

**OFFICIAL STATEMENT
DATED JANUARY 29, 2019**

NEW ISSUE - BOOK-ENTRY ONLY

**RATING: S&P: "AA" / "BBB-" (Enhanced / Unenhanced)
(See " BOND INSURANCE," BOND INSURANCE
RISK FACTORS," AND "MUNICIPAL BOND RATING" HEREIN.)**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds will NOT be designated as "Qualified Tax-exempt Obligations" for financial institutions.

**\$4,600,000
CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Bexar County, Texas)
LIMITED AD VALOREM TAX ROAD BONDS, SERIES 2019**

Dated: February 1, 2019 (interest to accrue from Date of Delivery)

Due: as shown on inside cover
CUSIP: See inside cover

The above captioned (the "Bonds") when issued, will constitute valid and legally binding special obligations of the Cibolo Canyons Special Improvement District (the "District"), and will be payable from the proceeds of an annual ad valorem tax, within legal limitations as described herein, levied against all taxable property within the District.

THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. (See "RISK FACTORS.") **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE OF TEXAS; BEXAR COUNTY, TEXAS (the "County"); THE CITY OF SAN ANTONIO, TEXAS (the "City"); NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.** (See "THE DISTRICT – General" and "THE DISTRICT – Bexar County Commissioners Court's and the County's Limited Involvement with the Issuance of the Bonds," and "MANAGEMENT.")

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially U.S. Bank National Association, Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of initial delivery, and is payable each February 15 and August 15, commencing August 15, 2019 until maturity or prior redemption. Interest will be payable on the basis of a 360-day calendar year of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as described herein. (See "THE BONDS – Redemption Provisions.")

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds. Purchasers of beneficial interests in the Bonds will not receive physical certificates representing their beneficial interests in the Bonds. See "APPENDIX D – Book-Entry-Only System."

The Bonds are issued pursuant to the constitution and general laws of the State of Texas, including particularly Chapter 382, Local Government Code, as amended, an election held on November 8, 2005, and a Resolution adopted by the District's Board of Directors. (See "THE BONDS – Authority for Issuance.")

Proceeds from the sale of the Bonds will be used to reimburse the Developers (defined herein) for certain public improvements, including roads, and to pay costs of issuance of the Bonds.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

See inside cover page for maturity schedule, interest rates, initial yields, CUSIP numbers, and redemption provisions.

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon certain exemptions provided thereunder, or the securities laws of any other jurisdiction.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE BONDS. THE BONDS INVOLVE A SUBSTANTIAL DEGREE OF RISK, AND PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT, INCLUDING IN PARTICULAR THE SECTIONS ENTITLED "SECURITY FOR THE BONDS" AND "RISK FACTORS." PROSPECTIVE PURCHASERS SHOULD CAREFULLY EVALUATE THE RISKS AND MERITS OF INVESTMENT IN THE BONDS, SHOULD CONFER WITH THEIR LEGAL AND FINANCIAL ADVISORS, AND SHOULD BE ABLE TO BEAR THE RISK OF LOSS OF INVESTMENT IN THE BONDS BEFORE CONSIDERING A PURCHASE OF THE BONDS.

The Bonds are offered by the Underwriter named below, subject to prior sale, when, as, and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval by the Attorney General of Texas and the opinions of Allen Boone Humphries Robinson LLP, Bond Counsel and Davidson Troilo Ream & Garza, P.C., General Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, counsel to the Underwriter. Delivery of the Bonds through DTC is expected on or about February 21, 2019.

SAMCO CAPITAL MARKETS INC.

\$4,600,000
CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT
LIMITED AD VALOREM TAX ROAD BONDS, SERIES 2019

MATURITY SCHEDULE, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS (BASE NO. 17164A), AND REDEMPTION PROVISIONS

Maturity (August 15)	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ⁽¹⁾
2019	\$ 295,000	3.000%	1.850%	BX0
2020	230,000	3.000%	1.970%	BY8
2021	240,000	3.000%	2.090%	BZ5
2022	240,000	3.000%	2.210%	CA9
2023	250,000	5.000%	2.360%	CB7
2024	260,000	3.000%	2.520%	CC5
2025	270,000	3.000%	2.680% ⁽²⁾	CD3
2026	275,000	3.000%	2.850% ⁽²⁾	CE1
2027	285,000	3.000%	3.040%	CF8
2028	295,000	3.000%	3.180%	CG6
2029	305,000	3.000%	3.300%	CH4
2030	310,000	3.125%	3.450%	CJ0
2031	325,000	3.250%	3.520%	CK7
2032	330,000	3.500%	3.610%	CL5
2033	340,000	3.500%	3.680%	CM3
2034	350,000	3.500%	3.740%	CN1

(Interest accrues from the date of initial delivery to the Underwriter).

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- (1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2024, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

**CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT
BOARD OF DIRECTORS***

Name	Title	Term Expires	Occupation
Jodi Cleer	President	June 1, 2019	Owner, TAG Social Consulting
Traci M. Davlin	Secretary	June 1, 2019	Business Owner, DTD Entertainment
Jerome Jenko	Director	June 1, 2020	Retired Executive
Jerromy Johnson	Director	June 1, 2018	Agency Owner, Johnson Insurance Group
Ruben Villa	Director	June 1, 2018	Retired Military, Consultant
Ralph (Rusty) Wright	Director	June 1, 2019	Tax Accountant
Vacant	N/A	N/A	N/A

* The directors are appointed by the Bexar County Commissioners Court (the "Court") to staggered two-year terms expiring on June 1st of each respective expiration year. To be eligible for appointment as a director, a person must be at least 18 years old and reside in the District. Pursuant to Article 16, Section 17, Texas Constitution, the current directors will continue to serve until replaced by the Court, notwithstanding the expiration of their stated terms.

PROFESSIONAL CONSULTANTS

Hilltop Securities Inc., San Antonio and Dallas, Texas	<i>Financial Advisor</i>
SAMCO Capital Markets Inc.	<i>Underwriter</i>
Davidson, Troilo, Ream & Garza P.C., San Antonio, Texas	<i>General Counsel</i>
Allen Boone Humphries Robinson LLP, Houston, Texas	<i>Bond Counsel</i>
Schriver, Carmona & Company, PLLC, San Antonio, Texas	<i>Independent Auditor</i>
U.S. Bank National Association, Houston, Texas	<i>Paying Agent/Registrar</i>

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GENERAL INFORMATION

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer or solicitation. The information in this Official Statement is current only as of the date on its cover and may change after that date. The Underwriter is not responsible for the accuracy or completeness of this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In making an investment decision, prospective investors must rely on their examination of the qualifications of the District (defined hereafter) and the strength of each of its contractual relationships with other third parties; and the terms of the offering, including the merits and risks involved. No dealer, broker, salesperson, or other person has been authorized by the District, the Underwriter, or any of their respective affiliates, to give any information or to make any representations with respect to the Bonds or the District other than those contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

All of the summaries of the statutes, resolutions, orders, contracts, financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Davidson Troilo Ream & Garza, P.C., General Counsel to the District, 7550 W-IH10, San Antonio, Texas 78229, or the District's Financial Advisor, Hilltop Securities Inc., 70 NE Loop 410, Suite 710, San Antonio, Texas 78216, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Underwriter 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 Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

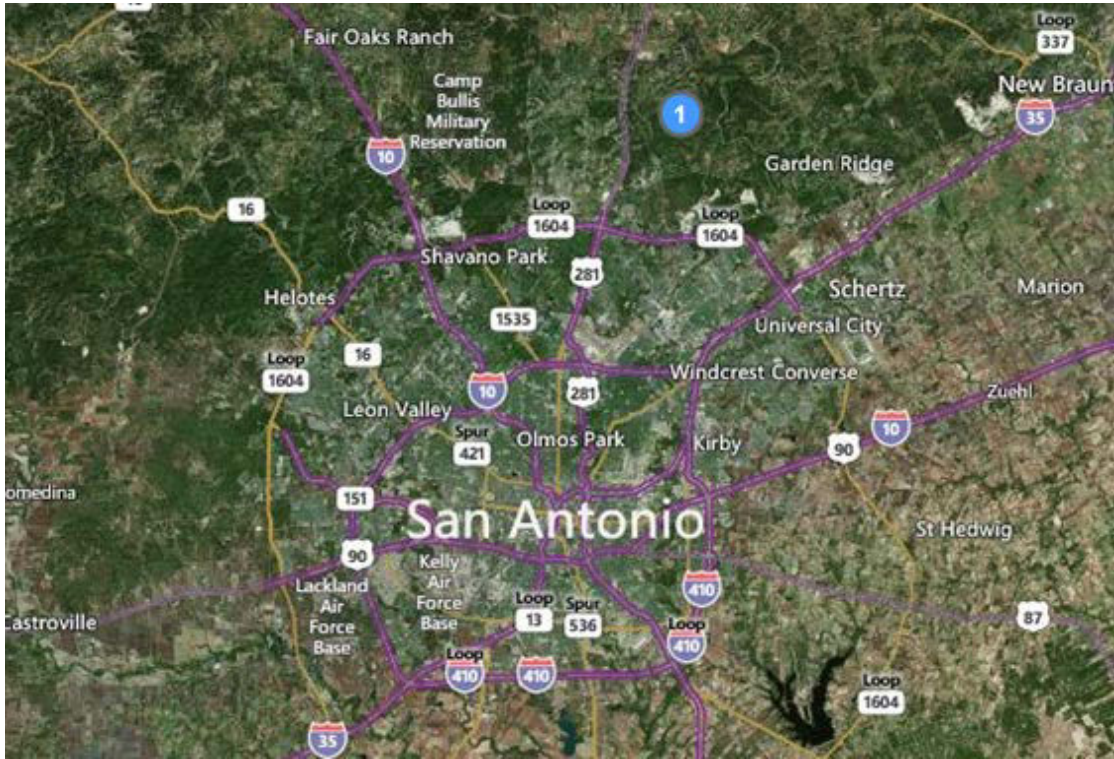


FIGURE 1 – DISTRICT LOCATION ("1")



FIGURE 2 – DISTRICT MASTER PLAN

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2017/2018 Certified Net Taxable Assessed Valuation	\$ 885,682,912	⁽¹⁾
2018/2019 Certified Net Taxable Assessed Valuation	\$ 939,165,115	⁽²⁾
Direct Ad Valorem Tax Debt Outstanding	\$ 38,185,000	⁽³⁾
Estimated Overlapping Debt	62,881,179	
Direct Ad Valorem Tax Debt Outstanding and Estimated Overlapping Debt	<u>\$ 101,066,179</u>	
Ratio of Gross Direct Ad Valorem Tax Debt to:		
2018/2019 Net Taxable Assessed Valuation		4.07%
Ratio of Gross Direct Ad Valorem Tax Debt and Overlapping Debt to:		
2018/2019 Net Taxable Assessed Valuation		10.76%
Average Annual Debt Service Requirements (2019-2034)	\$ 3,475,586	
Maximum Annual Debt Service Requirements (2032)	\$ 3,477,801	
Tax Rate Required to Pay Average Annual Debt Service (2019-2034) at a 99.62% Collection Rate Based Upon 2018/2019 Net Taxable Assessed Valuation	\$0.3715/\$100 A.V.	
Tax Rate Required to Pay Maximum Annual Debt Service (2034) at a 99.62% Collection Rate Based Upon 2018/2019 Net Taxable Assessed Valuation	\$0.3717/\$100 A.V.	
Interest and Sinking Fund Balance as of September 30, 2018	\$ 161,000	
General Fund Balance as of September 30, 2018	\$ 580,000	
2018/2019 District Tax Rate (per \$100 Assessed Valuation) ⁽³⁾		
Debt Service	\$ 0.33620	
Maintenance and Operations	0.22207	
Total Tax Rate	<u>\$ 0.55827</u>	

- (1) As certified by the Bexar County Appraisal District as of July 22, 2017.
(2) As certified by the Bexar County Appraisal District as of July 23, 2018.
(3) Includes the Bonds.

OFFICIAL STATEMENT

\$4,600,000

CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT
(A political subdivision of the State of Texas located within Bexar County, Texas)
LIMITED AD VALOREM TAX ROAD BONDS, SERIES 2019

This Official Statement provides certain information in connection with the issuance by Cibolo Canyons Special Improvement District (the "District") of its \$4,600,000 Limited Ad Valorem Tax Road Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas (sometimes referred to herein as the "State"), the Election (defined herein), and a resolution by the District authorizing the issuance of the Bonds (the "Resolution") to be adopted by the Board of Directors of the District (the "Board").

The District is a conservation and reclamation district created by an order of the Commissioner's Court of Bexar County (the "Court") on September 1, 2005, pursuant to Chapter 372, Subchapter C, Texas Local Government Code, as amended (recodified as Chapter 382, Texas Local Government Code "Chapter 382"), and a confirmation election for the District, held on November 8, 2005, to approve its powers and taxing authority. The District consists of over 2,800 acres of land located in Bexar County, Texas (the "County"). The District is approximately 20 miles north of the central downtown business district of the City of San Antonio, Texas (the "City") outside of the current boundaries of the City. Access to the District is made by Highway 281 North or Interstate Highway 35 ("IH-35") to Loop 1604 to North Bulverde Road. The District boundaries are substantially the same as a master planned community generally referred to as "Cibolo Canyons." See "THE DISTRICT" herein.

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

This Official Statement includes descriptions, among others, of the Bonds, the Resolution, and certain other information about 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 Davidson Troilo Ream & Garza P.C., General Counsel to the District, 7550 W-IH10, San Antonio, Texas 78229, and the District's Financial Advisor, Hilltop Securities Inc., 70 NE Loop 410, Suite 710, San Antonio, Texas 78216, upon payment of the cost of duplication.

RISK FACTORS

Purchase of the Bonds involves a substantial degree of risk and the Bonds are a speculative investment. Given these risks, a purchaser of the Bonds should be capable of suffering a loss of the entirety of its investment represented by the Bonds. Set forth below are certain specific risk factors associated with an investment in the Bonds that should be carefully considered by prospective investors. The following enumeration of risk factors is not intended to be, and is not, exhaustive. Additional considerations are discussed throughout this Official Statement, and inclusion under the heading, "RISK FACTORS" should not be intended to signify any such factors are more or less significant than those discussed elsewhere in this Official Statement. Prospective investors should carefully consider the following factors relating to the District, the hotel industry, and the security for the Bonds, in addition to the other information contained in this Official Statement, before purchasing the Bonds.

