

OFFICIAL STATEMENT DATED AUGUST 17, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured) "AA"

REDBIRD RANCH FRESH WATER SUPPLY DISTRICT NO. 2 OF MEDINA COUNTY

(A political subdivision of the State of Texas, located within Medina and Bexar Counties, Texas)

\$7,350,000

Unlimited Tax Road Bonds

Series 2023

Dated: September 1, 2023

Due: September 1, as shown on the inside cover

Interest Accrues from: Date of Delivery

The \$7,350,000 Redbird Ranch Fresh Water Supply District No. 2 of Medina County Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are obligations of Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the "District") and are not obligations of the State of Texas; Medina County, Texas; Bexar County, Texas; or any entity other than the District.

The Bonds are dated September 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about September 21, 2023) ("Date of Delivery"), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The Bonds are the first series of bonds issued by the District out of an aggregate of \$121,635,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and \$121,635,000 for the further purpose of refunding such bonds. The voters of the District have authorized the issuance of an aggregate of \$225,883,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and \$225,883,000 for the further purpose of refunding such bonds. In addition, the voters of the District have authorized the issuance of an aggregate of \$102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and \$102,088,000 for the further purpose of refunding such bonds. Following the issuance of the Bonds, \$114,285,000 principal amount of unlimited tax bonds for the Road System; \$214,418,000 principal amount of unlimited tax bonds for the Utility System; and \$102,088,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued. All refunding authorizations remain unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, and are subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about September 21, 2023.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

\$7,350,000 Redbird Ranch Fresh Water Supply District No. 2 of Medina County Unlimited Tax Road Bonds, Series 2023

\$3,440,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724L (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724L (b)
2025	\$ 160,000	6.750%	3.800%	CC2	2040 (c)	\$ 320,000	4.250%	4.400%	CT5
2026	165,000	6.750%	3.750%	CD0	2041 (c)	335,000	4.250%	4.450%	CU2
2027	175,000	6.750%	3.750%	CE8	2042 (c)	350,000	4.250%	4.500%	CV0
2028	185,000	6.750%	3.750%	CF5	2043 (c)	365,000	4.375%	4.530%	CW8
***	***	***	***	***	2044 (c)	385,000	4.375%	4.560%	CX6
2038 (c)	290,000	4.250%	4.300%	CR9	2045 (c)	405,000	4.500%	4.580%	CY4
2039 (c)	305,000	4.250%	4.350%	CS7					

\$3,910,000 Term Bonds

\$820,000 Term Bond Due September 1, 2032 (c)(d), Interest Rate: 6.625% (Price: \$114.902) (a), CUSIP No. 75724L CK4 (b)

\$470,000 Term Bond Due September 1, 2034 (c)(d), Interest Rate: 4.250% (Price: \$100.782) (a), CUSIP No. 75724L CM0 (b)

\$800,000 Term Bond Due September 1, 2037 (c)(d), Interest Rate: 4.250% (Price: \$100.00) (a), CUSIP No. 75724L CQ1(b)

\$870,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 4.500% (Price: \$98.698) (a), CUSIP No. 75724L DA5 (b)

\$950,000 Term Bond Due September 1, 2049 (c)(d), Interest Rate: 4.500% (Price: \$98.491) (a), CUSIP No. 75724L DC1 (b)

-
- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are included solely for the convenience of the owners of the Bonds.
- (c) The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds– *Optional Redemption*."
- (d) Subject to certain mandatory redemption provisions set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 Bond Counsel upon payment of duplication costs, for further information.

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT...	1	Marketability.....	13
SALE AND DISTRIBUTION OF THE BONDS	3	Bond Insurance Risk Factors	13
Award of the Bonds	3	Future Debt.....	14
Prices and Marketability	3	Environmental Regulations.....	15
Securities Laws.....	3	National Weather Service Atlas 14 Rainfall Study	16
MUNICIPAL BOND INSURANCE.....	3	Changes in Tax Legislation.....	16
Bond Insurance Policy	3	Continuing Compliance with Certain Covenants	16
Build America Mutual Assurance Company	3	Approval of the Bonds	16
RATINGS.....	5	THE BONDS.....	17
OFFICIAL STATEMENT SUMMARY	6	General.....	17
INTRODUCTION.....	11	Paying Agent/Registrar.....	17
RISK FACTORS.....	11	Book-Entry-Only System	17
General.....	11	Registration, Transfer, and Exchange	18
Factors Affecting Taxable Values and Tax Payments	11	Mutilated, Lost, Stolen, or Destroyed Bonds.....	19
Vacant Developed Lots	12	Redemption of the Bonds	19
Competitive Nature of Residential Housing Market.....	12	Successor Paying Agent/Registrar	20
Special Flood Type Risks.....	12	Authority for Issuance	20
Potential Impact of Natural Disaster	12	Funds	20
Tax Collection Limitations	13	Outstanding Bonds	21
Registered Owners’ Remedies and Bankruptcy	13	Source of Payment.....	21
		Issuance of Additional Debt.....	21

No Arbitrage	21	Debt Service Tax	39
Defeasance	22	Maintenance Tax	39
Consolidation	22	Tax Exemptions	39
Legal Investment and Eligibility to Secure Public Funds in Texas	22	Additional Penalties	39
Registered Owners' Remedies	23	Tax Rate Calculations	40
Use and Distribution of Bond Proceeds	24	Estimated Overlapping Taxes	40
THE DISTRICT	25	Taxable Assessed Valuation Summary	41
Authority	25	Historical Collections	41
Description	25	Tax Rate Distribution	41
Management of the District	25	Principal Taxpayers	41
Investment Policy	25	THE UTILITY SYSTEM	42
Consultants	25	Regulation	42
DEVELOPMENT WITHIN THE DISTRICT	27	Water Supply	42
HOMEBUILDER ACTIVE WITHIN THE DISTRICT	27	Wastewater Treatment Facilities	42
DESCRIPTION OF THE DEVELOPER	27	Storm-Water Drainage Facilities	42
Role of a Developer	27	THE ROAD SYSTEM	42
Description of the Developer	28	Operating Statement	43
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	29	LEGAL MATTERS	43
DISTRICT DEBT	31	Legal Opinions	43
Debt Service Requirement Schedule	31	No-Litigation Certificate	44
Selected Financial Information	32	No Material Adverse Change	44
Unlimited Tax Bonds Authorized but Unissued	33	TAX MATTERS	44
Estimated Direct and Overlapping Debt Statement	34	Tax Accounting Treatment of Original Issue Discount	45
Debt Ratios	34	NOT Qualified Tax-Exempt Obligations	45
TAXING PROCEDURES	34	CONTINUING DISCLOSURE OF INFORMATION	46
Authority to Levy Taxes	34	Annual Reports	46
Property Tax Code and County-Wide Appraisal Districts	34	Event Notices	46
Property Subject to Taxation by the District	35	Availability of Information from EMMA	47
Tax Abatement	36	Limitations and Amendments	47
Valuation of Property for Taxation	36	Compliance with Prior Undertakings	47
District and Taxpayer Remedies	37	OFFICIAL STATEMENT	47
Levy and Collection of Taxes	37	General	47
Tax Payment Installments After Disaster	37	Experts	47
Rollback of Operation and Maintenance Tax Rate	37	Certification as to Official Statement	48
District's Rights in the Event of Tax Delinquencies	38	Updating of Official Statement	48
TAX DATA	39	CONCLUDING STATEMENT	48
General	39	APPENDIX A: Financial Statements of the District	
Tax Rate Limitation	39	APPENDIX B: Specimen Municipal Bond Insurance Policy	

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.012616% of the par value thereof, which resulted in a net effective interest rate of 4.732491%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked prices of the Bonds may be greater than the difference between the bid and asked prices 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.

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue a separate Municipal Bond Insurance Policy for each series of the Bonds (each a "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 "APPENDIX B."

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2023, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million, and \$281.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

RATINGS

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the Policy. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

[Remainder of Page Intentionally Left Blank]

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere herein. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of this entire Official Statement and of the documents summarized or discussed herein.

THE BONDS

The Issuer	Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the "District"), a political subdivision of the State of Texas ("Texas"), located in Medina County, Texas, and Bexar County, Texas (collectively, the "Counties"). See "THE DISTRICT."
The Issue	The \$7,350,000 Redbird Ranch Fresh Water Supply District No. 2 of Medina County Unlimited Tax Road Bonds, Series 2023 (the "Bonds") are dated September 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about September 21, 2023) (the "Date of Delivery"), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See "THE BONDS."
Redemption of the Bonds.....	The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption</i> ." The Bonds mature serially on September 1 in each year 2025 through 2028, both inclusive, and 2038 through 2045, both inclusive, in the principal amounts set forth on the inside cover hereof. The Bonds maturing on September 1 in the years 2032, 2034, 2037, 2047 and 2049 are term bonds that are also subject to the mandatory redemption provisions set forth under "THE BONDS – Redemption of the Bonds– <i>Mandatory Redemption</i> ."
Outstanding Bonds	The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, of which \$11,465,000 principal amount remains outstanding as of the Date of Delivery. See THE BONDS—Outstanding Bonds."
Source of Payment.....	The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the Counties; or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record	The Bonds are the third issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Authority for Issuance.....	The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$121,635,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and

\$121,635,000 for the further purpose of refunding such bonds. The District's voters have also authorized \$225,883,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater and a drainage system to serve the District (the "Utility System") and \$225,883,000 for the further purpose of refunding such bonds.

Additionally, voters of the District authorized \$102,088,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System") and \$102,088,000 for the further purpose of refunding such bonds.

