) |
| Capital Projects Funds Available, as of September 8, 2022. | \$ 101,761 |
| Operating Funds Available, as of September 8, 2022. | \$ 416,298 |
| Tax Year 2022 Tax Rates: | |
| Debt Service | \$ 0.3512 ^(d) |
| Contract | 0.2900 |
| Maintenance and Operations | 0.0782 |
| Total | \$ 0.7194 /\$100 A.V. |
| Average Annual Debt Service Requirements (2023 - 2040) of the Bonds and Outstanding Bonds ("Average Requirement") | \$ 701,467 ^{(c)(e)} |
| Tax rate required to pay Average Requirement based upon Tax Year 2022 | |
| Certified Assessed Valuation at a 98% collection rate | \$ 0.35916 /\$100 A.V. |
| Status of Water Connections as of August 31, 2022: | |
| Single-family residential - completed and occupied | 865 |
| Single-family residential - completed and vacant | 3 |
| Single-family residential - under construction - builder | 10 |
| Other (Irrigation) | 12 |
| Commercial connections) | 13 |
| Total Connections | 903 |

(a) As certified by the El Paso Central Appraisal District (the "Appraisal District"). Represents the assessed taxable valuation within the District as of January 1, 2022. See "TAX PROCEDURES."

(b) See "ESTIMATED OVERLAPPING DEBT STATEMENT" herein.

(c) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

(d) In connection with its approval of the Bonds, the Texas Commission on Environmental Quality has approved an initial debt service tax rate after issuance of the Bonds of at most \$0.00 per \$100 assessed valuation.

(e) See "PRO-FORMA DEBT SERVICE REQUIREMENTS."

PRELIMINARY OFFICIAL STATEMENT

\$1,250,000

PASEO DEL ESTE MUNICIPAL UTILITY DISTRICT NO. 5 *(A political subdivision of the State of Texas located within El Paso County)*

UNLIMITED TAX BONDS, SERIES 2022

This Official Statement provides certain information in connection with the issuance by Paseo del Este Municipal Utility District No. 5 (the “District”) of its \$1,250,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, Chapter 443, Acts of the Texas Legislature, Regular Session, 1997 (the “Act”) and Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the Developers of land within 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 Gordon Davis Johnson & Shane P.C., the District’s General Counsel, upon payment of the costs of duplication therefor.

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, El Paso County, the City, or any other political entity other than the District, will be secured by a continuing, direct, 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. See “THE BONDS - Source of and Security for Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by the 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 of taxes by property owners or that there will be a market for the property in the District or that owners of the property in the District will have the ability to pay taxes. See “Registered Owners' Remedies and Bankruptcy Limitations” below.

Infectious Disease Outbreak (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Offering Memorandum.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Factors Affecting Taxable Values and Tax Payments

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, undeveloped land and developed lots which are currently being marketed by the Developers (as defined herein) to builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Markets and Liquidity in the Financial Markets” below), construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT - Status of Development.”

Future development and construction in the District are highly dependent on the availability of financing. Lenders generally have become more selective in making real estate loans throughout the nation, including in Texas. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds to potential home builders and home purchasers.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which Developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 15 miles east of the central downtown business district of the City, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the El Paso metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions in the El Paso area and/or decline in the nation’s real estate and financial markets could continue to adversely affect development and home-building plans in the District and restrain the growth of the District’s property tax base.

Competition: The demand for and construction of single-family homes in the District, which is 15 miles east from downtown El Paso, could be affected by competition from other residential developments, including other residential developments located in the northwestern, northeastern and far eastern portion of the El Paso area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Landowner Obligation to the District: There are no commitments from or obligations of any Developers or any landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to develop undeveloped land or construct taxable improvements on developed lots or developed tracts of land would 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, taxable property within the District will increase or maintain its taxable value. See “Undeveloped Acreage” below.

Dependence on Principal Taxpayers: The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis. See “TAX DATA – Principal Taxpayers.”

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2022 certified assessed valuation of the District (see “SELECTED FINANCIAL INFORMATION”) is \$199,294,158. After issuance of the Bonds, the projected maximum annual debt service requirement will be \$765,124 (2026) and the projected average annual debt service requirement will be \$701,467 (2023-2040). Assuming no increase or decrease from the 2022 assessed valuation and no use of funds other than tax collections, a tax rate of \$0.3918 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the projected maximum annual debt service requirement of \$765,124 and a tax rate of \$0.3592 per \$100 assessed valuation at a 98% collection rate would be necessary to pay the projected average annual debt service requirement of \$701,467 (see “SELECTED FINANCIAL INFORMATION”). Such calculated rates may be higher than tax rates presently being levied in utility districts in the general vicinity of the District. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2022 Assessed Valuation, 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 PROCEDURES,” “FINANCIAL STATEMENT,” and “TAX DATA – Projected Tax Adequacy for Debt Service.”

Undeveloped Acreage

There are approximately 43 acres of developable land (the “Developable Land”) within the District that have not been provided with any water, sanitary sewer, storm sewer, road or other facilities necessary for the construction of taxable improvements. See “THE DISTRICT – Status of Development.”

District Operations and Contract Tax

The Master District Contract between the District and the Master District provides that, as partial consideration for the District allowing the Master District to provide retail water and wastewater service to retail customers inside the District’s boundaries, the Master District will pay the District’s administrative expenses to manage the District pursuant to a budget process outlined below. The Master District Contracts between the other Participant Districts and the Master Districts have similar provisions regarding those other Participant Districts. The Master District Contract provides that the District will submit annually a budget for its administrative expenses to the Master District for review and approval by the Master District. Once approved, all such expenses will be paid by the Master District. The District’s budget must be approved by the Master District if it is no more than 10% higher than the average of the annual budgets of the Participant Districts Nos. 2-11. To date, the District’s annual budgets have all been approved by the Master District.

The Master District Contract also provides that the Master District will pay its own operation and administrative expenses and the approved administrative expenses of the Participant Districts from the revenues from the Master District’s water and wastewater system. If the Master District’s water and wastewater system revenues are insufficient to pay all of those costs, the resulting deficit will be paid by all Participant Districts (including the Master District) from the proceeds of an annual ad valorem contract tax levied by each Participant District on all taxable property within its boundaries in an amount sufficient to pay each Participant District’s pro rata share of the deficit. A Participant District’s pro rata share of the deficit each year is determined by multiplying the deficit by a fraction, the numerator of which is the Participant District’s taxable assessed valuation for the year and the denominator of which is the total of the taxable assessed valuations in all the Participant Districts (including the Master District). See “THE SYSTEM - The Master District Contract.”

For the 2022 fiscal year, the District paid its pro rata share of the Master District’s budgeted operating deficit from the \$0.29/\$100 assessed value contract tax levied by the District on September 8, 2022.