LIMITED OBLIGATIONS OF THE DISTRICT

The Bonds are obligations of the District and are not obligations of the State, the County, the City, or any other political entity other than the District. The Bonds will be secured by a limited continuing, direct, annual ad valorem tax, within legal limitations described herein, levied on all taxable property within the District. (See "TAX DATA.") 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.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE OF TEXAS, BEXAR COUNTY, TEXAS; NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.

LIMITED TAX

Pursuant to an election held on November 8, 2005 (the "Election"), the rate of ad valorem taxes which the District may levy in any year for all purposes is limited to the lesser of the rate levied by the City for all purposes (\$0.55827 per \$100 valuation for fiscal year 2019) (the "City Rate") or \$1.00 per \$100 valuation. After issuance of the Bonds, the average debt service requirement for all outstanding ad valorem tax bonds of the District is projected to be \$3,475,586 (2019 through 2034), and the maximum annual debt service requirement for all outstanding ad valorem tax bonds of the District is projected to be \$3,477,801 (2032). Assuming no increase or decrease from the 2018/2019 certified taxable assessed valuation of the District of \$939,165,115, a tax rate of \$0.3713 per \$100 assessed valuation at an average of the last three years of actual collection rates (i.e., 99.74%) would be necessary to pay the maximum annual debt service requirement. The District can make no representations regarding the future level of assessed valuation within the District or property owners' ability or willingness to pay their taxes. Any increase in taxable values depends on the continuing construction and sale of homes and other taxable improvements within the District. Further, to the extent the District were to sustain a significant reduction in assessed value of property in the District, the District would not be able to increase tax rates beyond the above-described limits in order to increase property tax revenues and would affect the ability of the District to make debt service payments on the Bonds. Also, the District has no control over future reductions in the City Rate. See "TAX DATA" herein.

The maximum authorized ad valorem tax rate for all purposes is limited to the lesser of the City Rate or \$1.00 per \$100 valuation.

DEPENDENCE UPON SIGNIFICANT TAXPAYERS

The District will be dependent on the timely payment of taxes by principal taxpayers in the District. Currently, the top three principal taxpayers are: (i) BREIT JWM San Antonio LP (a Delaware limited partnership that is affiliated with the Blackstone Group, Private Equity Group, one of the world's largest private equity firms), as owner of the 1,002 room hotel located within the District (the "Hotel"), which is the anchor of the JW Marriott San Antonio Hill Country Resort and Spa (the "Resort"); (ii) Pure Estates TTPC Apts LLC (owner of the Pure Estates at TPC Apartments); and (iii) Pure MTPC Apts LLC (owner of the Marquis at TPC Apartments). These three principal taxpayers account for 41.66% of the District's 2018/2019 total certified taxable assessed valuation of \$939,165,115, which represents valuations as of January 1, 2018. The top ten taxpayers account for approximately 49.98% of the District's taxable assessed valuation. (See "TAX DATA - Significant Taxpayers.") The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service obligations. Further, the District would not be able to increase its ad valorem tax levy to support its debt obligations beyond or in excess of the City Rate. Additionally, the District has not covenanted in the Resolution, nor is it required by Texas law, to maintain any particular balance in its Road Debt Service Fund (defined herein) or any other funds to allow for delinquencies. The District cannot guarantee the timely payment of taxes by any taxpayer nor can the District predict the future financial condition of the principal taxpayers and the likelihood that taxes will be paid in a timely manner.

In February 2018, Forestar (USA) Real Estate Group, Inc., the original developer in the District, and Starwood Land, L.P. a Delaware limited partnership ("Starwood Land") entered into an Agreement of Purchase and Sale for all of the land and lots that Forestar owned in the District, along with the outstanding reimbursements owed to Forestar. Pursuant to such Agreement, Forestar conveyed the land and lots to TF Cibolo Canyons, L.P. a Delaware limited partnership (the "Developer") and related entity to Starwood Land. The Developer intends to develop the remaining undeveloped land and to continue marketing the remaining undeveloped lots in the District to homebuilders and other potential commercial users. As of January 1, 2018, the Developer owns approximately 2.75% of assessed valuation in the District. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all, other than its obligations pursuant to the economic development agreements discussed herein. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

Economic Factors: The stability and/or growth of taxable values in the District is directly related to the vitality of the housing, resort, golf, and commercial real estate industries in the area around the District, including the San Antonio metropolitan area (the "San Antonio Area"). The housing and building industry has historically been a cyclical industry, affected by both short and long-term interest rates, availability of mortgage and development funds, employment levels, and general economic conditions. In recent years, the San Antonio Area has experienced strong economic growth positively affecting local residential development and construction industries. The San Antonio Area, including the County, has been one of the highest growth areas in the country.

A portion of the taxable values of the District is derived from the current market value of certain developed lots and undeveloped tracts. The market value of such lots and tracts is related to general economic conditions affecting the demand for single family, multi-family, commercial, retail, and office space. Demand for lots and tracts of this type and the construction of single family, multi-family residential dwellings, and/or commercial projects thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the prosperity and demographic characteristics of the urban center toward which the marketing of such lots and tracts is directed. Decreased levels of construction activity or reduced resale value of such lots and tracts would tend to restrict the growth of property values in the District or could adversely impact such values.

Future development and construction in the District is highly dependent on the availability of financing. Many lenders have become more selective in making real estate loans in the San Antonio Area. 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 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, particularly liquidity in the national credit markets, 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 20 miles from 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 San Antonio Area regional economy and national credit and financial markets. A downturn in the economic conditions of San Antonio Area and a further decline in the nation's real estate and financial markets could 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 could be affected by competition from other residential developments, including other residential developments located in the northern portion of the San Antonio Area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the San Antonio Area. Such homes could represent additional competition for new homes proposed to be sold within the District.

EFFECT OF THE FINANCIAL INSTITUTIONS ACT OF 1989 ON TAX COLLECTIONS OF THE DISTRICT

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

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

Certain federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract, and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property which may be owned in the future by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES

The District's ability to make debt service payments would 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 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 (a) cumbersome, time consuming, and expensive collection procedures, (b) a bankruptcy court's stay of enforcement of liens for post-petition taxes against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable 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. Attorney's fees and other 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 "AD VALOREM TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies.")

REGISTERED OWNERS' REMEDIES AND BANKRUPTCY LIMITATIONS

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (hereinafter defined) have a right to seek a writ of mandamus requiring the District and the District's officials to observe and perform covenants, obligations, or conditions proscribed in the Resolution. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. There is no provision for acceleration of maturity on the principal 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, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Based on recent Texas court decisions, it is unclear whether certain legislation effectively waives governmental immunity of governmental entities for suits for money damages. (See "THE BONDS – Remedies in Event of Default.") Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

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

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS

The 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 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 MATTERS.")

UNCERTAIN MARKET VALUE

The market value of the Bonds may be affected by a variety of factors including, without limitation, general market conditions, the financial condition and business operations of the District, and federal and State income tax and other laws. The market value of the Bonds on the Delivery Date could be greater or less than the agreed-upon purchase price therefor by the Underwriter, and the difference could be substantial. Neither the District nor the Underwriter make any representation as to the market value of the Bonds as of or after the Delivery Date.

CONTINUING DISCLOSURE OBLIGATIONS

In connection with the issuance of the Bonds, the District has entered into a "Continuing Disclosure Agreement" pursuant to Rule 15c2-12. Failure to comply with the Continuing Disclosure Agreements or Rule 15c2-12 may adversely affect the liquidity of the Bonds and their market price in the secondary market. See "CONTINUING DISCLOSURE OF INFORMATION."

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 of liquidity on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

PLAN OF FINANCE

Proceeds from the sale of the Bonds will be used to reimburse the Developer for construction costs related to certain road improvements within the District and to pay costs of issuing the Bonds.

The construction costs were compiled by the Developer, based on actual costs. Actual reimbursement requests have been reviewed in accordance with the Public Improvement Financing Agreement (defined herein) by Gabriel Perez and will be confirmed by an independent audit conducted by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants.

SOURCES OF FUNDS

Par Amount of Bonds	\$ 4,600,000
Net Premium	5,362
TOTAL SOURCES OF FUNDS	<u>\$ 4,605,362</u>

USES OF FUNDS

Cibolo Canyon Parkway Paving	\$ 2,497,898
Stone Oak Extension Paving	255,808
Bulverde Road Improvements	1,279,596
Landscaping along Cibolo Canyons	269,418
Reimbursements and Developer Interest	\$ 4,302,719 ⁽¹⁾
Non-Construction Costs	
Costs of Issuance	228,400
Underwriter's Discount	35,998
Insurance	38,245
Total Non-Construction Costs	<u>\$ 302,642</u>
TOTAL USES OF FUNDS	<u>\$ 4,605,362</u>

(1) This includes interest on the projects to be calculated at the rate of interest on the Bonds. All amounts to be verified by the District's outside auditor. See "MANAGEMENT – Auditors."

THE BONDS

DESCRIPTION

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Resolution. The Resolution authorizes the issuance and sale of the Bonds and governs the terms, conditions and provisions for the payment of the principal and interest on the Bonds.

The Bonds are dated February 1, 2019, with interest accruing from the date of initial delivery, and payable on August 15, 2019, and on each February 15 and August 15 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are serial bonds maturing on August 15 of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds are issued in fully registered form only in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. Principal of the Bonds will be payable upon presentation of the Bonds at the principal payment office of U.S. Bank National Association (the "Paying Agent/Registrar"). Interest calculations are based upon a 360 day year comprised of twelve 30-day months.

The principal of the Bonds will be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar. If not then subject to the Book-Entry-Only System described below, interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed on or before the Interest Payment Date, by the Paying Agent/Registrar to the Registered Owners on the Record Date (described below under "THE BONDS – Record Date for Interest Payment"), or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of the Registered Owner, to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. The Registered Owner ("Registered Owner") means any person who is the registered owner of any outstanding Bond as described in the Resolution.

If the date for payment of the principal of or interest on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding business day, as defined in the Resolution.

BOOK-ENTRY SYSTEM

The Bonds initially will be registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the Bonds. The Bonds will be available to purchasers only in book-entry form. For as long as Cede & Co. is the exclusive registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Registrar to DTC, which will be responsible for making such payments to its participants. Purchasers will not receive certificates representing their beneficial interests in the Bonds. 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

(defined below) and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Resolution will be given only to DTC. (See "APPENDIX D - "Book-Entry-Only System.")

AUTHORITY FOR ISSUANCE

Pursuant to Chapter 382, Texas Local Government Code (formerly Chapter 372, Subchapter C, Texas Local Government Code), the District held an election on November 8, 2005 (the "Election"), where the following propositions were approved as canvassed by the County on November 18, 2005:

Proposition	Purpose
I	Confirmation of the creation of the District.
II	Hotel Occupancy Taxes at a rate not to exceed the rate levied by the City or 9% and authorization to use the proceeds of the Hotel Occupancy Tax ("HOT") to secure funds for making economic development loans or grants for operation and maintenance purposes.
III	Sales and Use Tax not to exceed 2% and authorization to use the proceeds of the Sales and Use Tax to secure funds for making economic development loans or grants for operation and maintenance purposes.
IV	Ad Valorem Tax not to exceed the lesser of the City's rate or \$1.00 per \$100 valuation and authorization to use the proceeds of the ad valorem tax to secure funds for making economic development loans or grants and for operation and maintenance purposes, including, but not limited to funds for planning, constructing, acquiring, maintaining, leasing, repairing, and operating all necessary land, plants, works, facilities, improvements, appliances, and equipment of the District, and for paying costs of services, engineering, and legal fees, and organization and administrative expenses and for any corporate purpose, all as authorized by the Constitution and the laws of the State of Texas.
V	Authorization to enter into Economic Development or Grant Agreements with developer(s) and pledges of all or part of the Hotel Occupancy Taxes, Sales and Use Taxes, and Ad Valorem Taxes collected by the District for a term of up to 30 years to induce a developer or developers to promote economic development in the District.
VI	\$25,000,000 bonds for road purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 3, Section 52, Texas Constitution.
VII	\$25,000,000 bonds for utility system purposes and the levy of taxes to pay the bonds, authorized pursuant to Article 16, Section 59, Texas Constitution.
VIII	\$25,000,000 bonds for flood plain and wetlands regulation and endangered species and stormwater permits and the levy of taxes to pay the bonds, authorized pursuant to Article 16, Section 59, Texas Constitution.
IX	\$100,000,000 bonds for funding economic development or grant agreements and the levy of taxes to pay the bonds, authorized pursuant to Article 3, Section 52-a, Texas Constitution.
X	\$100,000,000 refunding bonds to refund any of the above approved bonds and the levy of taxes to pay the bonds.

The District is authorized to levy a separate ad valorem tax for each constitutional purpose and will create or has created a separate debt service fund for bonds issued pursuant to each constitutional authorization. Ad valorem tax bonds are payable solely from the debt service fund created for its constitutional purpose.

The maximum authorized ad valorem tax rate for all purposes is limited to the lesser of the City Rate or \$1.00 per \$100 valuation.

Before the Bonds can be issued, the Attorney General must pass upon the legality of certain related matters. The Texas Attorney General's office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used for economic development purposes. Unless there is a change in the current interpretation of the law, all economic development bonds issued by the District will be payable from HOT and Sales and Use Tax revenues. The Attorney General does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

RECORD DATE FOR INTEREST PAYMENT

The date for determining the person to whom the interest on the Bonds is payable on any Interest Payment Date is the close of business on the last business day of the month next preceding each Interest Payment Date (the "Record Date").

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Such Special Record Date will be 15 days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date will be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each affected Registered Owner of record as of the close of business on the day prior to the mailing of such notice.

SOURCE OF PAYMENT

The Bonds are issued pursuant to the authority granted under Article 3, Section 52, Texas Constitution. The Bonds, and any other bonds subsequently issued payable in whole or in part from ad valorem taxes authorized by Article 3, Section 52, Texas Constitution, are secured by and payable from the proceeds of an annual ad valorem tax levied against all taxable property located within the District. (See "AD VALOREM TAXING PROCEDURES.") The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. (See "RISK FACTORS.") The Bonds are obligations solely of the District and are not obligations of the State of Texas, the County, the City (the municipality with extraterritorial jurisdiction over land within the District), or any political subdivision or entity other than the District.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE STATE OF TEXAS, BEXAR COUNTY, TEXAS; NOR ANY POLITICAL SUBDIVISION OTHER THAN THE DISTRICT ARE PLEDGED TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS.