Following the issuance of the Bonds, \$114,285,000 principal amount of unlimited tax bonds for the Road System; \$214,418,000 principal amount of unlimited tax bonds for the Utility System; and \$102,088,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued.

The Bonds are issued pursuant to (i) a resolution approving the sale of the Bonds (the "Bond Resolution") adopted by the Board of Supervisors of the District (the "Board") on the date of the sale of the Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by a majority of the participating voters.

Use and Distribution of the Bond

Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developer for certain road improvements and related costs shown under "THE BONDS - Use And Distribution of Bond Proceeds." Additionally, proceeds of the sale of the Bonds will be used to reimburse the Developer for developer interest; 12 months of capitalized interest; and other certain costs associated with the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Municipal Bond Insurance.....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Ratings	S&P Global Ratings (BAM Insured): "AA." See "RATINGS."
NOT Qualified Tax-Exempt Obligations.....	The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.
Bond Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Houston, Texas.
Engineer	Pape - Dawson Engineers, Inc. San Antonio, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.....	The District is operating under the authority of Chapters 49 and 51 of the Texas Water Code, as amended, as a water control and improvement district with retained powers of a road district under Chapter 53, Texas Water Code. The District was created as a fresh water supply district by Order of the Commissioners Court of Medina County on December 19, 2019. The District held an election to confirm the District on May 2, 2020 and assume the powers of a road district pursuant to Article III, Section 52 (b)(3), of the Texas Constitution. The District converted from a fresh water supply district operating under Chapter 53, Texas Water Code to a water control and improvement district operating under Chapter 51, Texas Water Code by order of the Board dated June 4, 2020 but retained the powers of a road district pursuant to Chapter 53, Texas Water Code. The District submitted an application for additional wastewater and drainage powers to the TCEQ
------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

on April 2, 2020 and received authorization on October 21, 2020. The District held its tax and bond election on November 3, 2020. At the time of creation, the District contained 264.672 acres. The District annexed approximately 169.107 acres in Bexar County and the District now contains approximately 433.78 acres. The District is not located within any city's extraterritorial jurisdiction. The District is located in both Bexar County, Texas and Medina County, Texas, approximately 20 miles west of the downtown area of the City of San Antonio. The District is located approximately two (2) miles northwest of the State Highway 211 and Potranco Road intersection and directly east of County Road 381.

Development Within the DistrictTo date, approximately 178 acres (842 lots) within the District have been developed as the single-family residential subdivision of Redbird Ranch Phase 2 Unit 1M-1, 1M -2, 1M-3, 1M-4, 3M-3A, 4M -1, 4M-2, and 4M-3. As of August 1, 2023, 617 homes were complete (617 occupied and 0 unoccupied), 130 homes were under construction, and 95 lots were developed and vacant. The remaining land within the District includes approximately 184 undeveloped but developable acres and approximately 71 undevelopable acres.

The DeveloperThe developer of land within the District is Continental Homes of Texas, L.P. ("Continental" or the "Developer"). Continental is a subsidiary of D.R. Horton – Texas, Ltd, a Texas limited partnership which is a subsidiary of and controlled by D.R. Horton, Inc. a publicly traded corporation. See "DESCRIPTION OF THE DEVELOPER."

Homebuilder Active Within the DistrictThe homebuilder active within the District is D. R. Horton. Prices of new homes being constructed within the District range in price from approximately \$247,000 to over \$350,000, and in size from approximately 945 square feet to over 2,675 square feet.

RISK FACTORS

THE DISTRICT'S TAXES ARE LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Taxable Assessed Valuation	\$ 47,272,062	(a)
(100% of the market valuation as of January 1, 2022)		
Estimated Taxable Assessed Valuation as of May 1, 2023	\$ 187,823,354	(b)
(100% of the estimated market valuation as of May 1, 2023)		
Direct Debt:		
The Outstanding Bonds.....	\$ 11,465,000	
The Bonds.....	<u>\$ 7,350,000</u>	
Total	\$ 18,815,000	
Estimated Overlapping Debt.....	<u>\$ 5,273,876</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ 24,088,876	(c)
Direct Debt Ratios:		
As a Percentage of the 2022 Taxable Assessed Valuation	39.80	%
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023	10.02	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2022 Taxable Assessed Valuation	50.96	%
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023	12.83	%
Utility System Debt Service Fund Balance (as of June 29, 2023).....	\$ 557,741	(d)
Road System Debt Service Fund Balance (as of Delivery of the Bonds)	\$ 355,475	(e)
Utility System Capital Projects Fund Balance (as of June 29, 2023).....	\$ 377,966	
General Operating Fund Balance (as of June 29, 2023)	\$ 400,054	

-
- (a) All taxable property located in the District is valued on the applicable appraisal roll of the Bexar Appraisal District (“BAD”) or the Medina County Appraisal District (“MCAD,” and together with BAD, the “Appraisal Districts”) as of January 1, 2022. All property located in the District is valued on the tax rolls by the Appraisal Districts at 100% of estimated market value as of January 1 of each year. See “TAXING PROCEDURES” and “TAX DATA.”
- (b) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of May 1, 2023, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through May 1, 2023. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”
- (c) See “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement.”
- (d) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on Road System Bonds, including the Bonds.
- (e) Includes twelve (12) months of capitalized interest to be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on Utility System Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2022 Tax Rate per \$100 of Taxable Assessed Valuation:

Debt Service.....		\$ 0.000 (a)
Maintenance and Operations.....		<u>\$ 1.000</u>
Total		\$ 1.000
Average Annual Debt Service Requirement (2024–2049).....	\$	1,471,791 (b)
Maximum Annual Debt Service Requirement (2048).....	\$	1,776,595 (b)
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024–2049) at 95% Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$	3.28
Based on the Estimated Taxable Assessed Valuation as of May 1, 2023	\$	0.83
Combined Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2048) at 95% Collections:		
Based on the 2022 Taxable Assessed Valuation.....	\$	3.96
Based on the Estimated Taxable Assessed Valuation as of May 1, 2023	\$	1.00
Single-Family Homes as of August 1, 2023		617 (c)

-
- (a) The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."
 - (b) See "DISTRICT DEBT – Debt Service Requirement Schedule."
 - (c) Includes 617 complete and occupied homes and 0 complete and unoccupied homes. See "DEVELOPMENT WITHIN THE DISTRICT."

REDBIRD RANCH FRESH WATER SUPPLY DISTRICT NO. 2 OF MEDINA COUNTY

(A political subdivision of the State of Texas, located within Medina and Bexar Counties, Texas)

**\$7,350,000
Unlimited Tax Road Bonds
Series 2023**

INTRODUCTION

This Official Statement of Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the "District") is provided to furnish information with respect to the issuance by the District of its \$7,350,000 Redbird Ranch Fresh Water Supply District No. 2 of Medina County Unlimited Tax Road Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to (i) a resolution approving the sale of the Bonds (the "Bond Resolution") adopted by the Board of Supervisors of the District (the "Board") on the date of the sale of the Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49, 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by a majority of the participating voters.

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolution, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Medina County, Texas; Bexar County, Texas; or any entity other than the District. Medina County and Bexar County are collectively referred to herein as the "Counties". The Bonds will be secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry in the metropolitan area of the City of San Antonio, Texas (the "City"). New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of August 1, 2023, residential development in the District included approximately 617 single-family homes (617 complete and occupied and 0 complete and unoccupied), the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Principal Landowners/Developer: There is no commitment by or legal requirement of the principal landowners or the Developer to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT WITHIN THE DISTRICT," "DESCRIPTION OF THE DEVELOPER," and "TAX DATA - Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated under "TAX DATA - Principal Taxpayers," as of January 1, 2022, the District's 10 principal taxpayers owned property located within the District which comprised of, in aggregate, approximately 52.61% of the total taxable assessed valuation of all taxable property located within the District, and the Developer owned approximately 43.64% of the total taxable assessed valuation of all taxable property located within the District. In the event

that the Developer, another taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount that exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2022, of all taxable property located within the District is \$47,272,062 and the estimated taxable assessed valuation as of May 1, 2023, is \$187,823,354. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,776,595 (2048) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be \$1,471,791 (2024–2049). Assuming no decrease from the taxable assessed valuation as of January 1, 2022, tax rates of \$3.96 and \$3.28 per \$100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the estimated taxable assessed valuation as of May 1, 2023, tax rates of \$1.00 and \$0.83 per \$100 of taxable assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the anticipated District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Vacant Developed Lots

As of August 1, 2023, approximately 95 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Residential Housing Market

The housing industry in the City's metropolitan area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Special Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee, or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou, or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous, or drainage systems downstream.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, and

flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District and an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on 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 tax collection procedures against a taxpayer; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay principal of and interest on the Bonds. 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 the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidder for the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked price of other bonds which are more generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory

sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or the Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATINGS" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

Future Debt

Following the issuance of the Bonds, the District has the right to issue the remaining \$114,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"), and \$121,635,000 for the purpose of refunding such bonds; \$214,418,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater and a drainage system to serve the District (the "Utility System"), and \$225,883,000 for the purpose of refunding such bonds; and \$102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District (the "Park System"), and \$102,088,000 for the purpose of refunding such bonds; and such additional bonds as may hereafter be approved by both the Board and voters of the District. See "THE BONDS - Issuance of Additional Debt."

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$3,900,000 for the expenditures to develop the District.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's taxable assessed value, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the San Antonio area. Under the Clean Air Act (“CAA”) Amendments of 1990, the four-county San Antonio area (“San Antonio Area”)—Bexar, Comal, Guadalupe, and Wilson Counties—has been designated an attainment/unclassifiable area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”).