Future Debt

At an election held May 14, 2011, District voters authorized the issuance of up to \$33,000,000 of unlimited tax debt. The District reserves in the Bond Resolution the right to issue the remaining \$21,980,000 principal amount of unlimited tax debt authorized but unissued after the issuance of the Bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and the District may issue additional bonds which may be voted hereafter. The District may also issue revenue bonds and refunding bonds. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM – Future Debt.” The issuance of such future obligations may dilute and 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 Board of the District, the Attorney General of Texas and, with respect to bonds for water, sewer and drainage improvements, the TCEQ. After sale of the Bonds and reimbursement to the Developers of a portion of the proceeds therefrom, the District will still owe not less than approximately \$228,000 to the Developers for the costs of facilities for which the Developers has not yet been reimbursed.

In addition to the costs of facilities being financed with proceeds from sale of the Bonds, the Developers has financed the engineering and construction of certain other Regional Facilities. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$0 (as of August 31, 2022) for design, construction and acquisition of the District's share of Regional Facilities not yet reimbursed and \$228,000 (as of August 31, 2022) for District Facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for the District's pro rata share of these costs to the extent allowed by the TCEQ.

Additionally, the Developable Land has not yet been provided with water distribution, wastewater collection and storm drainage facilities. It is anticipated that proceeds from future issues of District bonds will be used to reimburse the Developers for the costs of these facilities. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to fully finance water, sewer and drainage improvements to serve the Developable Land. The District expects to sell additional bonds to reimburse the Developers for such costs. See "THE SYSTEM – Future Debt" "THE BONDS – Issuance of Additional Debt," and "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED."

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. The Master District currently receives wholesale water and wastewater services from the El Paso Water Utilities Public Service Board ("EPWU") for the areas within the Participant Districts. 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 action to prevent or mitigate pollution;
- 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 municipal utility district or other type of district ("Utility Districts") 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 injunctive relief as to future compliance of and the ability to operate the Utility District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. 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.

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 state and local 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 (i) cumbersome, time-consuming and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (iii) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. 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 "TAX 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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, 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 Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires municipal utility districts such as the District to obtain the approval of the TCEQ as a condition to seeking relief under Chapter 9 of the Federal Bankruptcy Code.

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.

A district such as the District may not be forced into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution 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 EXEMPTION-Opinion."

Marketability

The District has no agreement with the Initial Purchaser (as defined herein) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that any such secondary market would not be disrupted by events including, but not limited to, the current pandemic associated with COVID-19. See "RISK FACTORS – Infectious Disease Outbreak (COVID-19)."

The failure by the District to comply with its agreement to provide the information and notices required by Rule 15c(2)-12 of the Securities and Exchange Commission ("Rule 15c2-12") could possibly inhibit the sale of the Bonds in the secondary market. See "CONTINUING DISCLOSURE OF INFORMATION."

Bond Insurance

See "BOND INSURANCE – Bond Insurance Risks".

The Effect of FIRREA on Tax Collections of the District

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

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

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

Changes in Tax Legislation

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

THE BONDS

General

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 Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated December 15, 2022, and will accrue interest from the date of initial delivery of the Bonds (expected to be December 21, 2022). Interest is payable on each February 15 and August 15 commencing February 15, 2024, until the earlier of maturity or prior redemption. The Bonds mature on August 15 in the amounts and years shown on the 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 only in fully registered form in denominations of \$5,000 each or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on May 14, 2011, the voters of the District authorized the issuance of a total of \$33,000,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities. See “Issuance of Additional Debt” and “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” below. The Bonds are the third issuance of debt by the District. The TCEQ has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM - Use and Distribution of Bond Proceeds.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an Order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, the Act and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy an annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, El Paso County, the City or any entity other than the District.

Record Date

The record date for the interest payable on the Bonds on any interest payment date means the close of business on the last day of the preceding month whether or not a business day

Funds

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

The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing Internal Facilities or the District's pro rata share of capacity in Regional Facilities, for paying the District's pro rata share of creation and administrative costs of all Participant Districts and for paying the costs of issuing the Bonds. See "THE SYSTEM - Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__, or any date thereafter, at the par value thereof plus accrued thereon to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Sinking Fund Redemption: In the event any of the Bonds are structured as "term" bonds, such term bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Resolution and will be described in the final Official Statement.

Notice of Redemption: Notice of any optional redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for optional redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, and the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Paying Agent/Registrar

The Board has appointed BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar (the “Paying Agent/Registrar”) for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration and Transfer

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 Resolution. 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.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ in the case of bonds issued for water, sewer and drainage purposes, necessary to 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 \$21,980,000 of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount of bonds ultimately issued by the District. See “THE SYSTEM - Future Debt” and “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED.”

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, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the City, the TCEQ and the voters of the District.

Annexation by the City of El Paso

The District lies wholly within the extraterritorial jurisdiction of the City, and may be annexed by the City in accordance with existing Texas law. Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session (“HB 347”), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of August 31, 2022, the District had an estimated population of 3,337, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District. At present, the District and the City have not entered into (and do not currently have plans to enter into) any such strategic partnership agreement.

If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. Annexation of territory by the City and dissolution of the District is a policy-making matter within the discretion of the Mayor and City Council of the City, subject to HB 347, and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages 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. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See "RISK FACTORS - Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

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

Defeasance

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

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

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 nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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 2.2 million issues of U.S. and non-U.S. equity, 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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.

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

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

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the 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, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District or the Financial Advisor.

BOND INSURANCE

Application for municipal bond insurance has been made by the District. Upon the determination of which entity, if any, will provide such insurance, information relating to the issuer of the municipal bond insurance policy applicable to the Bonds will be set forth in the final Official Statement. The purchase of such insurance, if available, and the payment of all associated costs will be at the option and expense of the Initial Purchaser. If bond insurance is purchased, purchasers of the Bonds should be aware of the following:

Bond Insurance Risks

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be purchased with respect to the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bond shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the revenues pledged in the Bond Resolution. In the event the bond insurer becomes obligated to make payments with respect

to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

In the event bond insurance is purchased, the long-term rating on the Bonds, if any, will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer or of the Bonds, if any, insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

THE DISTRICT

General

The District is a conservation and reclamation district created by division of Paseo del Este Municipal Utility District pursuant to a division order adopted by the Original District on May 15, 2003, and operates pursuant to the Act and Chapters 49 and 54, Texas Water Code. Prior to division, Paseo del Este Municipal Utility District was created as a Conservation and Reclamation District by the Act. The District is located wholly within the extraterritorial jurisdiction of the City.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefore, 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, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts after approval by the City, the TCEQ and the voters of the District.