PERFECTED SECURITY INTEREST

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Resolution and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

ROAD DEBT SERVICE FUND; TAX PLEDGE

Debt Service Fund: The Resolution confirms the District's Road Debt Service Fund (the "Road Debt Service Fund"). The District also maintains a Utility System Debt Service Fund (the "Utility System Debt Service Fund") and a Trustee Revenue Fund, neither of which are pledged to the Bonds. The District is obligated to deposit into the Road Debt Service Fund, as collected, all ad valorem taxes levied, assessed and collected for and on account of the Bonds authorized by the Resolution. Such taxes levied each year include a continuing direct annual ad valorem tax upon all taxable property in the District at a rate sufficient to pay debt service on the Bonds and all other outstanding road bonds, but in no event may the District levy ad valorem taxes for all purposes that exceed the lesser of the rate levied each year by the City (currently \$0.55827), or \$1.00 per \$100 valuation of taxable property within the District. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any other road bonds payable from ad valorem taxes. See "THE BONDS - Authority for Issuance," "THE DISTRICT – Public Improvement Financing Agreement," and "TAX DATA" herein.

REDEMPTION PROVISIONS

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2025, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2024, or any date thereafter, at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar will treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. The Registrar will select the particular Bonds to be redeemed within any given maturity by lot or other random selection method. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with the provisions of the Resolution, will authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered. Reference is made to the Resolution for complete details concerning the manner of redeeming the Bonds.

Notice of Redemption; Effect of Redemption: Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Registrar at least 30 days prior to the date fixed for redemption 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 books of registration kept by the Registrar. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given will 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 must 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 or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed will be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

REGISTRATION, TRANSFER, AND EXCHANGE

So long as any Bonds remain outstanding, the Registrar will keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Registrar will provide for the registration and transfer of Bonds in accordance with the terms of the Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond will be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar has been directed by the District to authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds will be exchangeable upon presentation and surrender thereof at the principal payment office of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered will be entitled to the benefits and security of the Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Registrar will be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the 30-day period prior to the date fixed for redemption of such Bond.

The District or the Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the District.

REPLACEMENT OF PAYING AGENT/REGISTRAR

Provision is made in the Resolution for replacement of the Paying Agent/Registrar by the District. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar must act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District must 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.

REMEDIES IN EVENT OF DEFAULT

In addition to all of the rights and remedies provided by laws of the State, the District has agreed that in the event of default in payment of principal or interest on any of the Bonds when due, or, in the event it fails to make the payments required to be made into the Road Debt Service Fund or any other fund or defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Resolution, the Registered Owners will be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the officials thereof to observe and perform the covenants, obligations or conditions prescribed in the Resolution.

The Texas sovereign immunity doctrine includes two distinct principles: immunity from suit and immunity from liability. With regard to breach of contract claims against the State, Texas courts have held that when the State enters into a contract with a private party, it waives immunity from liability but not immunity from suit. Immunity from suit deprives a court of subject matter jurisdiction, and can only be waived as specifically provided for by the State legislature, either by statute or by special resolution. The Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("*Tooke*") that a waiver of immunity from suit must be provided for by a statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued" or "plead and be impleaded," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act applies to districts and relates to contracts entered into by districts for good or services; however, it is unlikely that a finder of fact would determine that the Resolution or the Bonds are a contract for goods or services. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property.

In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

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. Certain traditional legal remedies also may not be available. (See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy Limitations.") Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Bonds 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 public funds of cities, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

DEFEASANCE

The Resolution provides for the defeasance of the Bonds in any matter permitted by law. Under existing Texas law, the Bonds may be defeased when the payment of the principal of and redemption premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Obligations, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Resolution provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, 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 reservation be included in any redemption notices that it authorizes.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global

public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At September 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

General. . . The following risk factors related to municipal bond insurance policies generally apply:

In the event of default of the scheduled payment of principal or of interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under 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 registered owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the District (unless AGM chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. (See "THE BONDS –Remedies in Event of Default.") AGM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the registered owners.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the security pledged therefor in the Resolution. In the event AGM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of AGM and its claims-paying ability. AGM’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of AGM and of the ratings on the Bonds will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See "BOND INSURANCE RISK FACTORS - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers.") The obligations of AGM under the Policy are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor nor the Underwriters has made independent investigation into the claims-paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS. . . Moody’s Investor Services, Inc., S&P Global Rating, a Standard & Poor’s Financial Services LLC business and Fitch Ratings (the "Rating Agencies") have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers, including AGM, are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including AGM. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of AGM, particularly over the life of the Bonds.

THE DISTRICT

GENERAL

The District is a public improvement district created by an order of the Court on September 1, 2005, pursuant to Chapter 372, Subchapter C, Texas Local Government Code, as amended (recodified as Chapter 382, Texas Local Government Code ("Chapter 382")), and a confirmation election for the District, held on November 8, 2005, to approve its powers and taxing authority. The rights, powers, and privileges are established by Article III, Sections 52 and 52-a, and Article XVI, Section 59, of the Texas Constitution and Chapters 380, 381, 382, and 383 of the Texas Local Government Code, as amended.

The District is empowered, among other things, to exercise the powers of a road district; construct water, wastewater, and drainage facilities; enter into economic development agreements; levy ad valorem, hotel occupancy, and sales and use taxes; borrow money; and issue bonds and other obligations. The District is governed by a seven member Board who are appointed by the Bexar County Commissioners Court to staggered two-year terms. To be eligible for appointment as a director, a person must be at least 18 years old and reside in the District.

The District consists of over 2,800 acres of land located in the County. The District is approximately 20 miles north of the central downtown business district of the City, and within the boundaries of the North East and Judson Independent School Districts. Access to the District is currently provided on Highway 281 North or Interstate Highway 35 ("IH-35") to Loop 1604 and Bulverde Road. See "Location Map" attached hereto.

BEXAR COUNTY COMMISSIONERS COURT'S AND COUNTY'S LIMITED INVOLVEMENT WITH THE ISSUANCE OF THE BONDS

Pursuant to Chapter 382, the District is required to receive approval from the Court when incurring debt, including the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWERS OF THE COUNTY ARE PLEDGED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS. The Court's involvement with the issuance of the Bonds is limited to the appointment and reappointment of the Board, and the statutorily required approval for the issuance of any debt by the District. The County and the Court have no further involvement with the District and are not involved with or have any control over the construction, maintenance, or operations of the Resort, the Hotel, or any other portions of the projects referenced herein. As such, the Court has disclaimed any potential federal and/or state securities liabilities based on any potential claims submitted pursuant to then applicable federal or state securities laws relating to the issuance of the Bonds.

MASTER DEVELOPMENT PLAN

The Hotel is located in Cibolo Canyons, a master-planned, mixed-used community with several different residential components (including first and second move-up, custom and active adult) as well as commercial uses, including multifamily apartments and condominium developments, a possible retail area, some small potential office development areas, and the Resort. The Resort opened on January 22, 2010. The Resort was completed by SA Real Estate LLP ("SARE"), an affiliate of Miller Global Properties, LLC ("Miller Global"). In August 2018, SARE and Miller Global sold their interests in the Hotel and the Resort to BREIT JWM San Antonio LP ("BREIT"), a Delaware limited partnership that is affiliated with the Blackstone Group, Private Equity Group, one of the world's largest private equity firms. (See "RISK FACTORS - Dependence Upon Significant Taxpayers" for additional information.) Approximately 1,900 single-family residential lots are currently planned for the community, with about 1,000 lots sold and homes built since inception. Additionally, four multifamily projects have been completed consisting of over 1,200 total units. In addition, Starwood Land is currently developing approximately 197 acres with 378 residential lots planned for completion in 2019. There are 367 acres in the District currently unimproved and available for future development. Starwood Land currently accounts for 2.75% of the taxable assessed valuation in the District.

The Resort consists of the Hotel and approximately 150,000 square feet of dedicated indoor meeting and function space, 115,000 square feet of outdoor function space, a 26,000 square foot full-service spa and eight restaurants/bars. The Resort also includes a six-acre waterpark featuring several pools and a "lazy river," two championship PGA Tour golf courses designed by Greg Norman and Pete Dye (the "Golf Courses"), and a 43,000 square foot clubhouse facility. The Resort encompasses approximately 625 acres and it is a destination resort and the world's largest JW Marriott property. The Golf Courses and clubhouse facility are operated as a private club, which facilities are only accessible by members and guests of the Resort. The main Resort building consists of a nine story hotel building designed with four wings, branching from the central lobby area in an "X" shape design with ancillary facilities attached thereto. Facilities also include convention/meeting space, a retail shop corridor, child activity center/day care, business center, tennis courts and surface and garage parking.

Following the creation of the District, the original developer and the Developer have funded directly or through the District in excess of \$70 million for public infrastructure including site acquisition, site prep (including water, sewer, drainage, and road construction) and flood plain mitigation. Additionally, Hotel and Resort private investment is estimated at over \$630 million in hard cost improvements. Other private investment in the District consisting primarily of private residential improvements is estimated to be in excess of \$500 million. Therefore, total investments in improvements within the full boundaries of the District are currently estimated to exceed \$1.1 billion.

RESORT GOLF TOURNAMENTS

The Golf Courses and clubhouse facilities are part of the network of golf facilities affiliated with the Tournament Players Club ("TPC"). As such, the Resort's golf facilities are referred to as the "TPC San Antonio." The TPC Network (the "Network") is a subsidiary of the PGA Tour, and is a network of clubs which provides and maintains host venues for PGA Tour events as well as premier golf access to club members and daily fee guests throughout the year, at both the Network's private and daily fee properties, respectively. Network properties are required to maintain their golf facilities at certain levels to allow them to host PGA Tour tournaments. The Resort and TPC have entered into an agreement for TPC to manage and market the Golf Courses for professional tournaments.

The Valero Texas Open, an annual PGA Tour event, is held in the spring of each year and has been held at the Resort since 2010. The Valero Open is an arrangement among the TPC San Antonio, PGA Tour, Valero Energy Foundation, BREIT, and JW Marriott. The Valero sponsorship agreement with the PGA Tour is set to expire in 2028.

PUBLIC IMPROVEMENT FINANCING AGREEMENT

The District entered into an "Ad Valorem and Non Resort Sales and Use Tax Public Improvement Financing Agreement" dated January 12, 2006, and amended February 9, 2007, to be effective October 30, 2006 (the "Public Improvement Financing Agreement") with the Lumberman's Investment Corporation and the County. The Public Improvement Financing Agreement was assigned to Forestar (USA) Real Estate Group, the original developer in the District, and then assigned to the Developer See "RISK FACTORS – Dependence Upon Significant Taxpayers." In the Public Improvement Financing Agreement, the original developer agreed to advance funds on behalf of the District to pay (1) costs of the Public Improvements constructed to serve the District, (2) approved operational expenses of the District, and (3) certain "Administration Expenses" (defined herein), until the District receives significant ad valorem tax revenue. The District agreed to levy and collect an ad valorem tax upon all taxable property within the District equal to the lesser of the City Rate or \$1.00 per \$100 valuation, and to levy and collect a sales and use tax at a rate equal to 1.5% on all taxable sales within the District. The District pledged the property tax revenue if and when collected, and the sales and use taxes collected from the "non-Resort" portion of the District to the Developer as reimbursement for certain Public Improvements incurred by the original developer and the Developer for the District, including water and sewer infrastructure, road improvements, and landscaping, among others.

The ad valorem taxes will be applied by the District in the following order:

- (1) any reasonable and direct operation costs of the District including tax collection fees, operation costs, insurance for the Board, professional fees, audit expenses, and organizational expenses ("Administration Expenses");
- (2) any District indemnity obligation to the County;
- (3) in order (i) any reimbursement to the Developer for any remaining unreimbursed cost of Public Improvements paid by the Developer plus interest as proscribed in the Public Improvement Financing Agreement (including those Public Improvements to be reimbursed by the proceeds of the sale of the Bonds); then (ii) cost of any Public Improvement necessary to be constructed by the District. The District will only pay for the Public Improvements that are not a reimbursement to the Developer from the ad valorem taxes after the Developer has been fully reimbursed for all Public Improvements plus interest; and
- (4) "Project Operating Expenses" to provide maintenance for Public Improvements including the maintenance of lighting, walls, landscaping, and maintenance of Cibolo Canyon Boulevard.

The term of the Public Improvement Financing Agreement is 30 years from the date of execution (December 23, 2005) or until the transactions contemplated in the Public Improvement Financing Agreement are consummated, whichever occurs first. The District's reimbursement obligations may be paid from bond proceeds secured by the ad valorem taxes authorized including the Bonds.

ANNEXATION

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of the Services Agreement defined below between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

The City and the previous developer entered into an "Agreement for Services in Lieu of Annexation" dated October 24, 2002, as amended on January 6, 2005 by the "Amended and Restated Agreement for Services in Lieu of Annexation," and as further amended on October 22, 2006 by the "First Amendment to the Amended and Restated Agreement for Services in Lieu of Annexation" (collectively such agreements, the "Services Agreement"). The terms of the Services Agreement run with the land and are binding on future developers.

Pursuant to the Services Agreement, the City agreed to continue the extraterritorial status of the District and its immunity from annexation. Additionally, the San Antonio Water System provides water and sewer services to the District. The initial developer has paid all applicable development fees to the City and was required to produce a copy of the "Purchase Agreement" for the acquisition of the "Hotel Site" and "Golf Course Facilities"; the "Golf Course Operating Agreement" wherein the Tournament Players Club of San Antonio, LLC, committed to operate, and manage the Golf Course Facilities; and the "Golf Course License Agreement" with TPC License Company, LLC, with regard to the development, operation and marketing of the Golf Course Facilities utilizing certain trademarks, and the intellectual property rights of TPC License Company, LLC, including "Tournament Players Club." The initial developer has created "Conservation Easements" of not less than 700 acres located in the "Edwards Aquifer Recharge Contributing Zone" or the "Contributing Zone" (the "Conservation Easement"). The Services Agreement term is through January 28, 2034.

The Services Agreement and the specific obligations imposed therein on the developer in lieu of annexation of the District are also in consideration of the development of the Hotel, golf courses, and the Conservation Easement. If the developer defaults on the terms of the Services Agreement, the City may annex the territory within the District which would impair the District's taxing authority (including the Hotel Occupancy Tax and the Sales and Use Tax of the District).