However, the San Antonio Area is currently designated as a “moderate” nonattainment area under the eight-hour ozone standard of 70 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of September 24, 2024. For purposes of the 2015 Ozone Standard, the San Antonio Area consists of Bexar County only.

A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. In the past, the San Antonio Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid nonattainment designation. Since 2004, the San Antonio Area has been party to a curtailment agreement with the TCEQ, and the San Antonio Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the San Antonio Area. It is possible that additional controls will be necessary to allow the San Antonio Area to maintain and/or achieve attainment with the ozone standards. Such additional controls could have a negative impact on the San Antonio Area’s economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

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

National Weather Service Atlas 14 Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolution adopted by the Board. A copy of the Bond Resolution may be obtained from the District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated September 1, 2023, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about September 21, 2023)(the "Date of Delivery"), at the rates set forth on the inside cover, and is payable March 1, 2024, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of the Paying Agent/Registrar (herein defined) upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of \$5,000 of principal amount, or any integral multiple thereof.

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system (the "Book-Entry-Only System") has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect 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 required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a rating of AA+

from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond (the "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-Only System is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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).

Redemption proceeds, principal, 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 the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer, and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be

assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity series and in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than two (2) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2032, 2034, 2037, 2047 and 2049 are term bonds (the “Term Bonds”) and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

\$820,000 Term Bond Maturing on September 1, 2032

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2029	\$ 190,000
September 1, 2030	\$ 200,000
September 1, 2031	\$ 210,000
September 1, 2032 (Maturity)	\$ 220,000

\$470,000 Term Bond Maturing on September 1, 2034

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2033	\$ 230,000
September 1, 2034 (Maturity)	\$ 240,000

\$800,000 Term Bond Maturing on September 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$ 255,000
September 1, 2036	\$ 265,000
September 1, 2037 (Maturity)	\$ 280,000

\$870,000 Term Bond Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 425,000
September 1, 2047 (Maturity)	\$ 445,000

\$950,000 Term Bond Maturing on September 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2048	\$ 465,000
September 1, 2049 (Maturity)	\$ 485,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of the Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this section.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Authority for Issuance

The Bonds are issued pursuant to (i) the Bond Resolution adopted by the Board on the date of the sale of the Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of Texas, particularly Chapters 49 and 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by majority of voting qualified voters.

Before the Bonds are issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained herein.

Funds

The Bond Resolution creates the District's debt service fund for payment of debt service on the Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Bonds, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Twelve months of capitalized interest on the Bonds will be deposited from the proceeds of the Bonds into the Road System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Funds. Funds in the Road System Debt Service Funds are available only

to pay debt service on the bonds issued by the District for the Road System, including the Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System.

The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System, will be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System and are not available to pay debt service on the bonds issued by the District for the Road System, including the Bonds.

Outstanding Bonds

The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, of which \$11,465,000 principal amount remains outstanding as of the Date of Delivery (the "Outstanding Bonds").

Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Bexar Appraisal District ("BAD") and Medina County Appraisal District ("MCAD", together with BAD, the "Appraisal Districts") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of Texas; the Counties; or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Bonds constitute the first series of unlimited tax bonds issued by the District for the Road System. Voters in the District have authorized a total of \$121,635,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and \$121,635,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$225,883,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and \$225,883,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of \$102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and \$102,088,000 for the purpose of refunding such bonds. Following the issuance of the Bonds, \$114,285,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; \$121,635,000 for the purpose of refunding such bonds; \$214,418,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$225,883,000 for the purpose of refunding such bonds; and \$102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System; and \$102,088,000 for the purpose of refunding such bonds, will remain authorized and unissued. The District's issuance of bonds for the purpose of acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$3,900,000 for the expenditures to develop the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, road improvements and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "RISK FACTORS – Future Debt."

No Arbitrage

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be

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

Defeasance

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

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

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

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the Utility System) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

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

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provide that, in the event the District defaults in the payment of principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the applicable debt service fund, or defaults in the observance or performance of any of the other covenants, conditions, or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations, or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

[Remainder of Page Intentionally Left Blank]

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for a portion of the improvements and related costs shown below. Additionally, proceeds of the sale of the Bonds will be used to pay: developer interest; 12 months of capitalized interest; and other certain costs associated with the issuance of the Bond.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the Auditor (herein defined).

<u>CONSTRUCTION COSTS</u>		<u>Total</u>
1.	Redbird Ranch Phase 2 Unit 1M-1	\$ 1,416,482
2.	Redbird Ranch Phase 2 Unit 4M-1	511,270
3.	Redbird Ranch Phase 2 Unit 1M-2	448,318
4.	Redbird Ranch Phase 2 Unit 4M-2	975,442
5.	Redbird Ranch Phase 2 Unit 1M-3	603,608
6.	Redbird Ranch Phase 2 Unit 3M-3A	259,774
7.	Redbird Ranch Phase 2 Unit 1M-4	824,585
8.	Engineering	<u>609,566</u>
Total Construction Costs (69.24% of BIR)		<u>\$ 5,649,046</u>
<u>NON-CONSTRUCTION COSTS</u>		
1.	Legal Fees	\$ 187,000
2.	Financial Advisor Fees	147,000
3.	Interest	
	a. Developer Interest	596,767
	b. Capitalized Interest	355,475
4.	Bond Discount	219,573
5.	Bond Issuance Costs	32,398
6.	Attorney General Fee (0.10%)	7,350
7.	Contingency (a)	<u>155,391</u>
TOTAL NON-CONSTRUCTION COSTS		\$ 1,700,954
TOTAL BOND ISSUE REQUIREMENT		<u>\$ 7,350,000</u>

(a) Represents the difference between the estimated and actual amount of Bond Discount and Developer Interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for purposes for which road bonds may be issued. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District is operating under the authority of Chapters 49 and 51 of the Texas Water Code, as amended, as a Water Control and Improvement District with retained powers of a road district under Chapter 53, Texas Water Code. The District was created as a fresh water supply district by Order of the Commissioners Court of Medina County on December 19, 2019. The District held an election on May 2, 2020 to confirm the District and assume road powers of a road district pursuant to Article III, Section 52(b)(3) of the Texas Constitution. The District converted from a fresh water supply district operating under Chapter 53, Texas Water Code, to a water control and improvement district operating under Chapter 51, Texas Water Code, by order of the Board dated June 4, 2020 but retained the powers of a road district. The District submitted an application for additional wastewater and drainage powers to the TCEQ on April 2, 2020 and received authorization for acquisition of wastewater and drainage powers on October 21, 2020. The District held a bond and tax election on November 3, 2020. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to water control and improvement districts, including particularly Chapters 49 and 51 of the Texas Water Code; and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ for utility and park purposes.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

The District is also authorized to finance road improvements and construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. See "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."

Description

Location and Access: The District is not located within any city's extraterritorial jurisdiction. Approximately 264.67 acres of the District is located in Medina County, Texas and the remaining approximately 169.10 acres is located within Bexar County, Texas. The District is located approximately 20 miles west of the City's downtown and is approximately two (2) miles northwest of the State Highway 211 and Potranco Road intersection and directly east of County Road 381.

Management of the District

The District is governed by the Board, consisting of five (5) Supervisors, who have control over and management supervision of all affairs of the District. All of the Supervisors own land within in the District. The Supervisors serve four (4)-year staggered terms. Elections are held in even numbered years in November. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Michael Kent	President	2026
Aaron Parencia	Vice President	2026
John Moake	Secretary	2024
Mellick Sykes	Assistant Vice President	2024
Mary Stewart	Assistant Secretary	2024

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and Texas CLASS, which are 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 portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, financial advisory, and legal services as follows:

Tax Assessor/Collector

The District's Tax Assessor/Collector is Utility Tax Service, LLC., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

Utility System Operator

The public operator of the Utility System serving all sewer customers in Bexar and Medina Counties of the District and water customers in Bexar County is San Antonio Water System ("SAWS") and the private operator serving water customers only in Medina County is Yancey Water Supply Corporation ("WSC").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ended December 31, 2022, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX A."

Engineer

The consulting engineer for the District in connection with the design and construction of the facilities for which a portion of the Bonds are being sold to reimburse the Developer is Pape-Dawson Engineering, Inc., San Antonio, Texas (the "Engineer"). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

Bond & General Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as "Disclosure Counsel". The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "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. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

[Remainder of Page Intentionally Left Blank]

DEVELOPMENT WITHIN THE DISTRICT

To date, approximately 178 acres (842 lots) within the District have been developed as the single-family residential subdivision of Redbird Ranch. As of August 1, 2023, 617 homes were complete (617 occupied and 0 unoccupied), 130 homes were under construction, and 95 lots were developed and vacant. The remaining land within the District includes approximately 184 undeveloped but developable acres and approximately 71 undevelopable acres.