The TCEQ 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 to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities or contract rights therefor, and the refunding of outstanding debt obligations; place restrictions on the terms and provisions and conditions on the sale of the District's bonds so long as such restraints and conditions do not render the bonds unmarketable; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the City. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

The District presently contains approximately 457 acres of land (218.561 developable acres) located in the southeast portion of El Paso County approximately 15 miles east of the central area of the City. The District is located approximately one mile east of the intersection of Loop 375 and Paseo del Este Boulevard. See "AERIAL PHOTOGRAPH" herein.

Validation of Creation of Participant Districts

The creation of the Original District and its division into Participant District Nos. 1-9 has been validated by a final judgment of the County Court-at-Law of El Paso County, TX. Likewise, creation of Participant District Nos. 10 and 11 has been validated by a final judgment of the District Court of El Paso County, TX. Each of the Participant Districts, including the District, has held a confirmation, bond, refunding bond, maintenance tax and contract tax election. All such election propositions have been approved by voters of the Participant Districts, including the District.

Status of Development

The Participant Districts are being developed primarily for single family residential, commercial and industrial purposes, and are within the Paseo del Este development ("Paseo del Este"). Paseo del Este is being developed primarily by Hunt Communities ("Hunt"), and B&G/Sunrise Joint Venture ("B&G") and is planned to include approximately 4,300 acres of land. The land in Paseo del Este was purchased from the Texas General Land Office by Hunt and affiliates thereof and B&G in varying positions in a series of transactions between 1998 and 2020. As of August 31, 2022, approximately 8,990 single family residential lots have been developed within Paseo del Este, and approximately 7,984 homes are completed or are in various stages of construction in Paseo del Este, including approximately 891 lots and 878 homes within the District.

The development within the District includes Mission Ridge Unit 4, The Pueblos at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 2 and Painted Sky at Mission Ridge Unit 2, which are single family residential subdivisions containing approximately 887 single family lots and encompassing approximately 246.69 acres. The subdivision named The Pueblos at Mission Ridge Unit 1, while primarily a residential development, also included 10.7 acres of commercial development. The subdivision named Desert Canyon at Mission Ridge 2 also included a 1.6 acre commercial corner that now includes an El Paso County Fire Department facility. In 2019, a development named the Mission Ridge Town Center Unit 2 was platted with an 11.6 acres commercial parcel and an 11 acre multi-family parcel. Mission Ridge Towne Center Unit 1 is a commercial development within the District containing approximately 14.405 acres. Development within the District also includes a portion of the Paseo del Este Boulevard and Mission Ridge Boulevard, both 120 foot arterials that run through the District. Hunt Mission Ridge, LLC is the developer of all of the above mentioned subdivisions.

In addition to the development described above, the District contains approximately 43 acres of developable land that are not provided with underground water, sanitary sewer and drainage facilities. See “RISK FACTORS – Undeveloped Acreage.”

Community Facilities

Community facilities are located in the general vicinity of the District. Neighborhood shopping facilities, including supermarkets, pharmacies, cleaners, restaurants, banking facilities and other retail and service establishments are located within five miles of the District along areas adjacent to Loop 375. Fire protection for residents of the District is provided by the El Paso County Emergency Services District No. 2. Police protection is provided by the El Paso County Sheriff. Medical care for District residents is available from various facilities in the City within 15 miles of the District. The land within the District is located within the boundaries of Socorro Independent School District, and children within the District attend elementary and middle schools of Socorro Independent School District located within two (2) miles of the District.

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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 Director owns a small parcel of land in the District. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held in May in odd numbered years. The Directors and Officers of the District are listed below:

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|---------------------|---------------------|
| Salvador Alonzo, Jr. | President | 2023 |
| Humberto Juarez | Vice-President | 2023 |
| Gerardo Sanchez | Secretary | 2025 |
| Kristen Ortega | Assistant Secretary | 2025 |
| Roman Ortiz | Assistant Secretary | 2023 |

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 El Paso Central Appraisal District. The District's Tax Assessor/Collector is agreed upon by virtue of the interlocal agreement between the City and the District and the District has appointed the City of El Paso Tax Assessor/Collector to serve in this capacity for the District.

Operations

The District contracts with Inframark, LLC for maintenance and operation of the District's System. Inframark, LLC also serves as the operator of the Master District's System.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P., to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District is TRE & Associates, LLC. (the "Engineer").

General Counsel

The District engages Gordon Davis Johnson & Shane P.C., El Paso, Texas, as General Counsel. The fees payable to General Counsel are not contingent upon the issuance sale and delivery of the Bonds.

Bond Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel. The fees payable to Bond Counsel are contingent upon the issuance, sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged Winstead PC, Dallas, Texas, as Disclosure Counsel. The fees payable to Disclosure Counsel are contingent upon the sale, issuance and delivery of the Bonds.

Financial Advisor

Hilltop Securities, Inc., El Paso, Texas and Dallas, Texas (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

The District's financial statements for the fiscal year ending September 30, 2021 have been audited by West, Davis & Company, LLP.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a 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 most instances, a landowner or Developers will be required by the TCEQ 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 TCEQ to pave streets, 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, is 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.

The Developers

Major water, sewer and drainage facilities and streets to serve land within the District are being developed by Hunt and B&G. The activities of Hunt and its affiliates include investment management, mortgage banking, direct lending, loan servicing, asset management, property management, development, construction, consulting and advisory. Water, sewer and drainage facilities to serve specific sections within the District have been acquired or constructed by Hunt Mission Ridge, LLC, an affiliate of Hunt. Hunt, B&G and Hunt Mission Ridge, LLC may collectively be referred to herein as the "Developers." As discussed under the "THE DISTRICT - Status of Development," most of the currently developable land within the District is owned by Hunt. See "THE DEVELOPERS."

Land within the District is a portion of the development known as Paseo del Este. The Master District and the Participant Districts have been formed to include approximately 4,300 acres of land in and adjacent to the District, approximately 5 percent of which is currently owned by the GLO and under option to Hunt through Hunt's arrangement with B&G. See "THE DISTRICT - Status of Development."

None of the Developers are responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. The Developers may sell or otherwise dispose of their property within the District, or any other assets, at any time. See "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments - Landowner Obligation to the District".

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Developer Reimbursement Agreements

Each Participant District, including the District, has entered into reimbursement agreements with the developers of the Regional Facilities serving all Participant Districts pursuant to which the Participant District agrees to reimburse the Developers for the Participant District's pro rata share of the costs of the Regional Facilities based on the Participant District's total ultimate estimated connections as compared to the total connections in all eleven Participant Districts. In addition, such reimbursement agreements contemplate the Participant District will reimburse the Developers for the Participant District's pro rata share of (i) the Developers' costs for creation of all eleven Participant Districts and (ii) the administrative and operation advances to all eleven Participant Districts by the Developers, with each Participant District's pro rata share of such expenses based on the ratio of 1 to 11. Finally, each Participant District, including the District, has entered into reimbursement agreements with the Developers of the Internal Facilities serving the specific Participant District pursuant to which the Participant District agrees to reimburse the Developers for the Internal Facilities serving only the specific Participant District. Before such Internal Facilities are purchased by a Participant District, the developers leases them to the Master District for its use in serving the retail customers within the Participant District. After purchase of such Internal Facilities by a Participant District, the Master District will continue to lease the Internal Facilities from the Participant District.