At the completion of the Services Agreement term on January 28, 2034, the City may annex the District if there has been no default or early termination as a result of not meeting the obligations described above. If the Services Agreement expires or there is a default, the City may annex the entire territory of the District, and the City must assume the District's assets, but is not liable for the District's debt or other obligations. If the City annexes the District, sufficient taxes will be levied in 2034 to pay the final maturity on the Bonds. The District remains in existence after the territory is annexed for the purpose of collecting any taxes or assessments authorized by the County and imposed by the District before annexation. Taxes or assessments collected after annexation must be used by the District solely for the purpose of satisfying any pre-existing District debt or other obligation. After the debt or other obligations have been discharged, or two years have expired since the date of the annexation, the District is dissolved and any outstanding debt or obligations are extinguished. If the District is partially annexed, the County may authorize the District to impose an ad valorem tax, hotel occupancy tax, or sales and use tax, or collect an assessment in the area that the City overlaps the District. The District may continue to impose a tax in an area that the City annexes for limited purposes and in which the City does not impose taxes. If the City annexes an area for limited purposes and imposes some of the taxes which the District is imposing but not all of them, the District may continue to impose taxes only to the extent that the level of taxation of the City and the District combined, calculating the Hotel Occupancy Tax, the Sales and Use Tax, and the ad valorem tax independently, is equal to or less than the tax level of the City as to fully annexed areas.

EMERGENCY SERVICES DISTRICT

The District lies in the service area of the Bexar County Emergency Services District #3 which provides fire protection services.

MANAGEMENT

BOARD OF DIRECTORS

The District is governed by the Board, which has control over and management supervision of all affairs of the District. The directors are appointed by the Bexar County Commissioner's Court. The directors and officers of the District are listed on page ii hereof. The Board has hired an independent contractor (Armstrong, Vaughn & Associates, PC) to provide accounting services to the District.

TAX ASSESSOR/COLLECTOR

Land and improvements in the District are being appraised for taxation by the Bexar County Appraisal District. The District contracts with the Bexar County Tax Assessor-Collector to act as Tax Assessor/Collector for the District.

BOND COUNSEL

Allen Boone Humphries Robinson, LLP, Houston, Texas, serves as "Bond Counsel" to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Allen Boone Humphries Robinson LLP represents the Financial Advisor and the Underwriter in matters unrelated to the issuance of the Bonds.

GENERAL COUNSEL

Davidson Troilo Ream & Garza, P.C., San Antonio, Texas, serves as "General Counsel" to the District.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as “Financial Advisor” to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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.

The Financial Advisor has also entered into an agreement with the District to serve as dissemination agent with respect to the Bonds.

AUDITORS

McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, ("McCall") serves as special auditor to the District. McCall has been engaged to review and audit the expenditures submitted by the Developer. The computation of certain Developer costs have been reviewed to determine that amounts are stated in accordance with contractual arrangements (including the Public Improvement Financing Agreement) between the District and the Developer. McCall will also re-calculate the computation of interest requested by the Developer related to the reimbursement requests.

Perez Project Consulting, Inc. serve as "reimbursement" auditors and analyze and compile all project reimbursements and claims from the Developer to ensure they are documented in accordance with the Public Improvement Financing Agreement.

Schriver, Carmona & Company, PLLC serve as independent auditor for the District's financial statements.

DEBT AND FINANCIAL INFORMATION

BONDS AUTHORIZED BUT UNISSUED

The Election authorized the issuance of bonds payable from the Hotel Occupancy, Sales and Use Taxes, and Ad Valorem taxes, in the amounts and for the purposes set forth below. The following table also sets forth the amount of bonds previously issued for each such purpose.

Table 1 – Bonds Authorized but Unissued

Purpose ⁽¹⁾	Date Authorized	Amount Authorized	Amounts Issues	Amounts Issued	Unissued Balance
			Payable from Ad Valorem Taxes	Payable from HOT and Sales and Use Taxes ⁽²⁾	
Economic Development ⁽³⁾	11/8/2005	\$100,000,000	\$ -	\$ 49,100,000	\$50,900,000
Utility, Water, Sanitary Sewer and Drainage	11/8/2005	25,000,000	22,520,000	300,000	2,180,000
Road	11/8/2005	25,000,000	23,140,000 ⁽⁴⁾	-	1,860,000
Flood Plain and Wetlands	11/8/2005	25,000,000	-	-	25,000,000
Total:		\$175,000,000	\$ 45,660,000	\$ 49,400,000	\$79,940,000 ⁽⁴⁾

- (1) Voters have also authorized the issuance of refunding bonds in the amount of \$100,000,000.
- (2) The District previously issued \$500,000 of its Combination Hotel Occupancy Tax and Sales and Use Tax Economic Development and Utility System Bonds, Series 2007, of which, \$200,000 were economic development bonds and \$300,000 were utility bonds, and which were paid in full in 2008. Additionally, in October 2014, the District issued its \$48,900,000 Hotel Occupancy Tax and Sales and Use Tax Revenue Bonds, Taxable Series 2014, of which \$41,205,000 remains outstanding as of the date of this Official Statement.
- (3) The Texas Attorney General’s office has taken the position that the Texas Constitution does not allow ad valorem tax revenues to be used for economic development purposes. Unless there is a change in the current interpretation of the law, all economic development bonds issued by the District will be payable from HOT and Sales and Use Tax revenues.
- (4) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which property in the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes ("Tax Debt") are based upon data obtained from individual jurisdictions or the "Texas Municipal Reports" compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional Tax Debt since the date listed and may have plans to incur significant amounts of additional Tax Debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance, and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance, and/or general revenue purposes is not included in these figures. The District has no control over the issuance of Tax Debt or tax levies of any such entities.

Taxing Jurisdiction	2018/19 Taxable Assessed Value	2018/19 Total Tax Rate	Total Tax Debt As of 11/30/18	Estimated % Applicable	District's Overlapping Tax Debt As of 11/30/2018
Cibolo Canyons Special Improvement District	\$ 939,165,115	\$0.5583	\$ 38,185,000	100.000%	\$ 38,185,000
Alamo Community College District	164,661,746,655	0.1492	479,445,000	0.550%	2,636,948
Bexar County	161,131,453,490	0.2903	1,700,305,000	0.550%	9,351,678
Bexar County Hospital District	166,614,314,649	0.2762	891,565,000	0.550%	4,903,608
Judson Independent School District	9,122,895,664	1.4400	620,852,521	5.810%	36,071,531
North East Independent School District	36,527,669,798	1.3600	1,358,550,000	0.730%	9,917,415
Total Overlapping Tax Debt					\$ 101,066,179

(1) Includes the Bonds.

Table 2 – STATEMENT OF ACTIVITIES

	Fiscal Year Ended September 30,				
	2017	2016	2015	2014	2013
Revenues:					
Ad Valorem Taxes	\$ 2,142,317	\$ 1,663,333	\$ 1,199,767	\$ 1,600,303	\$ 1,146,695
Interest Income	19,893	-	-	-	-
Miscellaneous	21,040	1,868	1,036	2,500	5,230
Total Revenues	\$ 2,183,250	\$ 1,665,201	\$ 1,200,803	\$ 1,602,803	\$ 1,151,925
Expenditures:					
Insurance Cost	\$ -	\$ 1,610	\$ 1,610	\$ 1,610	\$ 1,610
Banking Services	64	-	111	292	165
Appraisal Fee	27,213	13,898	14,663	18,479	-
Collection Fee	-	-	4,176	4,618	12,145
Financial Advisor Services	46,810	-	38,500	36,000	36,000
Accounting Services	21,600	21,600	22,010	15,000	18,366
Engineering Services	6,440	14,800	668	19,385	-
Legal Services	35,735	26,796	35,061	43,574	45,741
Consulting & Legislative Services	-	36,000	-	-	-
Auditing Services	7,850	8,950	7,000	7,000	22,320
Miscellaneous	14,000	-	7,000	3,500	-
Capital Outlay - Land Improvements	1,435,000	1,406,165	9,282,720	-	-
Total Expenditures	\$ 1,594,712	\$ 1,529,819	\$ 9,413,520	\$ 149,458	\$ 136,347
Excess (Deficiency) of Revenues Over Expenditures	\$ 588,538	\$ 135,382	\$ (8,212,717)	\$ 1,453,345	\$ 1,015,578
Other Financing Sources (Uses)					
Transfers In (Out)	\$ (612,245)	\$ -	\$ 8,132,720	\$ (1,900,000)	\$ (600,000)
Beginning Fund Balance	\$ 526,160	\$ 390,778	\$ 470,775	\$ 917,430	\$ 501,852
Ending Fund Balance	\$ 502,453	\$ 526,160	\$ 390,778	\$ 470,775	\$ 917,430

Table 3 – AD VALOREM TAX DEBT SERVICE REQUIREMENTS

FYE 9/30	Outstanding Debt Service			The Bonds			Total Debt Service	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2019	\$ 1,475,000	\$ 1,633,185	\$ 3,108,185	\$ 295,000	\$ 72,162	\$ 365,126	\$ 3,473,311	
2020	1,530,000	1,575,525	3,105,525	230,000	140,450	368,915	3,474,440	
2021	1,590,000	1,514,080	3,104,080	240,000	133,550	370,854	3,474,934	
2022	1,660,000	1,448,013	3,108,013	240,000	126,350	367,410	3,475,422	18.62%
2023	1,730,000	1,375,938	3,105,938	250,000	119,150	368,773	3,474,710	
2024	1,810,000	1,297,923	3,107,923	260,000	106,650	369,752	3,477,675	
2025	1,890,000	1,215,018	3,105,018	270,000	98,850	370,348	3,475,365	
2026	1,985,000	1,125,955	3,110,955	275,000	90,750	365,560	3,476,515	
2027	2,080,000	1,029,693	3,109,693	285,000	82,500	365,580	3,475,272	46.90%
2028	2,180,000	926,288	3,106,288	295,000	73,950	370,215	3,476,503	
2029	2,290,000	816,673	3,106,673	305,000	65,100	369,276	3,475,948	
2030	2,410,000	700,873	3,110,873	310,000	55,950	362,952	3,473,824	
2031	2,530,000	575,560	3,105,560	325,000	46,263	371,436	3,476,996	
2032	2,665,000	443,648	3,108,648	330,000	35,700	369,153	3,477,801	82.85%
2033	2,805,000	304,423	3,109,423	340,000	24,150	366,486	3,475,908	
2034	2,955,000	156,308	3,111,308	350,000	12,250	363,435	3,474,742	100.00%
	<u>\$ 33,585,000</u>	<u>\$ 16,139,098</u>	<u>\$ 49,724,098</u>	<u>\$ 4,600,000</u>	<u>\$ 1,283,774</u>	<u>\$ 5,885,271</u>	<u>\$ 55,609,369</u>	

OUTSTANDING LIMITED AD VALOREM BONDS

On September 24, 2009, the District delivered its \$22,520,000 Limited Ad Valorem Tax Utility System Bonds, Series 2009 payable from the limited ad valorem tax described in the District documents, of which \$17,440,000 remains outstanding as of the date of this Official Statement.

On December 18, 2014, the District delivered its \$8,965,000 Limited Ad Valorem Tax Road Bonds, Series 2014 payable from the limited ad valorem tax described in the District documents, of which \$7,505,000 remains outstanding as of the date of this Official Statement.

On December 21, 2016, the District delivered its \$9,575,000 Limited Ad Valorem Tax Road Bonds, Series 2016 payable from the limited ad valorem tax described in the District documents, of which \$8,640,000 remains outstanding as of the date of this Official Statement.

OUTSTANDING REVENUE BONDS

Additionally, on October 24, 2014, the District delivered its \$48,900,000 Hotel Occupancy Tax and Sales and Use Tax Revenue Bonds, Taxable Series 2014, of which \$41,205,000 remains outstanding as of the date of this Official Statement.

ISSUANCE OF ADDITIONAL DEBT

The District does not anticipate the issuance of additional ad valorem tax supported debt within the next 12 months except for the possible issuance of refunding Bonds for debt service savings.

INVESTMENTS

The District is a governmental agency, body politic and corporate, and political subdivision of the State and is subject to the provisions of the Public Funds Investment Act (Texas Government Code, Chapter 2256) with respect to the investment of its funds. The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

The District has adopted an "Investment Policy" as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

CURRENT INVESTMENTS

As of September 30, 2018, 100% of the District's invested funds were invested in Money Market Funds at a market value of \$1,873,073 (unaudited). All funds are fully collateralized and/or insured.

TAX DATA

AUTHORIZED TAXES

Debt Service Tax: The District covenants in the 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. See "Historical Ad Valorem Tax Collections" below, "AD VALOREM TAXING PROCEDURES," "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments," and "THE BONDS – Authority for Issuance." For the fiscal year ending September 30, 2019, the District has levied a debt service tax in the amount of \$.0.33620 per \$100 assessed valuation.

Maintenance Tax: 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 a vote of the District's electors. For the fiscal year ending September 30, 2019, the District has levied a maintenance tax in the amount of \$0.22207 per \$100 assessed valuation.

The maximum authorized ad valorem tax rate for all purposes is limited to the lesser of the City Rate or \$1.00 per \$100 valuation.

Sales and Use Tax (not a source of repayment for the Bonds): Chapter 383, Subchapter F, Texas Local Government Code and Chapter 323, Texas Tax Code, authorize the District to levy a sales and use tax at a rate of 2% within the District. However, the District sales and use tax levy is 1.5%. The remaining 0.5% is levied by the VIA Metropolitan Transit Authority ("VIA").

Hotel Occupancy Tax (not a source of repayment for the Bonds): The District has the authority to levy a hotel occupancy tax of 9% in the District pursuant to and in accordance with Section 382.155, Texas Local Government Code, as amended and Section 352.107, Texas Tax Code, as amended.

TAX EXEMPTIONS

The District has not granted any tax exemptions for property located within the District.

ADDITIONAL PENALTIES

The District has contracted with a delinquent tax attorney to collect certain delinquent ad valorem taxes. In connection with that contract, the District can establish an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

HISTORICAL AD VALOREM TAX COLLECTIONS

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "AD VALOREM TAXING PROCEDURES – Valuation of Property for Taxation." The following table displays the ad valorem tax collections of the District going back to 2015.

Table 4 – Historical Ad Valorem Tax Collections

Fiscal Year Ended 9/30	Taxable Assessed Valuation	Tax Rate	M&O	I&S	Tax Levy	Current Collections		Total Collections	
						Amount	Percent	Amount	Percent
2015	\$ 631,574,073	\$ 0.56569	\$ 0.35419	\$ 0.21150	\$ 3,572,751	3,540,235	99.09%	3,610,586	101.99%
2016	752,821,536	0.55827	0.22827	0.33000	3,976,554	3,969,675	99.83%	4,065,157	102.23%
2017	839,360,468	0.55827	0.26327	0.29500	4,490,559	4,472,887	99.61%	4,466,054	99.45%
2018	885,682,912	0.55827	0.20615	0.35212	4,766,001	4,755,580	99.78%	4,836,501	101.48%
2019	939,165,115	0.55827	0.22207	0.33620	5,243,077	In Process of Collection			

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "AD VALOREM TAXING PROCEDURES – Valuation of Property for Taxation." The following represents the composition of property comprising the 2015 through 2019 certified taxable assessed valuations.