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>No. of Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
				<u>Complete</u>	<u>Under Construction</u>	
Redbird Ranch Phase 2 Unit 1M-1	Single Family	38.15	136	133	0	3
Redbird Ranch Phase 2 Unit 1M-2	Single Family	18.87	122	122	0	0
Redbird Ranch Phase 2 Unit 1M-3	Single Family	18.73	119	117	2	0
Redbird Ranch Phase 2 Unit 1M-4	Single Family	27.52	120	44	76	0
Redbird Ranch Phase 2 Unit 3M-3A	Single Family	10.44	42	38	4	0
Redbird Ranch Phase 2 Unit 4M-1	Single Family	16.47	91	91	0	0
Redbird Ranch Phase 2 Unit 4M-2	Single Family	19.33	72	72	0	0
Redbird Ranch Phase 2 Unit 4M-3	Single Family	<u>29.09</u>	<u>140</u>	<u>0</u>	<u>48</u>	<u>92</u>
Subtotal		178.60	842	617	130	95
Undevelopable		71.14				
Remaining Developable		<u>184.04</u>				
Total District Acreage		<u>433.78</u>				

HOMEBUILDER ACTIVE WITHIN THE DISTRICT

The homebuilder active within the District is D.R. Horton (“DH”). Prices of new homes being constructed within the District range in price from approximately \$247,000 to over \$350,000, and in size from approximately 945 square feet to over 2,675 square feet.

DESCRIPTION OF THE DEVELOPER

Role of a Developer

In general, the activities of a developer in a water control and improvement district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, Developer, or other third parties. In some instances, the Developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a district pursuant to the rules of the TCEQ. The relative success or failure of a Developer to perform such activities in development of property within a district may have a profound effect on the security of the unlimited tax bonds issued by such district. A Developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a district during the initial development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Description of the Developer

The developer of land within the District is Continental Homes of Texas, L.P. (“Continental” or the “Developer”).

Continental is a subsidiary of D.R. Horton-Texas, Ltd., a Texas limited partnership, which is a subsidiary of and controlled by D.R. Horton, Inc. (“DHI”). DHI is a publicly traded corporation whose stock is listed on the New York Stock Exchange as “DHI”.

Audited financial statements for DHI can be found online at <https://investor.drhorton.com>. DHI is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by DHI can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning Continental is included as part of the consolidated financial statements of DHI. However, DHI is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property within the District, or to pay any other obligations of Continental. Further, neither Continental or DHI is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Continental or DHI has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and Continental may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of Continental and DHI is subject to change at any time. Because of the foregoing, financial information concerning Continental and DHI will neither be updated nor provided following issuance of the Bonds, except as described under “CONTINUING DISCLOSURE OF INFORMATION.”

As of August 1, 2023, Continental owned approximately 617 homes, approximately 842 lots, and approximately 184 acres of the remaining undeveloped land within the District.

[Remainder of Page Intentionally Left Blank]

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(April 1, 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(April 1, 2023)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the annual debt service requirements on the Outstanding Bonds, plus the current principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Year	Total Outstanding Debt Service	The Bonds			Total New Debt Service	Total Debt Service
		Principal	Interest			
2023	\$ 117,745	\$ -	\$ -	\$ -	\$ 117,745	
2024	797,741	-	335,726	335,726	1,133,468	
2025	791,954	160,000	355,475	515,475	1,467,429	
2026	795,516	165,000	344,675	509,675	1,470,191	
2027	787,716	175,000	333,538	508,538	1,471,254	
2028	784,266	185,000	321,725	506,725	1,475,991	
2029	774,841	190,000	309,238	499,238	1,464,079	
2030	774,766	200,000	296,650	496,650	1,471,416	
2031	768,329	210,000	283,400	493,400	1,471,729	
2032	761,479	220,000	269,488	489,488	1,470,966	
2033	758,654	230,000	254,913	484,913	1,473,566	
2034	749,579	240,000	245,138	485,138	1,474,716	
2035	758,529	255,000	234,938	489,938	1,503,466	
2036	756,404	265,000	224,100	489,100	1,510,504	
2037	763,679	280,000	212,838	492,838	1,536,516	
2038	764,879	290,000	200,938	490,938	1,545,816	
2039	770,279	305,000	188,613	493,613	1,568,891	
2040	769,604	320,000	175,650	495,650	1,585,254	
2041	778,129	335,000	162,050	497,050	1,610,179	
2042	785,379	350,000	147,813	497,813	1,633,191	
2043	785,698	365,000	132,938	497,938	1,648,635	
2044	794,145	385,000	116,969	501,969	1,681,114	
2045	791,035	405,000	100,125	505,125	1,701,160	
2046	796,863	425,000	81,900	506,900	1,728,763	
2047	801,133	445,000	62,775	507,775	1,753,908	
2048	803,845	465,000	42,750	507,750	1,776,595	
2049	-	485,000	21,825	506,825	991,825	
Total	\$ 19,582,184	\$ 7,350,000	\$ 5,456,183	\$ 12,806,183	\$ 32,388,367	

Average Annual Debt Service Requirement on the Bonds (2024–2049)\$1,471,791

Maximum Annual Debt Service Requirement on the Bonds (2048).....\$1,776,595

[Remainder of Page Intentionally Left Blank]

Selected Financial Information

2022 Taxable Assessed Valuation	\$ 47,272,062	(a)
(100% of the market valuation as of January 1, 2022)		
Taxable Estimated Taxable Assessed Valuation as of May 1, 2023	\$ 187,823,354	(b)
(100% of the estimated market valuation as of May 1, 2023)		
Direct Debt:		
The Outstanding Bonds	\$ 11,465,000	
The Bonds	<u>\$ 7,350,000</u>	
Total	\$ 18,815,000	
Estimated Overlapping Debt	<u>\$ 5,273,876</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 24,088,876	(c)
Direct Debt Ratios:		
As a Percentage of the 2022 Taxable Assessed Valuation	39.80	%
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023	10.02	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2022 Taxable Assessed Valuation	50.96	%
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023	12.83	%
Utility System Debt Service Fund Balance (as of June 29, 2023)	\$ 557,741	(d)
Road System Debt Service Fund Balance (as of Delivery of the Bonds)	\$ 355,475	(e)
Utility System Capital Projects Fund Balance (as of June 29, 2023)	\$ 377,966	
General Operating Fund Balance (as of June 29, 2023)	\$ 400,054	

-
- (a) All taxable property located in the District is valued on the applicable appraisal roll of the Bexar Appraisal District (“BAD”) or the Medina County Appraisal District (“MCAD,” and together with BAD, the “Appraisal Districts”) as of January 1, 2022. All property located in the District is valued on the tax rolls by the Appraisal Districts at 100% of estimated market value as of January 1 of each year. See “TAXING PROCEDURES” and “TAX DATA.”
- (b) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of May 1, 2023, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2022, through May 1, 2023. No taxes will be levied on this estimated value. See “TAX DATA” and “TAXING PROCEDURES.”
- (c) See “DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement.”
- (d) Neither Texas law nor the Bond Resolution require that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on Road System Bonds, including the Bonds.
- (e) Includes twelve (12) months of capitalized interest to be deposited into the Road System Debt Service Fund. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on Utility System Bonds.

2022 Tax Rate per \$100 of Taxable Assessed Valuation:	
Debt Service.....	\$ 0.000 (a)
Maintenance and Operations.....	\$ 1.000
Total.....	\$ 1.000
Average Annual Debt Service Requirement on the Bonds (2024–2049).....	\$ 1,471,791 (b)
Maximum Annual Debt Service Requirement on the Bonds (2048).....	\$ 1,776,595 (b)
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2024–2049) at 95% Collections:	
Based on the 2022 Taxable Assessed Valuation.....	\$ 3.28
Based on the Estimated Taxable Assessed Valuation as of May 1, 2023.....	\$ 0.83
Debt Service Tax Rate per \$100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds the Outstanding Bonds (2048) at 95% Collections:	
Based on the 2022 Taxable Assessed Valuation.....	\$ 3.96
Based on the Estimated Taxable Assessed Valuation as of May 1, 2023.....	\$ 1.00
Single-Family Homes as of August 1, 2023.....	617 (c)

-
- (a) The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."
- (b) See "DISTRICT DEBT – Debt Service Requirement Schedule."
- (c) Includes 617 complete and occupied homes and 0 complete and unoccupied homes. See "DEVELOPMENT WITHIN THE DISTRICT."

Unlimited Tax Bonds Authorized but Unissued

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Amount Issued to Date</u>	<u>Remaining Unissued</u>
11/3/2020	Utility System (b)	\$ 225,883,000	\$ 11,465,000	\$ 214,418,000
11/3/2020	Road System (b)	121,635,000	7,350,000 (a)	114,285,000
11/3/2020	Park System (b)	102,088,000	-	102,088,000

-
- (a) The Bonds.
- (b) District voted propositions for refunding bonds for each purpose in same par amounts.

Estimated Direct and Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas, or other available information. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot presently be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt	Overlapping	
	June 30, 2023	Percent	Amount
Medina County	\$ 24,885,000	0.91%	\$ 224,806
Medina County Hospital District	-	0.89%	-
Medina County Groundwater Conservation District	-	1.00%	-
County FM Road	-	1.00%	-
Medina Valley Independent School District	192,715,686	1.12%	2,153,454
Medina County Emergency Service District No.1	-	2.21%	-
Bexar County Road & Flood	-	0.02%	-
San Antonio River Authority	-	0.02%	-
Alamo Community College	790,860,000	0.02%	178,755
Bexar County Hospital District	1,132,465,000	0.02%	256,867
Bexar County	2,207,225,000	0.03%	554,911
Northside Independent School District	2,572,450,000	0.07%	1,905,083
Bexar County Emergency Service District No. 2	-	0.33%	-
Total Estimated Overlapping Debt.....			\$ 5,273,876
The District (a).....			<u>\$ 18,815,000</u>
Total Direct & Estimated Overlapping Debt (a).....			\$ 24,088,876

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of the 2022 Taxable Assessed Valuation	39.80 %
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023.....	10.02 %

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of the 2022 Taxable Assessed Valuation	50.96 %
As a Percentage of the Estimated Taxable Assessed Valuation as of May 1, 2023.....	12.83 %

(a) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District in sufficient amount to pay principal of and interest on the Bonds and the Outstanding Bonds. The Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as discussed under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District’s Utility System and a maintenance and operation tax for the Road System. See “TAX DATA – Maintenance Tax.”