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 the District, the TCEQ and EPWU and is subject to inspection by each such entity. Operation of the System is conducted by the Master District; however, EPWU operates the water treatment and storage and sewer treatment facilities providing wholesale service to the Master District. 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 the future in connection with any permit held by the EPWU for the wastewater treatment plant from which the District receives service could result in the need to construct additional facilities in the future.

The Master District Contract

The District and the remaining Participant Districts have each entered into a "Master District Contract" with the Master District to coordinate the development of the water, sanitary sewer and drainage facilities to serve the area within all eleven Participant Districts. Under the Master District Contract, the Master District will acquire, construct, own and operate the Regional Facilities to serve the area within all eleven Participant Districts; each Participant District will acquire, construct and own its Internal Facilities serving only area within it and lease the Internal Facilities to the Master District for operation; and the Master District will provide retail water and wastewater service to all retail customers in all of the Participant Districts.

Master District Facilities

Source of Water Supply: The District receives its water supply pursuant to the Paseo del Este Wholesale Potable Water Supply and Wastewater Treatment and Transportation Contract (the "Water Supply and Wastewater Agreement") between the Master District and EPWU. Pursuant to terms of the Water Supply and Wastewater Agreement, which expires in 2063, EPWU is obligated to provide wholesale water to meet the needs of the area served by the Master District, including land within the boundaries of the District. EPWU currently supplies water to the Master District facilities from its existing three million gallon elevated storage tank and 12.3 MGD booster pump station. The major components of the EPWU's system serving the Master District's water supply system will serve the anticipated 16,995 equivalent single-family connections and contractually up to 20,000 equivalent single-family connections, of which 1,325 are allocated to the District. As of August 31, 2022, the Master District is serving approximately 9,077 active water connections, of which 903 (including 12 irrigation and 13 commercial connections) are within the District. According to the Engineer, the District's currently allocated water supply capacity (1,325 equivalent connections) is sufficient to serve the District at ultimate build-out.

In order to fully provide water supply to all of the Participant Districts in Paseo del Este, the Master District Facilities will need to be expanded from time to time to meet the demand for such facilities.

Source of Wastewater Treatment: The District is provided wastewater treatment capacity by EPWU through the Water Supply and Wastewater Agreement. Pursuant to the terms of the Water Supply and Wastewater Agreement, EPWU is obligated to provide wholesale wastewater service to meet the needs of the area served by the Master District, including land within the boundaries of the District. The agreement expires in 2063. Wastewater flows are routed to EPWU's Bustamante plant, which has a current permitted capacity of 39 MGD. Current wastewater treatment capacity can serve the anticipated 16,995 equivalent single-family connections and contractually up to 20,000 equivalent single-family connections committed to the Master District. As of August 31, 2022, the Master District is serving approximately 8,990 active wastewater connections, of which 891 (including 13 commercial connections) are within the District. The Master District currently receives wholesale water and wastewater services from the EPWU for the areas within Participant Districts. According to the Engineer, the District's currently allocated wastewater treatment capacity (1,325 equivalent connections) is sufficient to serve the District at ultimate build-out.

Distribution and Wastewater Collection: Water distribution facilities consist of waterlines ranging in size from 8-inch to 16-inch, generally located within the rights-of-way. These water distribution facilities supply water from the EPWU to each Participant District's internal facilities.

The current wastewater collection facilities include sanitary sewer lines ranging in size from 8-inch to 27-inch generally located within the rights-of-way of collector roads. These collection lines collect wastewater from each Participant District and transport it to an EPWU wastewater interceptor.

Drainage: The Master District will provide the Participant Districts with drainage facilities when it is determined that the facilities benefit two or more Participant Districts. These Regional Facilities will be capable of handling a 100-year storm event and will include storm sewers, drainage channels and retention ponds.

Internal Water Distribution, Wastewater Collection and Storm Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities ("Internal Facilities") have been constructed by the District with funds advanced by the Developers to serve Mission Ridge Unit 4, The Pueblos at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 1, Desert Canyon at Mission Ridge Unit 2 and Painted Sky at Mission Ridge Unit 2, which are single family residential subdivisions containing approximately 887 single-family lots and compassing approximately 246.69 acres. A portion of the proceeds from sale of the Bonds will be used to reimburse the Developers for certain of the advances.

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Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$913,868 is estimated for construction costs, and \$336,132 is estimated for non-construction costs. The actual amounts to be reimbursed by the District and the non-construction costs, including Developer Interest, will be finalized after sale of the Bonds and review by an independent auditor.

| <u>Construction Costs</u> | <u>District's Share</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| A. District Facilities | |
| 1. Paseo del Este Boulevard Regional Wastewater Line Segments and Regional Water Line Segments E and E-4 and the Pueblos at C3-B to C-4 Mission Ridge Drainage Improvements..... | \$ 133,886 |
| 2. Mission Ridge Towne Center Unit One..... | 484,424 |
| 3. District Engineering..... | 51,925 |
| Total Developer Contribution Items | \$ 670,235 |
| B. Regional Facilities | |
| 1. Emerald Park Unit Four Water, Wastewater, and Drainage and Regional Wastewater Improvements..... | \$ 29,508 |
| 2. Hillside Park at Mission Ridge Unit One Drainage, Water & Wastewater and Regional Water and Wastewater Improvements..... | 61,048 |
| 3. Hillside Park at Mission Ridge Unit Two Drainage, Water & Wastewater and Regional Water and Wastewater Improvements..... | 34,181 |
| 4. Mission Ridge Towne Center Unit One 16" Regional Water Line Improvements..... | 18,210 |
| 5. Painted Sky at Mission Ridge 3 Regional Wastewater Line Segments C2-B, C2-C & C2-D..... | 80,410 |
| 6. Regional Engineering | 20,278 |
| Total District Items (Regional Facilities) | \$ 243,635 |
| TOTAL CONSTRUCTION COSTS (73% of BIR) | \$ 913,868 |
| <u>Non-Construction Costs</u> | |
| A. Legal Fees..... | \$ 25,000 |
| B. Financial Advisor Fees | 15,625 |
| C. Interest | |
| 1. Capitalized Interest..... | - |
| 2. Developer Interest..... | 135,003 |
| D. Bond Discount | 37,500 |
| E. Bond Issuance Expenses..... | 58,629 |
| F. Bond Application Report..... | 60,000 |
| G. Attorney General's Fee (0.10%)..... | 1,250 |
| H. TCEQ Bond Issuance Fee (0.25%)..... | 3,125 |
| TOTAL NON-CONSTRUCTION COSTS | \$ 336,132 |
| TOTAL BOND ISSUE REQUIREMENT | \$ 1,250,000 |