Table 5 – TAXABLE APPRAISED VALUES (Fiscal years ending September 30)

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2019		2018		2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 453,898,399	44.52%	\$ 402,188,140	39.45%	\$ 356,736,044	39.49%
Real, Residential, Multi-Family	188,865,000	18.53%	182,959,750	17.95%	183,287,790	20.29%
Real, Vacant Lots/Tracts	13,069,110	1.28%	9,749,060	0.96%	9,747,277	1.08%
Real, Acreage (Land Only)	25,737,373	2.52%	26,344,030	2.58%	53,522,190	5.93%
Farm or Ranch Improvement	26,581,207	2.61%	26,840,783	2.63%	-	0.00%
Real, Commercial	268,328,520	26.32%	263,400,000	25.84%	264,224,250	29.25%
Personal, Commercial	3,628,955	0.36%	3,395,693	0.33%	3,574,710	0.40%
Real Property, Inventory	28,165,047	2.76%	29,776,600	2.92%	23,075,920	2.55%
Exempt	11,213,275	1.10%	11,913,760	1.17%	9,118,270	1.01%
Total Appraised Value Before Exemptions	\$ 1,019,486,886	100.00%	\$ 956,567,816	93.83%	\$ 903,286,451	100.00%
Less: Total Exemptions/Reductions	80,321,771		70,884,904		63,925,983	
Taxable Assessed Value	\$ 939,165,115		\$ 885,682,912		\$ 839,360,468	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2016		2015	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 322,213,534	40.40%	\$ 273,800,516	40.83%
Real, Residential, Multi-Family	147,030,000	18.43%	108,047,910	16.11%
Real, Vacant Lots/Tracts	9,829,800	1.23%	7,140,020	1.06%
Real, Acreage (Land Only)	52,347,480	6.56%	52,166,102	7.78%
Farm or Ranch Improvement	-	0.00%	-	0.00%
Real, Commercial	249,228,950	31.25%	209,086,550	31.18%
Personal, Commercial	3,304,224	0.41%	2,598,801	0.39%
Real Property, Inventory	13,620,970	1.71%	17,806,390	2.66%
Exempt	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 797,574,958	100.00%	\$ 670,646,289	100.00%
Less: Total Exemptions/Reductions	44,753,422		39,072,216	
Taxable Assessed Value	\$ 752,821,536		\$ 631,574,073	

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SIGNIFICANT TAXPAYERS

The following table represents the significant taxpayers, the type of property, the taxable assessed value of such property, and such property's appraised value as a percentage of the 2018/2019 certified taxable assessed valuation of \$939,165,115. This represents ownership and assessed values as of January 1, 2018. (See "RISK FACTORS — Dependence Upon Significant Tax Payers and - Factors Affecting Taxable Values and Tax Payments.")

Table 6 – Significant Taxpayers⁽¹⁾

Name of Taxpayer	Nature of Property	2018/19 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
San Antonio Real Estate LLP ⁽²⁾	Hotel / Resort	\$ 275,436,060	29.33%
Pure TTPC Apts LLC	Apartments	60,000,000	6.39%
Pure MTPC Apts LLC	Apartments	55,800,000	5.94%
Grand Estates Owner LLC	Real Estate	47,500,000	5.06%
CWS Cibolo Canyons Owner LLC	Real Estate	26,000,000	2.77%
Forestar (USA) Real Estate Group Inc ⁽³⁾	Real Estate	25,818,868	2.75%
Sitterle Homes Ltd	Real Estate	5,501,970	0.59%
Marriott Hotel Property II Ltd	Hotel	5,252,850	0.56%
Imagine Built Homes LTD	Home Buildings	3,824,760	0.41%
Dolce Vita at Cibolo Canyon LLC	Real Estate	3,062,290	0.33%
		<u>\$ 469,413,513</u>	<u>49.98%</u>

(1) See "RISK FACTORS – Dependence upon Significant Taxpayers" herein.

(2) All of such entity's property interest was sold to BREIT in August 2018. See the first paragraph under "RISK FACTORS - Dependence Upon Significant Taxpayers" and the first paragraph under "THE DISTRICT - Master Development Plan" for additional information.

(3) All of such entity's property interest was sold to TF Cibolo Canyons, L.P., a Delaware Limited partnership and related entity to Starwood Land in February 2018. See the second paragraph under "RISK FACTORS – Dependence Upon Significant Taxpayers" for additional information.

AD VALOREM TAXING PROCEDURES

AUTHORITY TO LEVY TAXES

The District is authorized to levy an annual ad valorem tax, at a maximum rate equal to the lesser of the City Rate or \$1.00 per \$100 valuation, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any other bonds payable from ad valorem taxes which the District has issued or may hereafter issue. See "RISK FACTORS – Future Debt" and "THE BONDS – Authority for Issuance" and to pay the expenses of assessing and collecting such taxes. The District agrees in the Resolution to levy, assess, and collect such a tax from year-to-year as described more fully herein. See "THE BONDS – Source of Payment."

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT

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

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

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax status in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious

organizations, and qualified schools; designated historical sites; and most individually owned automobiles. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% 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 by April 30. The District has never granted a general residential homestead exemption.

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 or used to repair or maintain aircraft of a certified air carrier, and shipped out of the State within 175 days. Certain Freeport goods are exempted from taxation by Texas law.

TAX ABATEMENT

The County is statutorily prohibited from granting a tax abatement or entering into a tax abatement agreement for any area within the District.

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 District, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10% 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 fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price 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 years for agricultural use and taxes for the previous five 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 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 District 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.

LEVY AND COLLECTION OF TAXES

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

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than 8%. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates, if levied, cannot be changed by a rollback election.

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 "DEBT AND FINANCIAL INFORMATION – Estimated Overlapping Debt."). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

MUNICIPAL BOND RATING

S&P Global Ratings, ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds based upon the municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.) The Bonds and the presently outstanding ad valorem tax debt of the District are rated "BBB-" by S&P without regard to credit enhancement. An explanation of the significance of the ratings may be obtained from S&P. The ratings and any other rating received by the Bonds or the District reflects only the view of such rating agency at the time such rating is given, and the District makes no representation as to the appropriateness of such rating. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the

judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of this or any other rating on the Bonds or the District may have an adverse effect on the market price of applicable series of the Bonds.

LEGAL MATTERS

LEGAL PROCEEDINGS

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the legal opinion of Bond Counsel, to a like effect and addressing the matters described below under "TAX MATTERS."

Bond Counsel has reviewed the information appearing in this Official Statement under "PLAN OF FINANCE," "THE BONDS," "THE DISTRICT — General," "AD VALOREM TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. General Counsel has reviewed the information under "PLAN OF FINANCE," "THE DISTRICT," "LEGAL MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION." Bond Counsel and General Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District, the Developer, BRETT or Marriott 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.

Certain legal matters incident to the authorization, issuance, placement, and delivery of the Bonds by the District are subject to the approving opinion of the Attorney General and the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B and will be available at the time of delivery of the Bonds. Other than the limited review of certain information in this Official Statement as described in the preceding paragraph and Bond Counsel's legal opinion set forth herein, Bond Counsel has not reviewed nor undertakes any responsibility for any of the information contained in this Official Statement. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued. Certain legal matters will be passed upon for the District by Davidson Troilo Ream & Garza, P.C., San Antonio, Texas, as its General Counsel. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose legal fees are contingent on 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter 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 has been no material adverse change in the financial condition of the District from that set forth or contemplated in the Official Statement.

NO-LITIGATION CERTIFICATE

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the District, and dated as of the Delivery Date of the Bonds, to the effect that no litigation of any nature is pending or threatened, either in state or federal courts, contesting or attacking the Bonds, restraining or enjoining the levy, assessment and collection of taxes to pay the interest on 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 MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement).

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

The federal income tax consequences of the purchase, ownership, and 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 interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

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 Developer, the Tax Assessor/Collector, the Appraisal District, the County, and 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.

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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customer.

CERTIFICATION OF OFFICIAL STATEMENT

Officers of the District, acting in their official capacity, will certify, 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 the 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 District 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 such certificate such 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.

All estimates, statements, and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available at no charge via the MSRB's Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. Hilltop Securities Inc. has been engaged to assist with continuing disclosure services for the District.

ANNUAL REPORTS

The District will provide certain updated financial information and operating data to the MSRB on a periodic basis. Such information will be provided to the MSRB through EMMA within six months after the end of each Fiscal Year ending in or after 2019. The continuing disclosure information is available to the public, without charge through the MSRB at www.emma.msrb.org.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the Tables numbered 1 through 6 and the District's audited financial statements shown as APPENDIX A.

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

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

MATERIAL EVENT NOTICES

The District will provide notice of the MSRB of the following events with respect to the Bonds within ten days after the occurrence of any such event: (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 events affecting the tax status of the Bonds, if applicable; (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 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of Rule 15c2-12 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph has the meaning ascribed to it under federal securities laws.

Neither the Bonds nor the Resolution makes any provision for a debt service reserve fund, credit enhancement, or liquidity enhancement. The District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

LIMITATIONS AND AMENDMENTS

The District has undertaken 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 beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its undertaking.

The District may amend its continuing disclosure undertaking 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 operations of the District but only if the undertaking,

as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments and interpretations of Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the owners of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also amend or repeal the undertaking if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the undertaking, it has agreed to include with any financial information or operating data next provided in accordance with its undertaking 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

During the past five years, the District has complied, in all material respects, with its previous continuing disclosure obligations in accordance with Rule 15c2-12. In fiscal years ended 2013, 2015 and 2016, audited and unaudited financial statements were not available by the March 31 filing date. The District utilized unaudited financial information to meet the filing requirement by timely filing all quantitative financial information and operating data of general type as defined in the 2009 and 2014 Official Statements included under the headings "DEBT AND FINANCIAL INFORMATION" (with overlapping debt excluded as defined) and "TAX DATA." The 2013, 2015 and 2016 unaudited information included general fund and interest and sinking fund balance information as of the fiscal year end as well as a statement of activities including detailed revenue and expenditure statements with beginning and ending fund balances. The audited financial statements for fiscal year 2013 were filed on June 5, 2014, the audited financial statements for fiscal year 2015 were filed on July 15, 2016, and the audited financial statements for fiscal year 2016 were filed on July 19, 2017.

OTHER INFORMATION

LITIGATION

It is the opinion of the District's General Counsel that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from District records, financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

SOURCES AND COMPILATION OF INFORMATION

The financial data and other information contained in this Official Statement have been obtained primarily from the District's records, the Developer, the Accountants named on page iii, the County, and 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.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds subject to certain conditions contained in the Purchase Contract at an aggregate purchase price of \$4,569,363.62 (which takes into account an Underwriter's discount of \$35,997.88 and premium of \$5,361.50). The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

MISCELLANEOUS

All estimates, statements, and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any 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.

The Resolution approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriter in accordance with the provisions of Rule 15c2-12.

CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT

JODI CLEER

President, Board of Directors
Cibolo Canyons Special Improvement District

ATTEST:

TRACI M. DAVLIN

Secretary, Board of Directors
Cibolo Canyons Special Improvement District

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APPENDIX A
AUDITED FINANCIAL STATEMENT OF THE DISTRICT FOR YEAR ENDED SEPTEMBER 30, 2017

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Independent Auditor's Report

To the Board of Directors
Cibolo Canyons Special Improvement District
City of San Antonio, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Cibolo Canyons Special Improvement District (the District) (a component unit of Bexar County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cibolo Canyons Special Improvement District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 9 and budgetary comparison information on pages 25 – 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cibolo Canyon Special Improvement District's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Ad Valorem and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Special Revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Ad Valorem on page 29 and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Special Revenue on page 30 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Ad Valorem and Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund – Special Revenue is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Schraver, Carmona & Company, PLLC

San Antonio, Texas

March 29, 2018

Cibolo Canyons Special Improvement District Management's Discussion and Analysis

Cibolo Canyons Special Improvement District (the District) presents the following discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2017. This discussion and analysis is intended to assist leaders in focusing on significant financial issues and changes in the District's financial position, and identifying any significant variances from the adopted budget. We encourage readers to consider the information presented here in conjunction with the financial statements provided in this report.

Financial Highlights

- The liabilities of the District exceeded its assets at September 30, 2017 by \$41.6 million. Of this amount, \$(3.7 million) is reported as net investment in capital assets. Restricted net position in the total amount of \$5.2 million represent amounts to be used for restricted obligations. The remaining amount of \$(43.1 million) is classified as unrestricted net position.
- The District's total net position decreased by \$8.2 million.
- The general fund reported a fund balance of \$502.5 thousand at September 30, 2017. Of this amount, \$502.5 thousand is classified as unassigned fund balance and can be used to meet the District's ongoing obligations.
- The District paid \$465,000 in economic development expenses to the Developer, which was a decrease of \$35,702 from the prior year. The District was required to pay senior HOT payment to Miller Global in an amount equal to the annual ad valorem tax it paid to the District. The amount paid in the form of senior HOT payment totaled \$1.3 million.
- The District issued debt of \$9,575,000 in December 2016 for public improvement.

Overview of the Financial Statements

The District's annual report consists of three parts—the *financial section*, the *required supplementary information* and *other supplementary information*. The financial section includes the management's discussion and analysis (this section) and the basic financial statements, which include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are *governmental funds financial statements* that report the District's operations in more detail than the government-wide statements and tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that provide additional information that is key in understanding the data provided in the government-wide and fund financial statements. The remainder of this overview section explains the structure and contents of each of the statements.

Government-Wide Financial Statements

The *government-wide financial statements* report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* includes all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, additional nonfinancial factors; such as, changes in the District's tax base should be considered.

Cibolo Canyons Special Improvement District Management's Discussion and Analysis

The *statement of activities* presents information showing how the District's net position changed during the current year. All of the current year's revenues and expenses are accounted for in this statement regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes).

The *government-wide financial statements* include only *governmental activities* since the District does not have any *business type activities*. The District's basic services are included here; which, among other things, are to exercise the powers of a road district; construct water, wastewater, and drainage facilities; enter into economic development agreements; levy taxes; and issue bonds and other obligations.