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires,

among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and the Bexar County Appraisal Review Board and Medina County Appraisal Review Board (together the "Appraisal Review Boards") have the responsibility for reviewing and equalizing the values established by the respective Appraisal Districts. The Appraisal Districts has the responsibility of appraising property for all taxing units within their respective Counties. Such appraisal values will be subject to review and change by the Appraisal Review Boards. The appraisal roll, as approved by each of the Appraisal Review Boards, will be used by the District in establishing its tax rolls and tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation."

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. The District has never adopted a homestead exemption.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market 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 July 1. The District has never adopted a homestead exemption. See "TAX DATA – Tax Exemptions."

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption,

if, for tax year 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

The Counties may designate all or part of the area within the District and within the respective county, as a reinvestment zone. Thereafter, the respective Counties and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the taxable assessed valuation of property covered by the agreement over its taxable assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither County has designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, 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, as such is defined in 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 of 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 one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years, for open space land and timberland.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal Districts at least once every two (2) years. It is not known what frequency of reappraisals will be utilized by the Appraisal Districts 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 Districts 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 Districts chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor (herein defined). This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the

Property Tax Code, the Appraisal Districts is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Boards by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal Districts to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that 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, 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected 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 taxes, 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in two (2) equal installments within six (6) months of the delinquency date.

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

Rollback of Operation and Maintenance Tax Rate

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

classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

For the 2022 tax year, the District has designated itself as a Developing District. For future years, a determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of Texas and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 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 six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay principal of and interest on the Bonds and the Outstanding Bonds. See "THE BONDS" and "RISK FACTORS." For the 2022 tax year, the District levied a total tax rate of \$1.00 per \$100 of taxable assessed valuation for maintenance and operation purposes.

Tax Rate Limitation

Utility System Debt Service: Unlimited (no legal limit as to rate or amount).
Road System Debt Service:..... Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:..... \$1.00 per \$100 assessed valuation.
Maintenance and Operations (Road):..... \$0.25 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all of or any part of the Bonds remain outstanding and unpaid, taxes adequate to provide funds to pay the principal of and interest on the Bonds.

In the Bond Resolution, the Board also covenants to deposit into the Road System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the Bonds authorized by the Bond Resolution.

For the 2022 tax year, the District did not levy a debt service tax.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. On November 3, 2020, the Board was authorized by a vote of the District's electors to levy such maintenance and operations tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. The Board is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed \$0.25 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

For the 2022 tax year, the District levied a tax rate of \$1.00 per \$100 of taxable assessed valuation for maintenance and operation purposes.

Tax Exemptions

To date, the District has not adopted any form of exemption from ad valorem taxation. See "TAXING PROCEDURES."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established 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 Property Tax Code.

[Remainder of Page Intentionally Left Blank]

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per \$100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District’s tax base occurs beyond the taxable assessed valuation as of January 1, 2022 (\$47,272,062), or the estimated taxable assessed valuation as of May 1, 2023 (\$187,823,354). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement (2024–2049)	\$	1,471,791
Tax Rate of \$3.28 on the 2022 Taxable Assessed Valuation Produces	\$	1,472,997
Tax Rate of \$0.83 on the Estimated Taxable Assessed Valuation as of May 1, 2023, Produces	\$	1,480,987
Maximum Annual Debt Service Requirement (2048)	\$	1,776,595
Tax Rate of \$3.96 on the 2022 Taxable Assessed Valuation Produces	\$	1,778,375
Tax Rate of \$1.00 on the Estimated Taxable Assessed Valuation as of May 1, 2023, Produces	\$	1,784,322

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy, and collect ad valorem taxes for operation, maintenance, administrative, and/or general revenue purposes. See "DISTRICT DEBT – Estimated Direct and Overlapping Debt Statement."

Set forth below is an estimation of all taxes per \$100 of taxable assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2022 taxes per \$100 of taxable assessed valuation levied by all such taxing jurisdictions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate</u>	
	<u>Medina County</u>	<u>Bexar County</u>
The District	\$1.000000	\$1.000000
Medina County	0.391300	-
Medina County Hospital District	0.093700	-
Medina County Groundwater Conservation District	0.007903	-
County FM Road	0.083000	-
Medina Valley Independent School District	1.326790	-
Medina County Emergency Service District No. 1	0.090000	-
Bexar County Road & Flood	-	0.023668
San Antonio River Authority	-	0.0183600
Alamo Community College	-	0.1491500
Bexar County Hospital District	-	0.2762350
Bexar County	-	0.2999990
Northside Independent School District	-	1.1901000
Bexar County Emergency Service District No. 2	-	0.0877470
Total	\$ 2.992693	\$ 3.045259

[Remainder of Page Intentionally Left Blank]

Taxable Assessed Valuation Summary

The following represents the type of property comprising the District’s 2020-2022 tax rolls, as certified by the Appraisal Districts.

Type of Property	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation
Land	\$ 22,694,340	\$ 5,889,442	\$ 92,832
Improvements	26,684,520	95,120	2,480
Personal Property	—	—	—
Exemptions	<u>(2,106,798)</u>	<u>—</u>	<u>—</u>
Total	\$ 47,272,062	\$ 5,984,562	\$ 95,312

Historical Collections

The following represents the historical tax collections for the District’s 2020-2022 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 12/31	Collections 06/30/2023
2020	\$ 95,312	1.000	953	99.64 %	2021	100.00 %
2021	5,984,562	1.000	59,846	98.97 %	2022	100.00 %
2022	47,272,062	1.000	474,265	97.40 %	2023	97.40 %

(a) Total tax rate per \$100 of taxable assessed valuation for each respective tax year. See “TAX DATA – Tax Rate Distribution.”

Tax Rate Distribution

The following represents the components of the tax rate for the District’s 2020-2022 tax years.

	2022	2021	2020
Utility System Debt Service	\$ 0.000	\$ 0.000	\$ 0.000
Road System Debt Service	0.000	0.000	0.000
Maintenance and Operations	<u>1.000</u>	<u>1.000</u>	<u>1.000</u>
Total	\$ 1.000	\$ 1.000	\$ 1.000

Principal Taxpayers

The following represents the principal taxpayers on the District’s 2022 tax roll, as certified by the Appraisal Districts.

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	% of Assessed Valuation
Continental Homes of Texas LP (a)	Land & Improvements	\$ 20,630,270	43.64%
Hudson SFR Property Holdings II LLC	Land & Improvements	1,410,580	2.98%
Home Rent 2 LLC	Land & Improvements	482,300	1.02%
Homeowner	Land & Improvements	384,930	0.81%
Homeowner	Land & Improvements	338,290	0.72%
Homeowner	Land & Improvements	331,990	0.70%
Homeowner	Land & Improvements	328,480	0.69%
Homeowner	Land & Improvements	327,680	0.69%
Homeowner	Land & Improvements	319,450	0.68%
Homeowner	Land & Improvements	<u>317,260</u>	<u>0.67%</u>
Total		\$ 24,871,230	52.61%

Percent of Respective Tax Roll 52.61 %

(a) See “HOMEBUILDER ACTIVE WITHIN THE DISTRICT,” “DESCRIPTION OF THE DEVELOPER,” and “RISK FACTORS- Factors Affecting Taxable Values and Tax Payments - - Dependence on Principal Taxpayers.”

THE UTILITY SYSTEM

Regulation

Operation of the District's waterworks and sewer treatment facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply

The District's water supply and water distribution within Bexar County is provided by San Antonio Water Services operating under Certificate of Convenience and Necessity No. 10640 ("CCN No. 10640") and doing business as San Antonio Water System (SAWS). The District's water supply and water distribution within Medina County is provided by a separate entity operating under Certificate of Convenience and Necessity No. 11463 ("CCN No. 11463") and doing business as Yancey Water Supply Corporation. The District does not have any interconnects.

The District does not own or operate any water supply facilities.

Wastewater Treatment Facilities

Wastewater collection and treatment is provided by SAWS, operating under Certificate of Convenience and Necessity No. 20285 ("CCN No. 20285") for wastewater collection and treatment. The District does not own or operate any wastewater treatment facilities.

Storm-Water Drainage Facilities

The District is located within the Lower Medina River watershed.

Storm water runoff within the District is routed through a concrete curb and gutter paved street system with inlets to reinforced concrete pipe storm water collector lines, ranging in size from 24 to 48 inches in diameter that outfall into existing drainage channels located within the District. All drainage facilities ultimately outfall into the Medina River. The internal storm drainage collection system is sized to carry the design flows based on single-family residential land uses and the storm drainage requirements of the City of San Antonio, Bexar County and Medina County. The District is responsible for maintenance of future detention basins.

THE ROAD SYSTEM

The road system serves residents of the District by providing access to the major thoroughfares and collectors within the development and surrounding area. The major thoroughfares and collectors serving the District are SH 211, Potranco Road, Galm Road, Goodenough Lane. The District will finance, design and construct the Road System in phases as development progresses. The District does not intend to maintain or operate the roads in Bexar County or Galm Road in Medina County once they are accepted by Bexar County. The District will maintain roads in the Road System other than Galm Road in Medina County.