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

Future Debt

In addition to the costs of facilities being financed with proceeds from sale of the Bonds, the Developers have financed the engineering and construction of certain other Internal (District) Facilities and Regional Facilities. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$0 (as of August 31, 2022) for design, construction and acquisition of the District’s share of Regional Facilities not yet reimbursed and \$228,000 (as of August 31, 2022) for District Facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for the District’s pro rata share of the costs of the Regional Facilities and all of the costs of the District Facilities and future costs of developing currently undeveloped land, to the extent allowed by the TCEQ.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

| <u>Date of Authorization</u> | <u>Purpose</u> | <u>Amount Authorized</u> | <u>Issued to Date</u> | <u>Amount Unissued</u> |
|------------------------------|------------------------------------|--------------------------|-----------------------|------------------------|
| 5/14/2011 | Water, Sanitary Sewer and Drainage | \$33,000,000 | \$11,020,000* | \$21,980,000 |

* Includes the Bonds.

FINANCIAL STATEMENT

| | |
|---------------------------------------------------------------|------------------------------|
| Tax Year 2022 Certified Assessed Valuation | \$199,294,158 ^(a) |
| District Debt: | |
| Currently Outstanding Bonds | \$ 8,030,000 |
| The Bonds | <u>\$ 1,250,000</u> |
| Gross Debt Outstanding (after issuance of the Bonds)..... | \$ 9,280,000 |
| Ratio of Gross Debt to 2022 Certified Assessed Valuation..... | 4.66% |

Approximate Area of District – 457 acres

(a) As certified by the El Paso Central Appraisal District (the “Appraisal District”). Represents the assessed valuation within the District as of January 1, 2022. See “TAX PROCEDURES.”

Cash and Investment Balances (as of September 8, 2022)

| | | |
|-------------------|--------------------------------|-----------------------------|
| Operating Fund | Cash and Temporary Investments | \$416,298.00 |
| Capital Projects | Cash and Temporary Investments | \$101,761.00 |
| Debt Service Fund | Cash and Temporary Investments | \$345,584.00 ^(a) |

See “SELECTED FINANCIAL INFORMATION.”

(a) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

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 | As of | Overlapping | |
|-----------------------------------------------------------------------------------------|----------------------|-----------|-------------|------------------|
| | | | Percent | Amount |
| El Paso County | \$ 170,979,011 | 9/30/2022 | 0.31% | \$ 530,035 |
| El Paso County Hospital District | 309,920,000 | 9/30/2022 | 0.31% | 960,752 |
| Socorro Independent School District | 777,574,552 | 9/30/2022 | 1.14% | 8,864,350 |
| Total Estimated Overlapping Debt..... | | | | \$ 10,355,137 |
| The District..... | | | | \$ 9,280,000 (a) |
| Total Direct and Estimated Overlapping Debt..... | | | | \$ 19,635,137 |
| Ratio of Total Direct and Estimated Overlapping Debt to 2022 Assessed Valuation..... | | | | 9.85% |

(a) Includes the Bonds.

Overlapping Tax Rates for 2022

| Taxing Jurisdiction | 2022 Tax Rate per \$100 Assessed Valuation |
|--------------------------------------------------|-----------------------------------------------------|
| The District | \$ 0.719400 |
| El Paso County | 0.426289 |
| El Paso County Emergency Services District No. 2 | 0.100000 |
| El Paso Community College District | 0.122611 |
| Socorro Independent School District | 1.249712 |
| University Medical Center | 0.235000 |
| Total Overlapping Tax Rate | \$ 2.853012 |

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 | Assessed Valuation | Tax Rate | Tax Levy | Current Collections | | Total Collections | | Fiscal Year Ending |
|----------|--------------------|-----------|--------------|---------------------|---------|-------------------|---------|--------------------------|
| | | | | Amount | Percent | Amount | Percent | |
| 2018 | \$ 140,775,597 | \$ 0.7500 | \$ 1,055,817 | \$ 1,056,189 | 100.04% | \$ 1,064,689 | 100.84% | 9/30/2019 |
| 2019 | 152,713,583 | 0.7500 | 1,145,352 | 1,156,950 | 101.01% | 1,156,605 | 100.98% | 9/30/2020 |
| 2020 | 162,846,791 | 0.7500 | 1,221,351 | 1,219,976 | 99.89% | 1,222,477 | 100.09% | 9/30/2021 |
| 2021 | 172,406,793 | 0.7500 | 1,293,051 | 1,305,671 | 100.98% | 1,304,812 | 100.91% | 9/30/2022 ^(a) |
| 2022 | 199,294,158 | 0.7194 | 1,433,722 | N/A | N/A | N/A | N/A | 9/30/2023 ^(b) |

(a) Tax Collections billed on October 1. Collections are as of September 30, 2022.

(b) In process of collection.

Taxes are due October 1 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

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------|----------|----------|----------|----------|----------|
| Debt Service | \$0.3512 | \$0.3785 | \$0.4165 | \$0.4200 | \$0.4500 |
| Contract (a) | 0.2900 | 0.2900 | 0.2900 | 0.2900 | 0.2700 |
| Maintenance and Operations | 0.0782 | 0.0815 | 0.0435 | 0.0400 | 0.0300 |
| Total | \$0.7194 | \$0.7500 | \$0.7500 | \$0.7500 | \$0.7500 |

(a) See “RISK FACTORS – District Operations and Contract Tax” and “– Contract Tax” below.

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 the Bond Resolution 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. In connection with the approval of the Bonds, the TCEQ has approved an initial debt service rate of at most \$0.00 per \$100 assessed valuation.

Contract Tax

Under the Master District Contract, each Participant District has agreed to levy and collect a tax (the “Contract Tax”) to make payments to the Master District for (i) the Participant District’s pro rata share of any operating deficits incurred by the Master District and (ii) the debt service on any bonds issued by the Master District for Regional Facilities payable from the Contract Tax (“Master District Bonds”), with the Participant District’s pro rata share based on the Participant District’s total taxable assessed valuation as compared to the total taxable assessed valuation in all eleven Participant Districts. However, the Master District Contract contemplates that the Master District would not issue Master District Bonds for purposes of reimbursing the Developers for the initial construction of the Regional Facilities. Thus, for the foreseeable future, the District contemplates levying a Contract Tax only for its pro rata share of the operating deficits of the Master District. The District has levied total tax rate of \$0.7194 per \$100 of Assessed Valuation for Tax Year 2022, as follows: \$0.3512 for debt service tax, \$0.290 for Contract Tax and \$0.0782 for maintenance and operations tax.

Maintenance 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 May 14, 2011, 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 2022 tax year, the Board has levied a maintenance tax in the amount of \$0.0782 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.