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and bond covenants and other funds are established by the Board of Directors to control and account for resources that have been segregated for specific activities or purposes.

The District only uses governmental funds as follows:

Governmental Funds - These funds are used to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. The District's basic services are included in *governmental funds*, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, unlike the *government-wide financial statements*, *governmental fund financial statements* provide a detailed short-term view that may be useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's services. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide a reconciliation on the subsequent page of the *governmental funds balance sheet* and the *governmental funds statement of revenues, expenditures, and changes in fund balances* to explain the relationship (or differences) between *governmental funds* and *governmental activities*.

The District maintains three (3) individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, special revenue fund for debt, and special revenue fund since these are all considered to be major funds.

Other Information

The District adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets, which are presented as Required Supplementary Information (RSI) in this report. The District also adopts an annual budget for its debt service funds. A budgetary comparison schedule for this fund is presented as Other Supplementary Information in this report.

**Cibolo Canyons Special Improvement District
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole

Net Position and Change in Net Position

Net position may serve over time as a useful indicator of a government's financial position. The District's combined net position at September 30, 2017 was \$(41.6 million) (**See Table A-1**).

A portion of the District's net position, in the amount of \$(3.7 million), is reflected in its net investment in capital assets less any related debt that is still outstanding that was used to acquire those assets. Although the District's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District's restricted net position of \$5.2 million can only be primarily spent for the restricted purpose, which are restricted obligations such as economic development and HOT and sales tax grants. The third category of net position is unrestricted in the amount of \$(43.1 million).

During the current fiscal year, the District's net position decreased by \$8.2 million. The decrease represents the extent to which operating expenses surpassed revenues. This decrease is primarily due to \$9 million in developer reimbursements paid by the District.

**Table A-1
The District's Net Position**

	Governmental Activities	
	2017	2016
Current Assets	\$ 5,931,699	\$ 5,999,610
Capital Assets	<u>76,837,932</u>	<u>75,517,315</u>
Total Assets	<u>82,769,631</u>	<u>81,516,925</u>
Current Liabilities	3,482,204	2,516,605
Noncurrent Liabilities	<u>120,873,580</u>	<u>112,371,075</u>
Total Liabilities	<u>124,355,784</u>	<u>114,887,680</u>
Net Position		
Net Investment in Capital Assets	(3,698,282)	6,721,240
Restricted Net Assets	5,201,961	5,444,961
Unrestricted Net Assets	<u>(43,089,832)</u>	<u>(45,536,956)</u>
Total Net Position	<u>\$ (41,586,153)</u>	<u>\$ (33,370,755)</u>

**Cibolo Canyons Special Improvement District
Management's Discussion and Analysis**

Governmental Activities

The District's total revenues were \$11.4 million (See Table A-2). A significant portion, 50%, was generated from hotel occupancy taxes, 40% percent from property taxes levied for general and debt service, 9% from sales and use taxes, and less than 1% from interest and miscellaneous income.

The District's total expenses were \$19.6 million (See Table A-2). A significant portion, 47%, was attributed to general government expenses, 9% from economic development expenses, 29% from debt service and special revenue interest on long-term debt and bond issuance costs and fees, and 15% from depreciation.

**Table A-2
The District's Change in Net Position**

	Governmental Activities	
	2017	2016
Revenues		
General Revenues		
Property Taxes - Levied for General and Debt Service	\$ 4,536,649	\$ 3,943,669
Sales and Use Taxes	1,076,282	1,334,856
Hotel Occupancy Taxes	5,711,406	5,752,472
Interest Income	41,103	6,585
Miscellaneous Income	21,040	-
Total Revenues	<u>11,386,480</u>	<u>11,037,582</u>
Expenditures		
General Government	9,220,476	151,744
Economic Development	1,783,249	1,719,954
Depreciation on Capital Assets	2,874,959	2,613,813
Debt Service and Special Revenue - Interest on Long Term Debt and Bond Issuance Costs and Fees	<u>5,723,194</u>	<u>4,786,878</u>
Total Expenditures	<u>19,601,878</u>	<u>9,272,389</u>
Change in Net Position	(8,215,398)	1,765,193
Net Position at Beginning of Year	<u>(33,370,755)</u>	<u>(35,135,948)</u>
Net Position at End of Year	<u>\$ (41,586,153)</u>	<u>\$ (33,370,755)</u>

Cibola Canyons Special Improvement District Management's Discussion and Analysis

Financial Analysis of the District's Funds

As stated earlier, the District uses fund accounting for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements.

The *General Fund* is the chief operating fund of the District and is established to account for resources that finance the fundamental operations of the District. At the end of the current fiscal year, the *General Fund's* fund balance totaled \$502.5 thousand. Of this amount, \$502.5 thousand is classified as unassigned.

The *Debt Service Fund* was established to account for the payment of principal and interest on long-term general obligation debt for which a tax has been dedicated. At the end of the current fiscal year, the *Debt Service Fund's* fund balance totaled \$2.2 million. Of this amount, \$2.0 million is classified as restricted.

The *Special Revenue Fund* is a special revenue fund established to account for the hotel occupancy and sales and use tax resources restricted or designated for specific purposes by the District's development agreements. At the end of the current fiscal year, the *Special Revenue Fund's* fund balance totaled \$3.2 million. Of this amount, \$3.2 million is classified as restricted.

Revenues from governmental fund types totaled \$11.4 million. The majority of the revenue, 50%, was generated from hotel occupancy taxes, 40% from property taxes, 9% from sales and use taxes, and the remaining amounts from interest and miscellaneous income represent less than 1% of total revenues.

Budgetary Highlights

The District adopts an annual appropriated budget for its general and special revenue funds. The budgetary comparison schedule for the general fund, as included in this report, indicates that the developer reimbursements line item exceeded the expenditure line item by \$540,000 and the legal services budget line item exceeded the expenditure line item by \$24,265. The budgetary schedule for the special revenue fund, also included in this report, indicates that the economic development reimbursement expenditure line item exceeded the budget line item by \$259,733 and the senior HOT payment budget line item exceeded the expenditure line item by \$156,836.

**Cibolo Canyons Special Improvement District
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

The District's capital assets (net of accumulated depreciation) for its governmental activities as of September 30, 2017 were \$76,837,932 (See Table A-3).

**Table A-3
The District's Capital Assets**

	Governmental Activities	
	2017	2016
Public Improvements	\$ 83,373,801	\$ 79,178,225
Totals at Historical Cost	83,373,801	79,178,225
Less: Accumulated Depreciation	<u>(6,535,869)</u>	<u>(3,660,910)</u>
Total Capital Assets	\$ <u>76,837,932</u>	\$ <u>75,517,315</u>

Additional information on the District's capital assets can be found in **Note 4** in the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the District's total long-term debt outstanding was \$123.7 million (See Table A-4).

The "Due to Developer – Public Improvements" represents authorized and approved construction costs incurred by the Developer, which are to be reimbursed by the District in future years with the issuance of additional bonds, and/or the pledged property tax revenues. During 2017, the District incurred accrued interest of \$4,195,576 on the unreimbursed costs and made payments totaling \$1,435,000. In September 2009, the District issued Limited Ad Valorem Tax Road Bonds, Series 2009 in the amount of \$22,520,000. The bonds will be paid over a twenty-five year period with a maturity date of August 15, 2034. The District made the required payment of \$620,000 and amortized bond discount in the amount of \$14,926. In October 2014, the District issued Hotel Tax and Sales and Use Tax Revenue Bonds Taxable, Series 2014 in the amount of \$48,900,000. The bonds will be paid over a twenty year period with a maturity date of August 15, 2034. The District made the required payment of \$1,350,000 in addition to a special mandatory payment of \$465,000. In December 2014, the District issued Limited Ad Valorem Tax Road Bonds, Series 2014 in the amount of \$8,965,000. The bonds will be paid over a twenty year period with a maturity date of August 15, 2034. The District made the required payment of \$345,000. In December 2016, the District issued \$9,575,000 Limited Ad Valorem Tax Road Bonds, Series 2016 in the amount of \$9,575,000. The bonds will be paid over an eighteen year period with a maturity date of August 15, 2034. The District made the required payment of \$520,000 and amortized bond discount in the amount of \$2,183.

**Cibolo Canyons Special Improvement District
Management's Discussion and Analysis**

**Table A-4
The District's Long-Term Debt**

	Governmental Activities	
	2017	2016
Due to Developer - Public Improvements	\$ 45,829,914	\$ 43,069,338
Bond Payable, Net	<u>77,908,666</u>	<u>71,616,737</u>
Total Long-Term Debt	\$ <u>123,738,580</u>	\$ <u>114,686,075</u>

S&P Global Ratings assigned its municipal rating of "BBB -" to the District's bonds.

Additional information on the District's long-term debt can be found in **Note 4** in the Notes to Financial Statements.

Economic Factors and Other Matters

The fiscal year 2018 property tax rate of \$0.55827 remained the same compared to the fiscal year 2017 property tax rate. The District has based their fiscal year 2018 budget on a property market value of \$884,012,526, which is an increase of \$45,856,038 or 5.5% from the \$838,156,488 fiscal year 2017 adjusted property market value. As a result, the District's property tax revenue is expected to increase in fiscal year end 2018.

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's General Counsel.

Government-Wide Financial Statements

Cibolo Canyons Special Improvement District

Statement of Net Position
September 30, 2017

Assets

Current Assets	
Cash and Cash Equivalents	\$ 5,282,863
Property Taxes - Delinquent	7,973
Other Receivables	<u>640,863</u>
Total Current Assets	<u>5,931,699</u>

Capital Assets	
Public Improvements, Net	<u>76,837,932</u>
Total Capital Assets	<u>76,837,932</u>

Total Assets 82,769,631

Liabilities

Current Liabilities	
Accounts Payable	35,270
Accrued Interest Payable	581,934
Bond Payable	<u>2,865,000</u>
Total Current Liabilities	<u>3,482,204</u>

Noncurrent Liabilities	
Due to Developer - Public Improvements	45,829,914
Bond Payable, Net	<u>75,043,666</u>
Total Noncurrent Liabilities	<u>120,873,580</u>

Total Liabilities 124,355,784

Net Position

Net Investment in Capital Assets	(3,698,282)
Restricted Net Position	5,201,961
Unrestricted Net Position	<u>(43,089,832)</u>

Total Net Position \$ (41,586,153)

The Accompanying Notes are an Integral Part of These Financial Statements.

Cibolo Canyons Special Improvement District

Statement of Activities
Year Ended September 30, 2017

	Expenditures	Program Revenues Charges for Services	Net Revenue (Expenditures) and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$ 9,220,476	\$ -	\$ (9,220,476)
Economic Development	1,783,249	-	(1,783,249)
Depreciation on Capital Assets	2,874,959	-	(2,874,959)
Debt Service and Special Revenue - Interest on Long Term Debt and Debt Issuance Costs and Fees	<u>5,723,194</u>	<u>-</u>	<u>(5,723,194)</u>
Total Governmental Activities	<u>\$ 19,601,878</u>	<u>\$ -</u>	<u>\$ (19,601,878)</u>
General Revenues			
Property Taxes - Levied for General and Debt Service			4,536,649
Sales and Use Taxes			1,076,282
Hotel Occupancy Taxes			5,711,406
Interest Income			41,103
Miscellaneous Income			<u>21,040</u>
Total General Revenues			<u>11,386,480</u>
Change in Net Position of Governmental Activities			(8,215,398)
Net Position at Beginning of Year			<u>(33,370,755)</u>
Net Position at End of Year			<u>\$ (41,586,153)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Governmental Funds Financial Statements

Cibolo Canyons Special Improvement District

Balance Sheet
September 30, 2017

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 529,366	\$ 3,997,241	\$ 756,256	\$ 5,282,863
Property Taxes - Delinquent	3,760	4,213	-	7,973
Other Receivables	-	-	640,863	640,863
Total Assets	\$ 533,126	\$ 4,001,454	\$ 1,397,119	\$ 5,931,699
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Accounts Payable	\$ 26,913	\$ -	\$ 8,357	\$ 35,270
Total Liabilities	26,913	-	8,357	35,270
Deferred Inflows of Resources				
Unavailable Revenues - Property Tax	3,760	4,213	-	7,973
Total Deferred Inflows of Resources	3,760	4,213	-	7,973
Total Liabilities and Deferred Inflows of Resources	30,673	4,213	8,357	43,243
Fund Balance				
Restricted Fund Balance for Debt Service	-	3,813,199	-	3,813,199
Restricted Fund Balance for Restricted Obligations	-	-	1,388,762	1,388,762
Unassigned Fund Balance	502,453	184,042	-	686,495
Total Fund Balance	502,453	3,997,241	1,388,762	5,888,456
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 533,126	\$ 4,001,454	\$ 1,397,119	\$ 5,931,699

The Accompanying Notes are an Integral Part of These Financial Statements.

Cibola Canyons Special Improvement District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2017

Total Fund Balances - Governmental Funds	\$ 5,888,456
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	76,837,932
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.	(123,738,580)
Accrued interest payable on long-term liabilities, including bonds payable, is not due and payable in the current period, and therefore, is not reported in the governmental funds.	(581,934)
Other long-term assets not available to pay for current period expenditures, and therefore, are not recognized as revenue in the funds.	<u>7,973</u>
Total Net Position of Governmental Activities	\$ <u>(41,586,153)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Cibolo Canyons Special Improvement District

Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2017

	General Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Revenues				
Property Taxes	\$ 2,142,317	\$ 2,400,514	\$ -	\$ 4,542,831
Hotel Occupancy Taxes	-	-	5,711,406	5,711,406
Sales and Use Taxes	-	-	1,076,282	1,076,282
Interest Income	19,893	17,074	4,136	41,103
Miscellaneous Income	21,040	-	-	21,040
Total Revenues	<u>2,183,250</u>	<u>2,417,588</u>	<u>6,791,824</u>	<u>11,392,662</u>
Expenditures				
Appraisal Fees	27,213	-	-	27,213
Banking Services	64	-	-	64
Engineering Services	6,440	-	-	6,440
Collection Fees	-	-	37,261	37,261
Financial Advisor Services	46,810	-	-	46,810
Developer Reimbursements	1,435,000	9,023,503	-	10,458,503
Accounting Services	21,600	-	-	21,600
Legal Services	35,735	-	-	35,735
Audit Services	7,850	-	-	7,850
Miscellaneous	14,000	-	-	14,000
Economic Development Reimbursement	-	-	465,000	465,000
Senior HOT Payment	-	-	1,318,249	1,318,249
Debt Service:				
Interest	-	4,770,382	-	4,770,382
Principal	-	3,300,000	-	3,300,000
Debt Issuance Fees	-	306,923	-	306,923
Administrative Fees	-	300	2,500	2,800
Total Expenditures	<u>1,594,712</u>	<u>17,401,108</u>	<u>1,823,010</u>	<u>20,818,830</u>
Other Financing Sources (Uses)				
Transfers In (Out)	(612,245)	5,679,672	(5,067,427)	-
Proceeds from Issuance of Debt	-	9,575,000	-	9,575,000
Discount from Issuance of Debt	-	(231,497)	-	(231,497)
Total Other Financing Sources (Uses)	<u>(612,245)</u>	<u>15,023,175</u>	<u>(5,067,427)</u>	<u>9,343,503</u>
Net Change in Fund Balance	(23,707)	39,655	(98,613)	(82,665)
Fund Balance at Beginning of Year	<u>526,160</u>	<u>3,957,586</u>	<u>1,487,375</u>	<u>5,971,121</u>
Fund Balance at End of Year	<u>\$ 502,453</u>	<u>\$ 3,997,241</u>	<u>\$ 1,388,762</u>	<u>\$ 5,888,456</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Cibolo Canyons Special Improvement District

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Year Ended September 30, 2017

Net Change in Fund Balances - Governmental Funds \$ (82,665)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, capital assets contributed to governmental activities are not recorded on the fund statements.