[Remainder of Page Intentionally Left Blank]

Operating Statement

The following is a schedule of revenues and expenditures associated with operations of the District's General Fund. The District does not operate the Utility System that serves the District, and therefore the District does not collect water and sewer revenues. The figures below for the fiscal years ended December 31, 2020, through December 31, 2022, were obtained from the District's audited financial statements for the fiscal year ended December 31, 2022, a copy of which is attached hereto as "APPENDIX A" and reference to which is hereby made. As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ.

	<u>For Fiscal Year Ended 12/31</u>		
	<u>2022</u>	<u>2021*</u>	<u>2020*</u>
Revenues			
Property taxes	\$ 59,846	\$ 953	\$ -
Penalties and Interest	383	-	-
Miscellaneous	-	10	-
Investment earnings	<u>12</u>	<u>11</u>	<u>8</u>
Total Revenues	\$ 60,241	\$ 974	\$ 8
Expenditures			
Operating and administrative			
Professional fees	\$ 46,267	\$ 70,892	\$ 136,112
Contracted services	32,013	13,599	10,458
Administrative	12,566	12,364	29,496
Other	<u>9,880</u>	<u>2,612</u>	<u>2,723</u>
Total Expenditures	\$ 100,726	\$ 99,467	\$ 178,789
Revenues Under Expenditures	\$ (40,485)	\$ (98,493)	\$(178,781)
Other Financing Sources			
Developer advances	77,627	103,485	176,189
Internal transfer	25,926	-	-
Net changes in Fund Balance	\$ 63,068	\$ 4,992	\$ (2,592)
Beginning Fund Balance	<u>\$ 2,400</u>	<u>(2,592)</u>	<u>\$ -</u>
Ending Fund Balance	<u>\$ 65,468</u>	<u>\$ 2,400</u>	<u>\$ (2,592)</u>

*Unaudited

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Texas Constitution and laws of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, 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 approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolution approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's

limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. 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, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the Board President and the Board Secretary, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District subsequent to the date of sale from that set forth or contemplated herein, as it may have been supplemented or amended through the date of sale.

TAX MATTERS

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations.

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 Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of 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 purpose, and in addition, will rely on representations by the District, the Financial Advisor, and the Initial Purchaser with respect to matters solely within the knowledge of the District, the Financial Advisor, and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond 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

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is 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 "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 this Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser have 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 inside cover, 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 (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-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.

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the Bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such person owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District's bonds then outstanding.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included under "DISTRICT DEBT" (except under the subheadings "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" and with respect to the Developer, the information found under "TAX DATA - Principal Taxpayers." The District will update and provide this information within six (6) months after the end of each of its fiscal years. The District will provide the updated information to EMMA. The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2023. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule").

The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds are the third issuance of bonded indebtedness by the District. The District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District's financial statements for the fiscal year ended December 31, 2022, were audited by the Auditor and are attached hereto as "APPENDIX A." The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained herein relating to engineering and to the description of the Utility System, and the Road System and, in particular, that engineering information included under "THE BONDS – Use and Distribution of Bond Proceeds," "THE DISTRICT – Description", "THE UTILITY SYSTEM" and "THE ROAD SYSTEM" has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal Districts. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal Districts' authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of Official Statement

If, subsequent to the date of this Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchaser elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to this Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notify the District in writing 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 customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained herein 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 summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Supervisors of Redbird Ranch Fresh Water Supply District No. 2 of Medina County as of the date shown on the cover.

/s/ Michael Kent
President, Board of Supervisors
Redbird Ranch Fresh Water Supply District No. 2 of Medina County

ATTEST:

/s/ John Moake
Secretary, Board of Supervisors
Redbird Ranch Fresh Water Supply District No. 2 of Medina County

APPENDIX A
Financial Statements of The District

**REDBIRD RANCH FRESH WATER SUPPLY
DISTRICT NO. 2 OF MEDINA COUNTY**

MEDINA COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2022

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	39
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	40
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	42

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Supervisors
Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Medina County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Redbird Ranch Fresh Water Supply District No. 2 of Medina County, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

***Board of Supervisors
Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Medina County, Texas***

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied

***Board of Supervisors
Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Medina County, Texas***

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has 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 Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

WCG & Co, P.C.

Houston, Texas
April 17, 2023

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Management's Discussion and Analysis
December 31, 2022***

Using this Annual Report

Within this section of the financial report of Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the "District"), the District's Board of Supervisors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section. Since this report is for an inception period, comparative data is not included. Financial reports for future years will include a comparative analysis of current year results to prior year data.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. 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 restricted component of net position consists of financial resources that are restricted for a specific

**Redbird Ranch Fresh Water Supply District No. 2 of Medina County
 Management’s Discussion and Analysis
 December 31, 2022**

purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District’s net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District’s use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District’s net position at December 31, 2022, was negative \$14,020,987. The District’s net position is negative because the District incurs debt to construct certain infrastructure which it conveys to other entities. Additionally, the District relies on advances from its developers to fund operating costs. A comparative summary of the District’s overall financial position, as of December 31, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 552,998	\$ 73,954
Capital assets	6,606,922	2,488,683
Total assets	<u>7,159,920</u>	<u>2,562,637</u>
Current liabilities	5,829,864	13,639
Long-term liabilities	14,875,929	8,231,996
Total liabilities	<u>20,705,793</u>	<u>8,245,635</u>
Total deferred inflows of resources	<u>475,114</u>	<u>57,915</u>
Net position		
Net investment in capital assets	(476,861)	(56,561)
Unrestricted	(13,544,126)	(5,684,352)
Total net position	<u>\$ (14,020,987)</u>	<u>\$ (5,740,913)</u>

***Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Management's Discussion and Analysis
December 31, 2022***

The total net position of the District decreased during the current fiscal year by \$8,280,074. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Property taxes, penalties and interest	\$ 60,229	\$ 953
Other	144	20
Total revenues	<u>60,373</u>	<u>973</u>
Expenses		
Operating and administrative	407,052	99,467
Debt interest and fees	68,054	
Debt issuance costs	206,524	
Depreciation and amortization	160,087	56,561
Total expenses	<u>841,717</u>	<u>156,028</u>
Change in net position before other item	(781,344)	(155,055)
Other item		
Transfers to other governments	<u>(7,498,730)</u>	<u>(5,407,077)</u>
Change in net position	(8,280,074)	(5,562,132)
Net position, beginning of year	<u>(5,740,913)</u>	<u>(178,781)</u>
Net position, end of year	<u><u>\$ (14,020,987)</u></u>	<u><u>\$ (5,740,913)</u></u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2022, were \$46,074, which consists of \$65,468 in the General Fund and negative \$19,394 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	<u>\$ 572,392</u>	<u>\$ 73,954</u>
Total liabilities	\$ 31,810	\$ 13,639
Total deferred inflows	475,114	57,915
Total fund balance	65,468	2,400
Total liabilities, deferred inflows and fund balance	<u>\$ 572,392</u>	<u>\$ 73,954</u>

***Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Management’s Discussion and Analysis
December 31, 2022***

A comparative summary of the General Fund’s activities for the current and prior fiscal year (unaudited) is as follows:

	<u>2022</u>	<u>2021</u>
Total revenues	\$ 60,241	\$ 973
Total expenditures	<u>(100,726)</u>	<u>(99,467)</u>
Revenues under expenditures	(40,485)	(98,494)
Other changes in fund balance	<u>103,553</u>	<u>103,485</u>
Net change in fund balance	<u><u>\$ 63,068</u></u>	<u><u>\$ 4,991</u></u>

The District manages its activities with the objective of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2021 levy was recognized as revenues in the 2022 fiscal year, while the 2020 levy was recognized in the 2021 fiscal year (to the extent that these amounts were collected). Property tax revenues increased from prior year because assessed values increased from prior year.
- The District’s developer advances funds to the District as needed to pay operating costs.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District’s Series 2022 Bond Anticipation Note. A summary of the financial position of the Capital Projects Fund as of December 31, 2022 is as follows:

Total assets	<u><u>\$ 57,872</u></u>
Total liabilities	\$ 77,266
Total fund balance	(19,394)
Total liabilities and fund balance	<u><u>\$ 57,872</u></u>

A summary of activities of the Capital Projects Fund for the current year is as follow:

Total revenues	\$ 132
Total expenditures	<u>(5,509,875)</u>
Revenues under expenditures	(5,509,743)
Other changes in fund balance	5,490,349
Net change in fund balance	<u><u>\$ (19,394)</u></u>

**Redbird Ranch Fresh Water Supply District No. 2 of Medina County
 Management’s Discussion and Analysis
 December 31, 2022**

General Fund Budgetary Highlights

The Board of Supervisors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$63,068 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District’s financial statements upon completion of construction.

Capital assets held by the District at December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Capital assets being depreciated		
Infrastructure	\$ 3,780,730	\$ 2,545,244
Impact fees	3,042,840	
	6,823,570	2,545,244
Less accumulated depreciation/amortization		
Infrastructure	(140,577)	(56,561)
Impact fees	(76,071)	
Less accumulated depreciation/amortization	(216,648)	(56,561)
Capital assets, net	\$ 6,606,922	\$ 2,488,683

Capital asset additions during the current year include the following:

- Redbird Ranch, Phase 2, Unit 3M-3A – drainage and paving facilities
- Redbird Ranch, Phase 2, Unit 1M-3 and Unit 1M-4 – drainage facilities
- Impacts fees paid to reserve for the benefit of the District water and wastewater treatment capacity, respectively, in the San Antonio Water System

In accordance with agreements between the District’s developers and San Antonio Water System (“SAWS”) and Yancey Water Supply Corporation (“YWSC”), the District transfers all of its water and wastewater facilities to SAWS and YWSC, respectively. Additionally, Bexar County assumes responsibility (after a one-year maintenance period) for the maintenance of certain public roads and drainage facilities constructed within the county limits. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2022, the District

***Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Management’s Discussion and Analysis
December 31, 2022***

reported transfers to other governments in the amount of \$7,498,730 for projects completed and transferred to other entities. See Note 9 for additional information.