Tax Exemptions

As discussed in the section titled "TAX 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 a delinquent tax attorney to collect delinquent taxes. Pursuant to the contract and in accordance with the Texas Property Tax Code, the District recovers certain costs, expenses and fees associated with tax collection suits, including reasonable attorney's fees in the amount of twenty percent (20%) of the total amount of taxes, penalties, and interest due to the District.

Principal Taxpayers

The following list of principal taxpayers is based upon the 2022 tax roll, which reflects ownership at January 1, 2022.

| <u>Taxpayer</u> | <u>Type of Property</u> | <u>2022 Taxable Assessed Valuation</u> | <u>% of Taxable Assessed Valuation</u> |
|------------------------------------|-------------------------------------------------|----------------------------------------|----------------------------------------|
| Hunt Communities Develop Co II LLC | Home Builder | \$ 2,882,279 | 1.45% |
| River Oaks Properties Ltd. | Commercial Real Estate Development & Management | 2,457,000 | 1.23% |
| Okpalaji Chukwujekwu | Residential | 937,224 | 0.47% |
| Hunt Communities Develop Co II LLC | Home Builder | 878,988 | 0.44% |
| Hunt Mission Ridge LLC | Home Builder | 842,375 | 0.42% |
| Hunt Communities Develop Co II LLC | Home Builder | 834,572 | 0.42% |
| Palma Juan D | Residential | 689,630 | 0.35% |
| Pacheco Cynthia I A | Residential | 683,373 | 0.34% |
| Martinez Donna M | Residential | 603,094 | 0.30% |
| Zamora Osvaldo & Garcia Lourdes | Residential | 568,539 | 0.29% |
| Total | | <u>\$ 11,377,074</u> | <u>5.71%</u> |

Summary of Assessed Valuation

The following summary of the Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2018-2022 tax rolls of the District. Differences in totals may vary slightly from other information herein due to differences in dates of data.

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Land and Improvements | \$ 226,610,004 | \$ 185,040,505 | \$ 170,145,479 | \$ 159,820,333 | \$ 147,611,390 |
| Personal Property | 893,145 | 962,259 | 921,671 | 781,924 | 625,686 |
| Exemptions | <u>(28,208,991)</u> | <u>(13,595,971)</u> | <u>(8,220,359)</u> | <u>(7,888,674)</u> | <u>(7,461,479)</u> |
| Total Assessed Valuation | <u>\$ 199,294,158</u> | <u>\$ 172,406,793</u> | <u>\$ 162,846,791</u> | <u>\$ 152,713,583</u> | <u>\$ 140,775,597</u> |

Projected Tax Adequacy for Debt Service

The calculations shown below assume, solely for purpose of illustration, no increase or decrease in assessed valuation over the 2022 Certified Assessed Valuation, no use of available funds, and utilization of a tax rate necessary to pay the District's projected average annual debt service requirements on the Bonds.

| | | |
|-------------------------------------------------------------------------------------|----|---------|
| Average Annual Principal and Interest Requirements, 2023-2040..... | \$ | 701,467 |
| \$ 0.35916 Tax Rate on the 2022 Assessed Valuation at 98% Collection Produces | \$ | 701,467 |

TAX 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 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 the Bond Resolution 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."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. The District must also follow tax procedures found in the Texas Water Code. These statutory provisions 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 El Paso County, including the District. Such appraisal values are subject to review and change by the El Paso County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth development, fraternal organizations, designated historical sites, travel trailers, and most individually owned automobiles. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse or 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. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain condition are met 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, 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. Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve; neither the Board nor the voters have taken any such action. Subject to certain conditions, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified. The District's tax assessor 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. 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. The District has never granted a general residential homestead exemption. See "TAX DATA."

Freeport Goods Exemption: Freeport goods are goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas and other petroleum products, which have been acquired or brought into the state for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes, or used to repair or maintain aircraft of a certified air carrier, and shipped out of the state within one hundred seventy-five (175) days. Freeport goods are exempt from taxation by the District.

Goods-in-Transit Exemptions: A "Goods-in-Transit Exemption" may apply to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has not taken action to allow taxation of goods-in-transit, and accordingly, the exemption is available within the District. However, the District may determine in the future to take action to tax exempt goods-in-transit personal property. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

Tax Abatement

El Paso County may designate all or part of the area within the District as a reinvestment zone. Thereafter, El Paso County, Socorro Independent School District, the District, and, if the District is annexed and dissolved, the City, 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. Substantially all of the undeveloped land in the District is valued based on agricultural use. 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 and taxes for the previous five (5) years for 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.

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 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.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2022 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

Low Tax Rate Districts

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 Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

Developed Districts

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

alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

Districts that do not meet the classification of a Low Tax Rate District or a Developed District are 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 the Developing District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Low Tax Rate District, Developed District or Developing District will be made on an annual basis, beginning with the 2022 tax year. With respect to the District's 2022 tax rate, the District has been determined to be a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

Levy and Collection of Taxes

The District is responsible for the levy and, unless it elects to transfer such functions to another governmental entity, collection of its taxes. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, may be rejected.

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.

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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 the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT - Overlapping Tax Rates for 2022"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the 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 or conservatorship by the FDIC. See "RISK FACTORS – The Effect of FIRREA on Tax Collections of the District."

GENERAL FUND OPERATIONS

General

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

Contract Tax

Under the Master District Contract, each Participant District has agreed to levy and collect the Contract Tax to make payments to the Master District for (i) the Participant District's pro rata share of any operating deficits incurred by the Master District and (ii) the debt service on any Master District Bonds, with the Participant District's pro rata share based on the Participant District's total taxable assessed valuation as compared to the total taxable assessed valuation in all eleven Participant Districts. However, the Master District Contract contemplates that the Master District would not issue Master District Bonds for purposes of reimbursing the Developers for the initial construction of the Regional Facilities. Thus, for the foreseeable future, the District contemplates levying a Contract Tax only for its pro rata share of the operating deficits of the Master District. The District has levied a total tax rate of \$0.7194 per \$100 of Assessed Valuation for Tax Year 2022, as follows: \$0.3512 for debt service tax, \$0.2900 for contract tax and \$0.0782 for maintenance tax.

District Operation and Maintenance Expense

Because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to incur significant operating expenses; rather it expects to mainly incur administrative expenses. The Master District Contract provides that the Master District will pay each Participant District's ordinary administrative expenses, including the District's, if approved by the Master District as part of an annual budget. The Master District Contract provides an annual budget process where each Participant District submits its budget for approval by the Master District. So long as a Participant District's expenses are no more than ten percent higher than the average of the budgets for Participant Districts Nos. 2-11, the budget must be approved by the Master District. In addition, the District may levy its own maintenance tax to pay such expenses. However, because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to have any revenues from water and sanitary sewer operations to pay its operation and expenses.