Capital Asset Additions	4,195,576	
Depreciation Expense	<u>(2,874,959)</u>	1,320,617

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from the Issuance of Debt	(9,575,000)	
Principal Payments	3,300,000	
Current Year Accrued Interest Added to Amount Due to Developer	(4,195,576)	
Current Year Payments to Developer	1,435,000	
Increase in Accrued Interest Payable	(394,663)	
Amortization of Premium and Discount	<u>(16,929)</u>	(9,447,168)

Remove prior year unavailable property tax revenue and recognize current year unavailable property tax revenue		<u>(6,182)</u>
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Change in Net Position of Governmental Activities \$ (8,215,398)

The Accompanying Notes are an Integral Part of These Financial Statements.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies

The Cibolo Canyons Special Improvement District (the District) is a public improvement district created by an order of the Commissioners Court of Bexar County (the Commissioners Court) on September 1, 2005, pursuant to Chapter 372 of the Texas Local Government Code. A primary purpose of the District is to develop, construct (or cause to be constructed), and finance the public improvements; such as water, sewer, drainage, and roads, necessary to serve the property in the District.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Government Accounting Standards Board (GASB).

Reporting Entity

The Board of Directors is comprised of six members, as appointed by the Commissioners Court, and it has the control over and management supervision of all affairs of the District. Therefore, the District is a financial reporting entity as defined by the Government Accounting Standards Board (GASB).

The District is a component unit of Bexar County within the meaning of GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. Governmental activities include programs primarily supported by property, hotel occupancy, and sales and use taxes.

The net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates how other parties or entities that participate in programs the District operates have shared in the payment of the direct costs. Thus, the purpose is to show the degree to which the direct expenses of a given function are offset by program revenues, if any. Direct expenses are those that are clearly identifiable with a specific function. However, all of the District's activities and programs are funded by general revenues (i.e. property taxes, hotel occupancy taxes, and sales and use taxes).

The fund financial statements provide reports on the financial condition and results of operations for governmental activities. The District considers the general, debt service, and special revenue funds to be major funds and reports their financial condition and results of operations in a separate column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and expenditures).

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the District considers all revenues available if they are collectible within 60 days after year end. Expenditures generally are recorded in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures are recorded only when payment is due.

Property tax revenue is recognized under the susceptible to accrual concept since they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Interest income is recorded as earned, since it is both measurable and available.

Fund Accounting

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and interest earnings. Expenditures include all costs associated with the daily operations of the District except for those required to be accounted for in another fund.

The *Debt Service Fund* accounts for resources accumulated and payments made for principal and interest on long-term Limited Ad Valorem Tax Utility System Bonds, Series 2009, Limited Ad Valorem Tax Road Bonds, Series 2014, and Limited Ad Valorem Tax Road Bonds, Series 2016. The fund balance of this fund represents amounts that will be used for retirement of bonds and payment of interest in the future.

The *Special Revenue Fund* is a special revenue fund used to account for resources restricted or designated for specific purposes by the District's development agreements. The *Special Revenue Fund* also accounts for resources accumulated and payments made for principal and interest on long-term Hotel Tax and Sales and Use Tax Revenue Bonds Taxable, Series 2014. Major revenue sources include hotel occupancy and sales and use taxes. Expenditures include senior HOT payment.

Other Accounting Policies

Hotel Occupancy Taxes

The District is authorized to levy hotel occupancy taxes at a maximum rate of 9.00%, as permitted under Chapter 372 of the Texas Local Government Code and Chapter 353 of the Texas Tax Code. The taxes are collected by the City of San Antonio (the City) for a fee of ½ of 1.00% of collections. During the year, the District recognized \$5,711,406 in hotel occupancy taxes.

Sales and Use Tax

Chapter 383 of the Texas Local Government Code and Chapter 323 of the Texas Tax Code authorize the District to levy a sales and use tax at a rate of 2.00% within the District. However, the District's sales and use tax is 1.5% and the remaining 0.5% is levied by the VIA Metropolitan Transit Authority. The taxes are collected by the Texas Comptroller of Public Accounts for a fee of 2% of collections. During the year, the District recognized \$1,076,282 in sales and use taxes.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies (Continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury (Treasury) for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. Since the calculation is required every five years, the District was not required to perform the calculation in the current year.

Capital Assets

Capital assets, which include construction in progress and public improvements, are reported in the governmental activities column in the government-wide financial statements. All costs associated with public improvement projects are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvement are capitalized as projects are constructed.

Public improvements are depreciated using the straight line method over an estimated useful life of 29 years.

Fund Balance

In accordance with GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts not in spendable form or that are legally or contractually required to be maintained intact. The District does not have any amounts in this category at September 30, 2017.

Restricted – amounts that have been legally separated for a specific purpose by law or external funding source; such as long-term debt and grants. At September 30, 2017, the amount restricted for debt service was \$1,195,001 and the amount restricted for the Hotel Tax and Sales Use Tax Revenue Bonds, economic development, and HOT grants was \$4,006,960.

Committed – amounts that require Board action to be used for a specific purpose. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action. The District does not have any amounts in this category at September 30, 2017.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies (Continued)

Fund Balance (Continued)

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority. These amounts do not meet the criteria to be classified as restricted or committed. The District does not have any amounts in this category at September 30, 2017.

Unassigned – residual amount in the general fund that is available to finance operating expenditures. In other funds, this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned, as applicable. At September 30, 2017, the unassigned fund balance reported in the general fund and debt service fund is \$502,453 and \$184,042, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Tax Money Collected

Maintenance and Operations and Non-Resort Sales and Use Tax

The maintenance and operations and non-resort sales and use tax money collected by the District shall be applied in the following order:

1. To pay the reasonable and direct operation costs of the District pursuant to its budget.
2. To pay any District indemnity obligations.
3. To pay “Public Service Expenses”.
4. To pay (1) any reimbursement to Forestar (the Developer) for unreimbursed public improvement costs, to include interest, then (2) any public improvement necessary to serve the property constructed by the District.
5. To pay project operating expenses to provide maintenance for public improvements.

Hotel Occupancy and Resort Sales and Use Tax

In accordance with economic development agreements, the District is required to make ten (10) consecutive annual payments from available hotel occupancy and resort sales and use tax money collected in the following order: (1) Hotel Tax and Sales and Use Tax Revenue Bonds Taxable, Series 2014; (2) Miller Global; and (3) the Developer. Any remaining amounts collected from these taxes are pledged, on a subordinate basis, for economic development grants to the Developer. As of September 30, 2017, the District has made seven (7) of the ten (10) consecutive annual payments. The current year senior HOT payment made was \$1,318,249. The estimated hotel occupancy and resort sales and use tax grant to Miller Global is estimated to be \$3,975,000 for the remaining term of the agreement.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 2: Budgetary Data

The Board of Directors adopts a budget for the General Fund, Debt Service Fund, and Special Revenue Fund and presents the original adopted and final amended budget for revenues and expenditures and compares the actual revenues and expenditures in the accompanying financial statements to the final amended budget amounts.

Note 3: Deficit in Total Net Position

In October 2014, the District issued \$48,900,000 Hotel Tax and Sales and Use Tax Revenue Bonds Taxable, Series 2014 to reduce the Economic Development Grant from the Developer. As a result, the District's total net position at September 30, 2017 was \$(41,586,153). The debt will be repaid with future hotel and motel tax as well as sales tax. As the debt is repaid, the deficit in total net position will decrease.

Note 4: Detailed Notes

Cash

At September 30, 2017, cash consists of demand deposits in the amount of \$5,282,863.

Property Taxes

The appraisal and recording of all property within the District is the responsibility of the Bexar County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The adjusted assessed value of the property tax roll upon which the levy for the 2017 fiscal year was based was \$838,156,488. Pursuant to an election held on November 8, 2005, the rate of ad valorem taxes which the District may levy in any year is limited to the lesser of the rate levied by the City or \$1.00 per \$100 valuation.

The tax rates assessed for the year ended September 30, 2017 to finance general fund operations and debt service were \$0.20615 and \$0.35212, respectively, for a total of \$0.55827 per \$100 assessed valuation, which is the City's rate for fiscal year 2017.

Delinquent Taxes Receivable

Delinquent taxes are based on rates adopted for the year of the levy. The District does not report an allowance for uncollectible taxes receivable since the amount is not considered material as of the year end. Uncollectible personal property taxes may be periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Tax collections for the year ended September 30, 2017 were 99.61% of the year-end adjusted tax levy. At September 30, 2017, property taxes receivable totaled \$3,760 and \$4,213 for the general fund and debt service fund, respectively.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 4: Detailed Notes (Continued)

Other Receivables

Other receivables in the amount of \$640,863 reflected in the hotel occupancy and sales tax revenue fund at September 30, 2017 is primarily consisting the amount due from the City for HOT taxes collected and not yet remitted to the District and the amount due from the Texas Comptroller of Public Accounts for the sales and use taxes collected and not yet remitted to the District.

Capital Asset Activity

Capital asset activity for the governmental activities for the year ended September 30, 2017 was as follows:

	Beginning Balance 10/1/2016	Additions	Deletions	Transfers	Ending Balance 9/30/2017
Capital Assets, Depreciated					
Public Improvements:					
Utility System Improvements	\$ 41,280,567	\$ 2,391,478	\$ -	\$ -	\$ 43,672,045
Floodplains and Wetlands	5,211,577	41,956	-	-	5,253,533
Roadways	32,686,081	1,762,142	-	-	34,448,223
Total Capital Assets, Depreciated	<u>79,178,225</u>	<u>4,195,576</u>	<u>-</u>	<u>-</u>	<u>83,373,801</u>
Less: Accumulated Depreciation for					
Public Improvements:					
Utility System Improvements	(2,114,135)	(1,505,933)	-	-	(3,620,068)
Floodplains and Wetlands	(335,872)	(181,156)	-	-	(517,028)
Roadways	(1,210,903)	(1,187,870)	-	-	(2,398,773)
Total Accumulated Depreciation	<u>(3,660,910)</u>	<u>(2,874,959)</u>	<u>-</u>	<u>-</u>	<u>(6,535,869)</u>
Total Capital Assets, Depreciated, Net	<u>75,517,315</u>	<u>1,320,617</u>	<u>-</u>	<u>-</u>	<u>76,837,932</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,517,315</u>	<u>\$ 1,320,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,837,932</u>

Depreciation expense of the governmental activities for the current year totaled \$2,874,959.

The cost of the District's public improvements and construction projects includes \$21,050,413 of cumulative interest incurred on the amount due to the Developer, of which includes \$4,195,576 incurred in the current year.

Deferred Revenue

Deferred revenue at September 30, 2017 consist of property taxes receivable in the amount of \$3,760 and \$4,213 for the general and debt service funds, respectively.

Noncurrent Liabilities

Due to the Developer

On January 26, 2006, the District entered into an agreement with the Developer for the construction of public improvements, to include certain public improvements that had already been undertaken by the Developer prior to the date of the agreement. Interest accumulates on unreimbursed costs at a rate of 9.75% per annum, compounded monthly, from the time the Developer requests reimbursement to the date of reimbursement. As of September 30, 2017, the amount due to the Developer is \$45,829,914, which includes \$21,404,648 of accrued interest.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 4: Detailed Notes (Continued)

Noncurrent Liabilities (Continued)

Due to the Developer (Continued)

A summary of changes in amounts due to the Developer for the year ended September 30, 2017 was as follows:

Balance - October 1, 2016	\$	43,069,338
Add: Interest Accrued in the Current Year		4,195,576
Less: Current Year Payments		<u>(1,435,000)</u>
Balance - September 30, 2017	\$	<u>45,829,914</u>
Amount Due Within One Year	\$	<u>-</u>

The District recalculates interest on a simple interest method when the payments are made and reduces the interest accrual at that time.

Bonds Payable

In September 2009, the District issued \$22,520,000 in Limited Ad Valorem Tax Utility System Bonds, Series 2009 for the purpose of reimbursing the Developer for authorized and approved construction costs it incurred within the District. The bonds will be paid over a twenty-five year period with a maturity date of August 15, 2034 and an interest rate of ranging from 3.00% - 6.25%.

In October 2014, the District issued \$48,900,000 Hotel Tax and Sales and Use Tax Revenue Bonds Taxable, Series 2014 to reduce the Economic Development Grant from the Developer. The bonds will be paid over a twenty year period with a maturity date of August 15, 2034 and an interest rate of 7.00%. A special mandatory payment of \$465,000 and \$500,000 was made in 2017 and 2016, respectively.

In December 2014, the District issued \$8,965,000 Limited Ad Valorem Tax Road Bonds, Series 2014 to reimburse the Developer for public improvements. The bonds will be paid over a twenty year period with a maturity date of August 15, 2034 and an interest rate ranging from 3.00% - 4.10%.

In December 2016, the District issued \$9,575,000 Limited Ad Valorem Tax Road Bonds, Series 2016 to reimburse the Developer for public improvements. The bonds will be paid over an eighteen year period with a maturity date of August 15, 2034 and an interest rate ranging from 1.75% - 4.10%.

Principal and interest requirements are payable from future ad valorem tax revenue levied for the interest and sinking fund.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 4: Detailed Notes (Continued)

Noncurrent Liabilities (Continued)

Bonds Payable (Continued)

A summary of changes in bonds payable for the year ended September 30, 2017 was as follows:

Description	Maturity Date	Interest Rate	Issue Amount	Amount Outstanding 10/1/2016	Issued	Retired	Amount Outstanding 9/30/2017	(Discount) / Premium Balance 9/30/2017	Amount Due Within One Year
Limited Ad Valorem Tax Utility System Bonds: Series 2009	8/15/2034	3.00% - 6.25%	\$ 22,520,000	\$ 18,715,000	\$ -	\$ 620,000	\$ 18,095,000	\$ (252,252)	\$ 655,000
Limited Ad Valorem Tax Road Bonds: Series 2014	8/15/2034	3.00% - 4.10%	\$ 8,965,000	\$ 8,200,000	\$ -	\$ 345,000	\$ 7,855,000	\$ 3,735	\$ 350,000
Limited Ad Valorem Tax Road Bonds: Series 2016	8/15/2034	1.75% - 4.10%	\$ 9,575,000	\$ -	\$ 9,575,000	\$ 520,000	\$ 9,055,000	\$ 2,183	\$ 415,000
<i>Subtotal</i>			\$ 41,060,000	\$ 26,915,000	\$ 9,575,000	\$ 1,485,000	\$ 35,005,000	\$ (246,334)	\$ 1,420,000
Hotel Tax and Sales and Use Tax Revenue Bonds Taxable: Series 2014	8/15/2034	7.00%	\$ 48,900,000	\$ 44,965,000	\$ -	\$ 1,815,000	\$ 43,150,000	\$ -	\$ 1,445,000
<i>Total</i>			\$ 89,960,000	\$ 71,880,000	\$ 9,575,000	\$ 3,300,000	\$ 78,155,000	\$ (246,334)	\$ 2,865,000

Annual debt service requirements to maturity for bonds payable are as follows:

Year Ending Sept. 30,	Principal	Interest	Total
2018	\$ 2,865,000	\$ 4,804,501	\$ 7,669,501
2019	3,020,000	4,649,836	7,669,836
2020	3,185,000	4,484,026	7,669,026
2021	3,360,000	4,306,731	7,666,731
2022-2026	19,960,000	18,385,252	38,345,252
2027-2031	26,755,000	11,590,697	38,345,697
2032-2034	19,010,000	2,618,679	21,628,679
Total	\$ 78,155,000	\$ 50,839,722	\$ 128,994,722

Risk Management

The District is exposed to various risks of loss related to errors and omissions for which the District carries commercial insurance. Settled claims resulting from risks of loss have not exceeded insurance coverage in any of the past three fiscal years.

Cibolo Canyons Special Improvement District

Notes to Financial Statements
September 30, 2017

Note 4: Detailed Notes (Continued)

Contingencies and Commitments

Legal Proceedings

From time to time, the District may be a defendant in legal proceedings relating to its operations. It is the opinion of the District's General Counsel that there is no pending litigation against the District that would have a material or adverse financial impact upon the District or its operations.

Economic Development Grant

In accordance with a certain amended economic development agreement, the District agreed to grant to the Developer, as inducement for the development of the resort hotel, spa, and golf courses (the Project), a development grant to be used as partial payment of the costs borne by the Developer in completing the Project. Under this amended agreement, the Project owner assigned its right to the Developer to receive, on a subordinate basis, available hotel and resort sales and use tax collections (development grant), after ten consecutive annual payments (HOT and sales tax grants) are made to the Project owner in an amount equal to the annual ad valorem tax it paid to the District.

The development grant authorized is capped at \$110 million, plus interest calculated from July 31, 2007, the date of conveyance of the land for the Project (from the Developer to the owner of the Project), at a rate of 9.75% per annum. At September 30, 2017, the principal portion of the development grant outstanding is \$40,776,734 and accrued interest is \$26,319,738.

Monthly payments are required if hotel and resort sales and use tax collections are available. Bonds secured by sales and use tax revenues have been issued to pay the Developer in lieu of the monthly payments. The monthly payments under this agreement are dependent on several factors; such as, the amount of hotel and resort sales and use tax generated, and the ad valorem taxes imposed on the Project owners. During the year, the District paid \$465,000 in economic development expenses to the Developer, of which \$234,200 was applied to principal and \$230,800 to interest.

Economic Dependency

The District is dependent on the timely payment of taxes by its principal taxpayers. The ability of any significant taxpayer to make full and timely payments of taxes levied against its property by the District will directly affect the District's ability to meet its debt service and long term debt obligations. Further, the District is not able to increase its ad valorem tax levy beyond or in excess of the lesser of the rate in effect and levied by the City or \$1.00 per \$100 valuation, nor can the rate exceed the tax rate approved by the City for the given year.

Note 5: Subsequent Events

Subsequent events have been evaluated through March 29, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

Cibola Canyons Special Improvement District

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 2,198,929	\$ 2,198,929	\$ 2,142,317	\$ (56,612)
Interest Income	1,500	1,500	19,893	18,393
Miscellaneous Income	-	-	21,040	21,040
Total Revenues	<u>2,200,429</u>	<u>2,200,429</u>	<u>2,183,250</u>	<u>(17,179)</u>
Expenditures				
Insurance Cost	2,000	2,000	-	2,000
Appraisal Fees	18,000	18,000	27,213	(9,213)
Banking Services	8,000	8,000	64	7,936
Engineering Services	20,000	20,000	6,440	13,560
Collection Fee	6,000	6,000	-	6,000
Financial Advisor Services	45,000	45,000	46,810	(1,810)
Developer Reimbursements	1,975,000	1,975,000	1,435,000	540,000
Accounting Services	18,000	18,000	21,600	(3,600)
Legal Services	60,000	60,000	35,735	24,265
Audit Services	15,000	15,000	7,850	7,150
Miscellaneous	20,000	20,000	14,000	6,000
Total Expenditures	<u>2,187,000</u>	<u>2,187,000</u>	<u>1,594,712</u>	<u>592,288</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	(612,245)	(612,245)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(612,245)</u>	<u>(612,245)</u>	<u>-</u>
Net Change in Fund Balance	13,429	(598,816)	(23,707)	575,109
Fund Balance at Beginning of Year	<u>526,160</u>	<u>526,160</u>	<u>526,160</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 539,589</u>	<u>\$ (72,656)</u>	<u>\$ 502,453</u>	<u>\$ 575,109</u>

See Independent Auditor's Report

Cibolo Canyons Special Improvement District

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Special Revenue Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Revenues				
Hotel Occupancy Taxes	\$ 5,348,515	\$ 5,348,515	\$ 5,711,406	\$ 362,891
Sales and Use Taxes	1,064,654	1,064,654	1,076,282	11,628
Interest Income	-	-	4,136	4,136
Total Revenues	<u>6,413,169</u>	<u>6,413,169</u>	<u>6,791,824</u>	<u>378,655</u>
Expenditures				
Collection Fees	-	-	37,261	(37,261)
Economic Development Reimbursement	205,267	205,267	465,000	(259,733)
Senior HOT Payment	1,475,085	1,475,085	1,318,249	156,836
Debt Service: Administrative Fees	<u>30,000</u>	<u>30,000</u>	<u>2,500</u>	<u>27,500</u>
Total Expenditures	<u>1,710,352</u>	<u>1,710,352</u>	<u>1,823,010</u>	<u>(112,658)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	(5,532,427)	(5,067,427)	465,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>(5,532,427)</u>	<u>(5,067,427)</u>	<u>465,000</u>
Net Change in Fund Balance	4,702,817	(829,610)	(98,613)	730,997
Fund Balance at Beginning of Year	<u>1,487,375</u>	<u>1,487,375</u>	<u>1,487,375</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 6,190,192</u>	<u>\$ 657,765</u>	<u>\$ 1,388,762</u>	<u>\$ 730,997</u>

See Independent Auditor's Report

Cibolo Canyons Special Improvement District

Notes to Statements of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual
Year Ended September 30, 2017

Note 1: Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund, debt service fund, and special revenue fund.

APPENDIX B
FORM OF BOND COUNSEL OPINION

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ALLEN BOONE HUMPHRIES ROBINSON LLP

ATTORNEYS AT LAW

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February 21, 2019

WE HAVE ACTED AS BOND COUNSEL for Cibolo Canyons Special Improvement District (the "District") in connection with an issue of bonds (the "Bonds") described as follows:

CIBOLO CANYONS SPECIAL IMPROVEMENT DISTRICT LIMITED AD VALOREM TAX ROAD BONDS, SERIES 2019, dated February 1, 2019, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating \$4,600,000.

The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Resolution of the District's Board of Directors authorizing the Bonds (the "Bond Resolution"). Portions of the Bonds are subject to optional redemption prior to maturity as set out in the Bonds and in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District, and other certified showings relating to the authorization and issuance of the Bonds. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Bonds are valid and legally binding obligations of the

District, and taxable property in the District is subject to the levy of ad valorem taxes to pay the same, within the limits prescribed by law. The Bonds are secured by a limited ad valorem tax as described in the Bond Resolution.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

The Bonds are obligations solely of the District and are not obligations of the State of Texas, Bexar County, the City of San Antonio, or any other entity.

IT IS OUR FURTHER OPINION that, under existing law:

- (1) Interest on the Bonds is excludable from gross income for federal income tax purposes; and
- (2) Interest on the Bonds is not subject to the alternative minimum tax on individuals.

In providing such opinions, we have relied on representations of the District, the District's Financial Advisor and the Underwriter (as defined in the Bond Resolution) with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the District fails to comply with the foregoing covenants of the Bond Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

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

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for

the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Bond Resolution not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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**APPENDIX C
THE CITY OF SAN ANTONIO AND BEXAR COUNTY**

Neither the City of San Antonio, Texas nor Bexar County, Texas has any obligations with respect to the Bonds. This Appendix C is provided for general information only and may contain dated material.

POPULATION AND LOCATION

The 2010 Census, prepared by the United States Census Bureau ("U.S. Census Bureau"), found a City population of 1,327,407. The U.S. Census Bureau estimates the City's population to be 1,496,547 as of 2018, the second largest in the State of Texas (the "State") and the seventh largest in the United States. The City is located in south central Texas approximately 80 miles south of the state capitol in Austin, 165 miles northwest of the Gulf of Mexico, and approximately 150 miles from the U.S./Mexico border cities of Del Rio, Eagle Pass, and Laredo, respectively.

The City is the county seat of Bexar County. The 2010 U.S. Census Bureau found a County population of 1,714,773. The U.S. Census Bureau estimates the County's population to be 1,926,915 and the Area MSA population to be 2,426,382 as of 2018.

POPULATION

The following table provides the population of the City, Bexar County, and the Area MSA, which includes Bexar, Comal, Wilson, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	Area MSA
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,870	1,088,881
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703
2010	1,327,407	1,714,773	2,142,508

Sources: U.S. Census of Population.

AREA AND TOPOGRAPHY

The area of the City has increased through numerous annexations, and now contains approximately 500.78 square miles, according to the San Antonio Chamber of Commerce. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous streams fed with underground spring water. The average elevation is 795.5 feet above mean sea level.

BEXAR COUNTY

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the third most populous of the 254 counties in the State. The County has an area of approximately 1,248 square miles and is located in south central Texas and is a component of the Area MSA.

The diversified economic base of the County is composed of financial services, healthcare, agriculture, manufacturing, construction, military, and tourism. Support for these economic activities is demonstrated by the County's ongoing commitment to economic development projects together with ongoing infrastructure improvements to support the County's growing population. Bexar County's unemployment rate in September 2018 was 3.3%, up slightly from 3.2%⁽¹⁾ the same month in 2017, and still well below the national unemployment rate in September 2018 of 3.6%⁽²⁾. Another economic factor attracting companies and families to the San Antonio area is the low cost of living. With one of the lowest cost workforces of any major cities in the United States, Bexar County is positioned to increase employment across various industries.

(1) Source: U.S Bureau of Labor Statistics

(2) Source: U.S Bureau of Labor Statistics

EMPLOYMENT AND WAGES BY INDUSTRY - BEXAR COUNTY⁽¹⁾⁽²⁾

	Fourth Quarter				
	2017	2016	2015	2014	2013
Natural Resources and Mining	5,402	4,706	5,107	6,431	5,176
Construction	38,637	38,932	38,479	36,931	33,957
Manufacturing	36,593	34,886	34,040	34,353	34,500
Trade, Transportation & Utilities	145,205	144,579	142,448	136,818	132,202
Information	18,773	19,252	20,092	20,562	19,844
Financial Activities	76,965	77,035	74,534	71,689	68,665
Professional and Business Services	118,095	116,456	110,786	109,827	104,206
Education and Health Services	139,862	138,064	133,825	125,797	121,029
Leisure and Hospitality	112,379	110,207	107,377	102,267	100,240
Other Services	24,412	24,125	23,745	22,318	22,291
Unclassified	997	356	211	123	204
State Government	17,187	17,448	18,430	18,123	17,114
Local Government	93,742	92,763	91,577	90,144	87,767
Total Employment	828,249	818,809	800,650	775,382	747,195
Total Wages	\$ 10,327,364,960	\$ 9,961,549,618	\$ 9,962,614,307	\$ 8,993,451,014	\$ 8,416,438,904

(1) Source: Texas Workforce Commission.

(2) Statistics do not include Federal employees or their wages.

LABOR FORCE STATISTICS FOR BEXAR COUNTY⁽¹⁾

	2018 ⁽²⁾	2017 ⁽³⁾	2016 ⁽³⁾	2015 ⁽³⁾	2014 ⁽³⁾
Civilian Labor Force	936,684	924,590	903,856	878,118	866,455
Total Employed	907,638	892,277	870,020	844,697	825,960
Total Unemployed	29,046	32,313	33,836	33,421	40,495
Unemployment Rate	3.1%	3.5%	3.7%	3.8%	4.7%
% Unemployed (Texas)	3.5%	4.3%	4.6%	4.4%	5.1%
% Unemployed (U.S.)	3.5%	4.4%	4.9%	5.3%	6.2%

(1) Source: Texas Employment Commission.

(2) Year-to-date average as of October 2018.

(3) Average annual statistics.

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APPENDIX D
BOOK-ENTRY-ONLY SYSTEM

This Appendix describes how ownership of the Bonds are 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 ("DTC"), New York, New York, 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (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 or more fully-registered certificates will be issued for each issue of the Bonds, collectively in the aggregate principal amount of such issue, and will be deposited with DTC or a custodian of DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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, premium (if any) and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or paying agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, paying agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium (if any) and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or paying agent, 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 District or the paying agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By