Long-Term Debt and Related Liabilities

As of December 31, 2022, the District owes approximately \$14,875,929 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of \$8,114,951 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At December 31, 2022, the District had \$225,883,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$225,883,000 for the refunding of such bonds; \$102,088,000 for parks and recreational facilities and \$102,088,000 for the refunding of such bonds; \$121,635,000 for road improvements and \$121,635,000 for the refunding of such bonds.

During the current year, the District issued a \$5,730,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 5 for additional information.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	<u>2022 Actual</u>	<u>2023 Budget</u>
Total revenues	\$ 60,241	\$ 439,725
Total expenditures	<u>(100,726)</u>	<u>(227,550)</u>
Revenues over/(under) expenditures	(40,485)	212,175
Other changes in fund balance	<u>103,553</u>	
Net change in fund balance	63,068	212,175
Beginning fund balance	<u>2,400</u>	<u>65,468</u>
Ending fund balance	<u><u>\$ 65,468</u></u>	<u><u>\$ 277,643</u></u>

*Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Management's Discussion and Analysis
December 31, 2022*

Property Taxes

The District's property tax base increased approximately \$41,527,000 for the 2022 tax year from \$5,984,562 to \$47,511,403. This increase was primarily due to new construction in the District. For the 2022 tax year, the District has levied a maintenance tax rate of \$1.00 per \$100 of assessed value. This is the same rate levied for the 2021 tax year.

(This page intentionally left blank)

Basic Financial Statements

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2022

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 107,166	\$ 57,872	\$ 165,038	\$ -	\$ 165,038
Taxes receivable	387,960		387,960		387,960
Internal balances	77,266	(77,266)			
Capital assets, net				6,606,922	6,606,922
Total Assets	\$ 572,392	\$ (19,394)	\$ 552,998	6,606,922	7,159,920
Liabilities					
Accounts payable	\$ 16,730	\$ -	\$ 16,730		16,730
Other payables	15,080		15,080		15,080
Accrued interest payable				68,054	68,054
Bond anticipation note payable				5,730,000	5,730,000
Due to developer				14,875,929	14,875,929
Total Liabilities	31,810		31,810	20,673,983	20,705,793
Deferred Inflows of Resources					
Deferred property taxes	475,114		475,114		475,114
Fund Balances/Net Position					
Fund Balances					
Unassigned	65,468	(19,394)	46,074	(46,074)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 572,392	\$ (19,394)	\$ 552,998		
Net Position					
Net investment in capital assets				(476,861)	(476,861)
Unrestricted				(13,544,126)	(13,544,126)
Total Net Position				\$ (14,020,987)	\$ (14,020,987)

See notes to basic financial statements.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 59,846	\$ -	\$ 59,846	\$ -	\$ 59,846
Penalties and interest	383		383		383
Investment earnings	12	132	144		144
Total Revenues	60,241	132	60,373		60,373
Expenditures/Expenses					
Operating and administrative					
Professional fees	46,267	306,326	352,593		352,593
Contracted services	32,013		32,013		32,013
Administrative	12,566		12,566		12,566
Other	9,880		9,880		9,880
Capital outlay		4,997,025	4,997,025	(4,997,025)	
Debt service					
Interest and fees				68,054	68,054
Debt issuance costs		206,524	206,524		206,524
Depreciation/amortization				160,087	160,087
Total Expenditures/Expenses	100,726	5,509,875	5,610,601	(4,768,884)	841,717
Revenues Under Expenditures/ Expenses	(40,485)	(5,509,743)	(5,550,228)	4,768,884	(781,344)
Other Financing Sources/(Uses)					
Bond anticipation note proceeds		5,730,000	5,730,000	(5,730,000)	
Repayment of developer advances		(213,725)	(213,725)	213,725	
Developer advances	77,627		77,627	(77,627)	
Internal transfers	25,926	(25,926)			
Other Items					
Transfers to other governments				(7,498,730)	(7,498,730)
Net Change in Fund Balances	63,068	(19,394)	43,674	(43,674)	
Change in Net Position				(8,280,074)	(8,280,074)
Fund Balance/Net Position					
Beginning of the year	2,400	-	2,400	(5,743,313)	(5,740,913)
End of the year	\$ 65,468	\$ (19,394)	\$ 46,074	\$ (14,067,061)	\$ (14,020,987)

See notes to basic financial statements.

(This page intentionally left blank)

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Redbird Ranch Fresh Water Supply District No. 2 of Medina County (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated December 19, 2019, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 53. The Board of Supervisors held its first meeting on February 6, 2020.

The District’s primary activities include construction of water, sewer and drainage, park and recreational, and road facilities within the District. As further discussed in Note 9, the District transfers certain facilities to other entities for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has two governmental funds, both are considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and developer advances. Expenditures include costs associated with the daily operations of the District.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities, road improvements, and park and recreational facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full 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.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2022, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of drainage and road facilities and impact fees paid to the San Antonio Water System, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Impact fees	Remaining life of contract

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2022 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2022 property tax levy, which was levied to finance the 2023 fiscal year.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Supervisors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund and deficit balance in the Capital Projects Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developers; the value of capital assets transferred to other entities and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds	\$	46,074
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Historical cost	\$	6,823,570
Less accumulated depreciation		<u>(216,648)</u>
Change due to capital assets		6,606,922
<p>Bond anticipation notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:</p>		
Bond anticipation note payable		(5,730,000)
Interest payable on bond anticipation note		<u>(68,054)</u>
Change due to BANs payable		(5,798,054)
<p>Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i>.</p>		
		(14,875,929)
Total net position - governmental activities	<u>\$</u>	<u>(14,020,987)</u>

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 43,674

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 4,997,025	
Depreciation expense	(160,087)	
	4,836,938	4,836,938

The District conveys certain infrastructure to San Antonio Water System and Yancey Water Supply Corporation upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the *Statement of Activities*, these amounts are reported as transfers to other governments. (7,498,730)

The issuance of bond anticipation note provides current financial resources to governmental funds. However, this transaction has no effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of bond anticipation note	(5,730,000)	
Interest expense accrual	(68,054)	
	(5,798,054)	(5,798,054)

Amounts received from the District's developer for operating advances provide financial resources at the fund level, but are recorded as a liability in the *Statement of Net Position*. (77,627)

Amounts repaid to the District's developers for operating advances use financial resources at the fund level, but reduce the liability in the *Statement of Net Position*. 213,725

Change in net position of governmental activities \$ (8,280,074)

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2022, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Capital Projects Fund	\$ 77,266	Bond application fees paid by the General Fund

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 3 – Interfund Balances and Transactions (continued)

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

During the current year, the District recognized an internal transfer of \$25,926 between the General Fund and Capital Projects Fund for bond application costs paid in previous fiscal years.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets being depreciated			
Infrastructure	\$ 2,545,244	\$ 1,235,486	\$ 3,780,730
Impact fees		3,042,840	3,042,840
	<u>2,545,244</u>	<u>4,278,326</u>	<u>6,823,570</u>
Less accumulated depreciation/amortization			
Infrastructure	(56,561)	(84,016)	(140,577)
Impact fees		(76,071)	(76,071)
Less accumulated depreciation/amortization	<u>(56,561)</u>	<u>(160,087)</u>	<u>(216,648)</u>
Capital assets, net	<u>\$ 2,488,683</u>	<u>\$ 4,118,239</u>	<u>\$ 6,606,922</u>

Depreciation/amortization expense for the current year was \$160,087.

Note 5 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On September 20, 2022, the District issued a \$5,730,000 BAN with an interest rate of 4.25%, which is due on September 19, 2023. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 14 for additional information.

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	5,730,000
Ending balance	<u>\$ 5,730,000</u>

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District’s developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developers during the year are as follows:

Due to developer, beginning of year	\$ 8,231,996
Developer reimbursements	(4,997,025)
Developer funded construction and adjustments	11,777,056
Operating advances from developer	77,627
Repayment of operating advances	(213,725)
Due to developer, end of year	<u>\$ 14,875,929</u>

In addition, the District will owe the developers approximately \$8,114,951, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Completed
Redbird Ranch Unit 1M-5	\$ 3,679,156	39%
Redbird Ranch Unit 4M-3	4,435,795	62%
	<u>\$ 8,114,951</u>	

At December 31, 2022, the District had \$225,883,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$225,883,000 for the refunding of such bonds; \$102,088,000 for parks and recreational facilities and \$102,088,000 for the refunding of such bonds; and \$121,635,000 for road improvements and \$121,635,000 for the refunding of such bonds.

Note 8 – Property Taxes

On November 3, 2020, the voters of the District authorized the District’s Board of Supervisors to levy taxes annually for use in financing general operations limited to \$1.00 per \$100 of assessed value. In addition, the voters authorized the District’s Board of Supervisors to levy a road maintenance tax limited to \$0.25 per \$100 of assessed value.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 8 – Property Taxes (continued)

All property values and exempt status, if any, are determined by the Medina County Appraisal District and Bexar County Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.00 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$59,846 on the adjusted taxable value of \$5,984,562.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2022 levy collections in the amount of \$87,154 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2022 tax levy of \$475,114 is reported as deferred inflows. These amounts will be recognized as revenue in 2023.