No Water and Sanitary Sewer Revenues

Because the Master District provides retail water and sanitary sewer service to all customers in the area within all eleven Participant Districts, including the District, the District does not expect to have any revenues from water and sanitary sewer operations to pay its operation and maintenance expenses.

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 and the District's bookkeeping records. Reference is made to such statements and records for further and more complete information.

| | Fiscal Year Ended September 30, | | | | |
|---------------------------------------|---------------------------------|-------------------|-------------------|-------------------|---------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Revenues: | | | | | |
| Transfer From Master District | \$ 112,512 | \$ 79,818 | \$ 82,545 | \$ 76,464 | \$ 64,674 |
| Property Taxes | 71,103 | 61,751 | 43,811 | 75,467 | 80,277 |
| Contract Taxes | 473,691 | 447,688 | 385,060 | 335,365 | 70,536 |
| Interest | 134 | 1,489 | 2,756 | 874 | 1,530 |
| Total Revenues | <u>\$ 657,440</u> | <u>\$ 590,746</u> | <u>\$ 514,172</u> | <u>\$ 488,170</u> | <u>\$ 217,017</u> |
| Expenditures: | | | | | |
| Tax Transfer to Master District | \$ 473,691 | \$ 447,688 | \$ 385,060 | \$ 335,365 | \$ 70,536 |
| Legal Fees | 24,859 | 12,153 | 14,645 | 15,561 | 12,714 |
| Audit Fees | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| Accounting Fees | 23,475 | 22,411 | 23,675 | 22,425 | 21,300 |
| Engineering Fees | 6,964 | 6,128 | 4,272 | 3,210 | 2,661 |
| Management Fees | 9,287 | 8,918 | 8,494 | 8,026 | 7,640 |
| Fiscal Fees | 1,500 | 1,500 | 1,500 | 1,500 | - |
| Director Salaries and Payroll Taxes | 9,689 | 6,298 | 6,298 | 5,652 | 4,844 |
| Insurance | 1,535 | 1,549 | 1,549 | 1,549 | 874 |
| Tax Assessor/Collector | 14,708 | 13,954 | 14,757 | 11,064 | 5,614 |
| Printing and Office Supplies | 684 | 439 | 485 | 764 | 964 |
| Postage and Delivery | 456 | 151 | 179 | 64 | 174 |
| Legal Notices | 1,040 | 1,457 | 840 | 720 | 782 |
| Travel | 14,315 | 860 | 1,852 | 1,930 | 1,686 |
| Total Expenditures | <u>\$ 587,703</u> | <u>\$ 529,006</u> | <u>\$ 469,106</u> | <u>\$ 413,330</u> | <u>\$ 135,289</u> |
| Transfer (to) Other Funds | - | - | 1 | (18,750) | (276,714) |
| Change in Net Position | <u>\$ 69,737</u> | <u>\$ 61,740</u> | <u>\$ 45,067</u> | <u>\$ 56,090</u> | <u>\$ (194,986)</u> |
| Fund Balance/Net Position - Beginning | 216,139 | 154,399 | 109,332 | 53,242 | 248,228 |
| Fund Balance/Net Position - Ending | <u>\$ 285,876</u> | <u>\$ 216,139</u> | <u>\$ 154,399</u> | <u>\$ 109,332</u> | <u>\$ 53,242</u> |

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PRO-FORMA DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending Sept. 30 | Outstanding Debt Service | The Bonds ⁽¹⁾ | | | Total Debt Service |
|-----------------------------------|--------------------------------|--------------------------|-------------------|---------------------|--------------------------|
| | | Principal | Interest | Total | |
| 2023 | \$ 671,799 | \$ - | \$ - | \$ - | \$ 671,799 |
| 2024 | 669,786 | - | 93,750 | 93,750 | 763,536 |
| 2025 | 672,411 | 30,000 | 62,500 | 92,500 | 764,911 |
| 2026 | 674,124 | 30,000 | 61,000 | 91,000 | 765,124 |
| 2027 | 665,011 | 30,000 | 59,500 | 89,500 | 754,511 |
| 2028 | 656,624 | 30,000 | 58,000 | 88,000 | 744,624 |
| 2029 | 652,968 | 35,000 | 56,500 | 91,500 | 744,468 |
| 2030 | 643,505 | 35,000 | 54,750 | 89,750 | 733,255 |
| 2031 | 638,336 | 40,000 | 53,000 | 93,000 | 731,336 |
| 2032 | 632,274 | 40,000 | 51,000 | 91,000 | 723,274 |
| 2033 | 620,511 | 40,000 | 49,000 | 89,000 | 709,511 |
| 2034 | 618,418 | 45,000 | 47,000 | 92,000 | 710,418 |
| 2035 | 605,268 | 45,000 | 44,750 | 89,750 | 695,018 |
| 2036 | 601,518 | 50,000 | 42,500 | 92,500 | 694,018 |
| 2037 | 586,373 | 50,000 | 40,000 | 90,000 | 676,373 |
| 2038 | 526,040 | 55,000 | 37,500 | 92,500 | 618,540 |
| 2039 | 188,760 | 340,000 | 34,750 | 374,750 | 563,510 |
| 2040 | 189,440 | 355,000 | 17,750 | 372,750 | 562,190 |
| Total | \$ 10,513,164 | \$ 1,250,000 | \$ 863,250 | \$ 2,113,250 | \$ 12,626,414 |

| | |
|----------------------------------------------|------------|
| Average Annual Debt Service (2023-2040)..... | \$ 701,467 |
| Maximum Annual Debt Service (2026)..... | \$ 765,124 |

(1) Preliminary, subject to change. Interest on the Bonds are calculated at a rate of 5% for purposes of illustration only.

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LEGAL MATTERS

Legal Proceedings

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of 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 EXEMPTION”. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT – General” (excluding the last paragraph thereof), “MANAGEMENT – Bond Counsel,” “TAX PROCEDURES,” “LEGAL MATTERS – Legal Proceedings” (insofar as such section relates to the legal opinion of Bond Counsel), and “TAX EXEMPTION” (insofar as such section relates to the legal opinion of Bond Counsel) and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “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.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the 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 the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the 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 the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX EXEMPTION

Opinion

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

In rendering its opinion, Bond Counsel to the District 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 of 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 of the Bonds.

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with 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 the section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the

backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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

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 265(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 obligations, 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(a)(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 expects to designate 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."**

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions 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 the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that any such secondary market would not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. See “RISK FACTORS – Infectious Disease Outbreak (COVID-19).”

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; 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.

Ratings and Bond Insurance

No application for a rating on the Bonds has been made.

Application has been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Initial Purchaser. The rating fees associated with the insurance will be the responsibility of the Initial Purchaser.

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 District 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 below 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

Hilltop Securities, Inc., (“HilltopSecurities”) 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. In its capacity as Financial Advisor, HilltopSecurities has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

“THE DISTRICT” – the Developers; TRE & Associates, LLC (“Engineer”), and records of the District (“Records”); “THE DEVELOPERS” - Developers; “THE SYSTEM” - Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” - Records; “FINANCIAL STATEMENT” - District records; “ESTIMATED OVERLAPPING DEBT STATEMENT” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” - City of El Paso Tax Assessor/Collector; “MANAGEMENT” - District General Counsel; “PRO-FORMA DEBT SERVICE REQUIREMENTS” - Financial Advisor; “THE BONDS,” “LEGAL MATTERS,” and “TAX EXEMPTION” - McCall, Parkhurst & Horton L.L.P.

The Financial Advisor has provided the following sentence for inclusion in 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” and “THE SYSTEM” has been provided by TRE & Associates, LLC, Consulting Engineers, 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 El Paso Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in El Paso 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 El Paso Central Appraisal District and the City of El Paso Tax Assessor/Collector and is included herein in reliance upon their respective authority as experts in assessing and collecting taxes.

Auditor: The District’s financial statements for the fiscal year ending September 30, 2021 have been audited by West, Davis & Company, LLP. See “APPENDIX A” for a copy of the District’s September 30, 2021, audited financial statements.

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 the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the 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 the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board of Directors 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.

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c2-12, this document, as the same may be supplemental or corrected by the District from time-to-time, may be treated as an official statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction).

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “final official statement” of the District with respect to the Bonds as that term is defined in Rule 15c2-12.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (“SEC”) regarding the District’s continuing disclosure obligations because the District has less than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”) or to any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District will be the District’s audited financial statements and supplemental schedules as found in “APPENDIX A - District Audited Financial Statements For Fiscal Year Ended September 30, 2021.” The District will update and provide this information within six months after the end of each of its fiscal years. The District will provide the updated information to the MSRB or any successor to its functions as a repository through the EMMA system. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall 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 becomes available.

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.

Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or

other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of Rule 15c-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material (“Financial Obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.); and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Resolution make any provision for debt service reserve or a trustee.

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its EMMA internet portal at emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, 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 Rule 15c2-12, taking into account any amendments or interpretations of 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 holders and beneficial owners of the Bonds. The District may also amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of 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 the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District made a late filing with the MSRB, on September 12, 2017, of its initial annual disclosure information, which was due on March 31, 2017. A notice of late filing was filed on September 13, 2017. The District implemented additional procedures intended to avoid late filings in the future, and the District has complied fully with its undertakings made under the Rule since such late filing.

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.

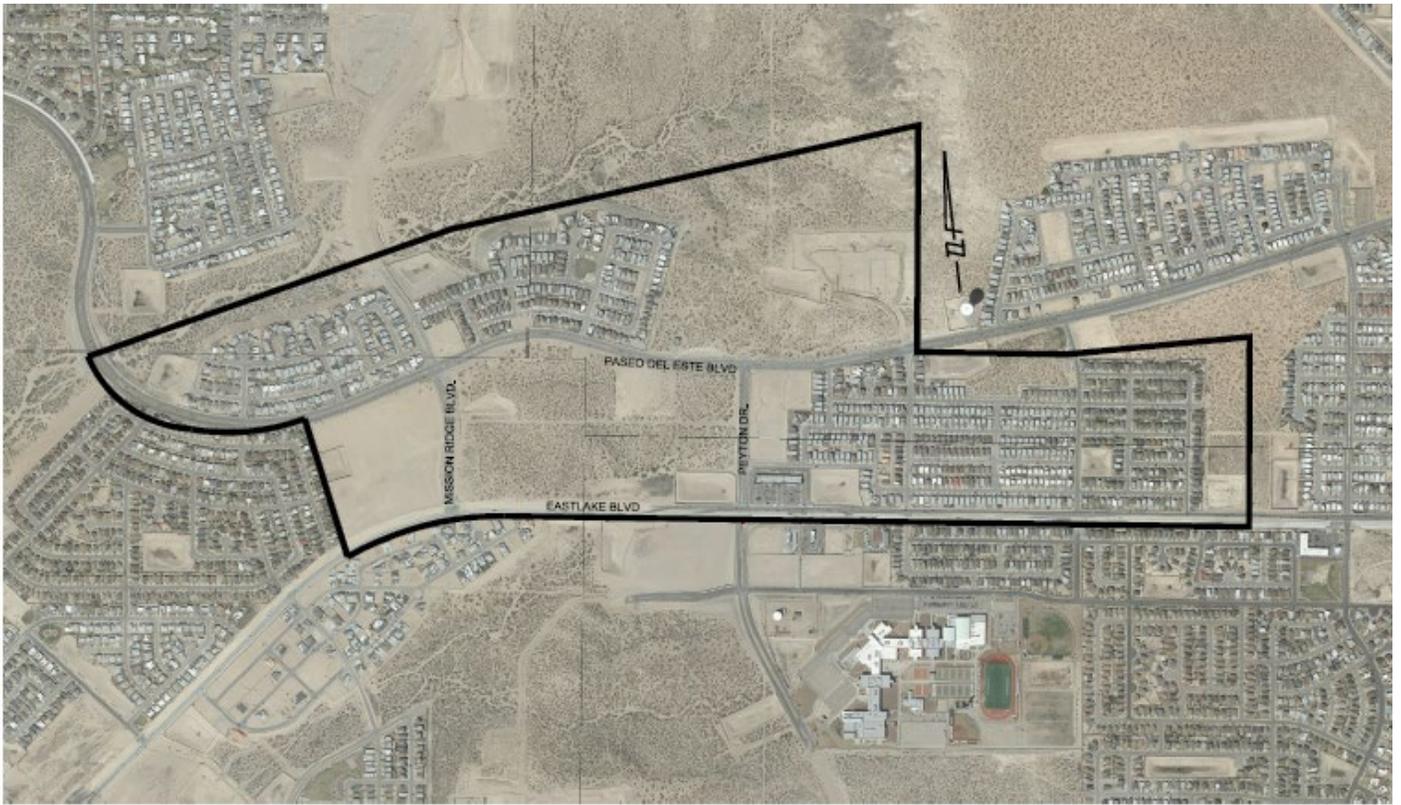
This Official Statement was approved by the Board of Directors of the District, as of the date shown on the cover page.

/s/ _____
President, Board of Directors
Paseo del Este Municipal Utility District No. 5

ATTEST:

/s/ _____
Secretary, Board of Directors
Paseo del Este Municipal Utility District No. 5

**AERIAL PHOTOGRAPH
(Approximate boundaries)**



PHOTOGRAPHS

The following photographs were taken in the District on October 5, 2022, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.







APPENDIX A

District Audited Financial Statements for the fiscal year ended September 30, 2021

APPENDIX B

Form of Bond Counsel's Opinion