Note 9 – Transfers to Other Governments

In accordance with agreements between the District's developers and San Antonio Water System ("SAWS") and Yancey Water Supply Corporation ("YWSC"), the District transfers all of its water and wastewater facilities to SAWS and YWSC. See Notes 10 and 11 for additional information. Additionally, Bexar County assumes responsibility for the maintenance of certain public roads and drainage facilities constructed within the county limits. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2022, the District reported transfers to other governments in the amount of \$7,498,730 for projects completed and transferred to other entities.

Note 10 – Agreement with Yancey Water Supply Corporation

On March 18, 2009, Continental Homes of Texas, L.P., (the "Developer") entered into a non-standard service agreement with Yancey Water Supply Corporation ("YWSC") for the provision of water service to Redbird Ranch Subdivision ("Property"), which is located within the District's boundaries. The Developer agrees to construct, at its sole cost, the facilities required to extend YWSC's water system to serve approximately 456 single family residential homes within the Property. Upon completion of construction, the facilities shall be conveyed to YWSC for ownership and operation. YWSC will provide water service to the lots within the portion of the Property served by the water system extension, subject to standard rates, fees and charges reflected in YWSC's tariff for such water service. The Developer's rights and obligations have not been assigned to the District as of December 31, 2022.

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Financial Statements
December 31, 2022

Note 11 – Agreements with San Antonio Water System

On June 21, 2004, Red Bird Ranch (the “Developer”) entered into a utility service agreement with San Antonio Water System (“SAWS”) to obtain wastewater collection and treatment service for an approximately 2,000-acre tract of land known as the Red Bird Ranch Tract, which is located within the boundaries of the District. In accordance with the agreement, the Developer will design and construct all on-site and off-site facilities necessary to obtain service from SAWS. The Developer is required to pay impact fees based on the total number of EDUs of capacity required for the development.

On February 12, 2016, Red Bird Legacy Ranch (the “Developer”) and SAWS entered in a utility service agreement for water service to serve an approximately 213-acre tract of land, located within the boundaries of the District. In accordance with the agreement, the Developer will design and construct all on-site and off-site facilities necessary to obtain service from SAWS. The Developer is required to pay impact fees based on the total number of EDUs of capacity required for the development. The Developer will be entitled to the permanent use and benefit of the services and is entitled to receive service from any existing facilities with actual capacity to serve the development.

Capital asset activity during the current year reflects the substance of these agreements based on the District’s obligation to reimburse its developers pursuant to development financing agreements. However, the Developer’s rights and obligations under these agreements have not been assigned to the District as of December 31, 2022.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 13 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers’ willingness to make future operating advances and/or to pay property taxes will directly affect the District’s ability to meet its future obligations.

Note 14 – Subsequent Event

On April 6, 2023, the District approved a preliminary official statement and notice of sale for its Series 2023A and Series 2023B Unlimited Tax Bonds in the amount of \$10,565,000 and \$900,000, respectively. The acceptance of bids and award of sale is scheduled for May 18, 2023. Proceeds of the bonds will primarily be used to repay the Series 2022 Bond Anticipation Note and reimburse developers for amounts currently reported in “Due to developer.”

(This page intentionally left blank)

Required Supplementary Information

***Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2022***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 56,756	\$ 59,846	\$ 3,090
Penalties and interest		383	383
Investment earnings	10	12	2
Total Revenues	<u>56,766</u>	<u>60,241</u>	<u>3,475</u>
Expenditures			
Operating and administrative			
Professional fees	121,500	46,267	75,233
Contracted services	15,000	32,013	(17,013)
Administrative	19,850	12,566	7,284
Other	3,000	9,880	(6,880)
Total Expenditures	<u>159,350</u>	<u>100,726</u>	<u>58,624</u>
Revenues Under Expenditures	(102,584)	(40,485)	62,099
Other Financing Sources			
Internal transfers		25,926	25,926
Developer advances	102,584	77,627	(24,957)
Net Change in Fund Balance		63,068	63,068
Fund Balance			
Beginning of the year	2,400	2,400	
End of the year	<u>\$ 2,400</u>	<u>\$ 65,468</u>	<u>\$ 63,068</u>

Redbird Ranch Fresh Water Supply District No. 2 of Medina County
Notes to Required Supplementary Information
December 31, 2022

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Supervisors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

(This page intentionally left blank)

Texas Supplementary Information

Redbird Ranch Fresh Water Supply No. 2 of Medina County
TSI-1. Services and Rates
December 31, 2022

1. Services provided by the District During the Fiscal Year:

- Retail Water Wholesale Water Solid Waste / Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks / Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): _____

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____	_____	_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

Redbird Ranch Fresh Water Supply No. 2 of Medina County
TSI-1. Services and Rates
December 31, 2022

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons pumped into system:	<u> N/A </u>	Water Accountability Ratio:
Gallons billed to customers:	<u> N/A </u>	(Gallons billed / Gallons pumped)
		<u> N/A </u>

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Bexar County and Medina County

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

City(ies) in which the District is located: _____

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

Entirely Partly Not at all

ETJs in which the District is located: City of San Antonio

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

*Redbird Ranch Fresh Water Supply No. 2 of Medina County
 TSI-2. General Fund Expenditures
 For the Year Ended December 31, 2022*

Professional fees	
Legal	<u>\$ 46,267</u>
Contracted services	
Bookkeeping	17,888
Tax assessor collector	13,400
Appraisal district fees	725
	<u>32,013</u>
Administrative	
Supervisors fees	3,300
Printing and office supplies	723
Insurance	3,119
Other	5,424
	<u>12,566</u>
Other	<u>9,880</u>
Total expenditures	<u>\$ 100,726</u>

See accompanying auditors' report.

Redbird Ranch Fresh Water Supply No. 2 of Medina County
TSI-4. Taxes Levied and Receivable
December 31, 2022

	Maintenance Taxes		
Taxes Receivable, Beginning of Year			\$ 2,912
Adjustments to Prior Year Tax Levy			1,931
Adjusted Receivable			<u>4,843</u>
2022 Original Tax Levy			448,688
Adjustments			26,426
Adjusted Tax Levy			<u>475,114</u>
Total to be accounted for			<u>479,957</u>
Tax collections:			
Current year			87,154
Prior year			4,843
Total Collections			<u>91,997</u>
Taxes Receivable, End of Year			<u>\$ 387,960</u>
Taxes Receivable, By Years			
2022			<u>\$ 387,960</u>
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations:			
Land	\$ 24,269,310	\$ 7,844,312	\$ 6,685,336
Improvements	26,684,520	95,120	2,480
Exemptions	(3,442,427)	(1,954,870)	(6,592,504)
Total Property Valuations	<u>\$ 47,511,403</u>	<u>\$ 5,984,562</u>	<u>\$ 95,312</u>
Tax Rates per \$100 Valuation:			
Maintenance tax rates	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Adjusted Tax Levy:	<u>\$ 475,114</u>	<u>\$ 59,846</u>	<u>\$ 953</u>
Percentage of Taxes Collected to Taxes Levied **	<u>18.34%</u>	<u>100.00%</u>	<u>100.00%</u>

* Maximum Maintenance Tax Rate Approved by Voters: \$1.00 on November 3, 2020

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2020

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Redbird Ranch Fresh Water Supply No. 2 of Medina County
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years

	Amounts		
	2022	2021**	2020**
Revenues			
Property taxes	\$ 59,846	\$ 953	\$ -
Penalties and interest	383		
Miscellaneous		10	
Investment earnings	12	11	8
Total Revenues	<u>60,241</u>	<u>974</u>	<u>8</u>
Expenditures			
Operating and administrative			
Professional fees	46,267	70,892	136,112
Contracted services	32,013	13,599	10,458
Administrative	12,566	12,364	29,496
Other	9,880	2,612	2,723
Total Expenditures	<u>100,726</u>	<u>99,467</u>	<u>178,789</u>
Revenues Under Expenditures	<u>\$ (40,485)</u>	<u>\$ (98,493)</u>	<u>\$ (178,781)</u>

*Percentage is negligible

**Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues		
2022	2021**	2020**
99%	98%	- %
1%		-
	1%	-
*	1%	-
100%	100%	-
77%	7278%	-
53%	1396%	-
21%	1269%	-
16%	268%	-
167%	10211%	-
(67%)	(10111%)	- %

***Redbird Ranch Fresh Water Supply No. 2 of Medina County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended December 31, 2022***

Complete District Mailing Address: 919 Congress Avenue, Suite 1500, Austin, Texas 78701
 District Business Telephone Number: 512-831-0953
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): August 18, 2022
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Michael Kent	5/22 - 5/26	\$ 750		President
Aaron Parenica	5/22 - 5/26	300		Vice President
John Moake	5/20 - 5/24	900		Secretary
Mellick Sykes	5/20 - 5/24	600		Assistant Vice President
Mary Stewart	8/21 - 5/24	750		Assistant Secretary
Consultants				
Allen Boone Humphries Robinson LLP	2020	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 46,875		
<i>Bond counsel</i>		57,303		
Municipal District Services, LLC	2020	22,037		Bookkeeper
Utility Tax Service, LLC	2020	13,400		Tax Collector
Medina County Appraisal District	Legislation	16		Property Valuation
Bexar County Appraisal District	Legislation	709		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2021			Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	2020	69,992		Engineer
McGrath & Co., PLLC	2021	6,600		Auditor
Robert W. Baird & Co.	2020	57,303		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN